High Impact Projects

A Newsletter About Solutions and Creating Exceptional Value

Software Company Closes Six Large Sales in Eight Months (After Closing Zero Sales in the Previous 16 Months)

Discovers That Europe Will Buy "Toolkit" Products, But North American Buyers Demand Whole Solutions

Most of Management Team Replaced After 16 Months of Nonperformance

Successful at Finding the Right Resellers

Consultative Selling Approach Required

Dramatic Shortening of Sales Cycles

By Tom Ingram, PMP

Imagine that you are the owner of a software company that has been struggling for 16 months, yet has produced no sales. Your offering is a "toolkit" set of software that allows customers to build their own custom software solutions for analyzing and interpreting internal data.

Your sales force is struggling. You have had some success in Europe, which resulted in funding to grow the business in the United States, but the things that worked in Europe are clearly not working in the U.S.

You have invested substantial effort in working with resellers and the distribution channel, trying to get them to sell your product – with no results whatsoever. You know that your management team is not getting the job done, but you do not have a clear sense of what to do to fix the situation.

How would you approach this problem? Following is the approach that ROS Software Company (not the company's real name) took

in addressing these problems, which produced spectacular results. Hopefully these lessons can be of use to you as you pursue improvements in your software company.

Some Background: The following comes from an interview with a salesperson for this software company. He requested that neither the company name nor his name be disclosed, so we have renamed the company ROS Software for this case study. Feel free to contact me if you request further validation of the information contained in this case.

ROS Software is headquartered in Europe, where it was successfully able to get to critical mass with its software business. It did this while selling a "toolkit" of software products that enabled customers to solve their own problems in the analysis of critical company data. As mentioned, the company assumed it could follow a similar pattern in the U.S., but met with extreme difficulties – selling nothing in the first 16 months.

This lead salesperson, who came from the customer's industry, and some additional experienced people inside ROS were ultimately able to convince ownership to make the changes needed and alter the direction of the company. After altering direction, ROS closed six large clients in just eight months. According to this sales rep, who I will call Ben, "We had read and understood the concepts described in *Crossing the Chasm* by Geoffrey Moore. We saw the necessity of altering our approach, and were ultimately able to convince management and ownership to get the job done. It was a difficult process."

Note that ROS Software's sales of "toolkit" products in Europe averaged several hundred thousand dollars per sale.

Whole Product Solutions to Customer's Urgent Needs: With the input from Ben and his comrades, ROS altered its offering to include six or seven additional components that were needed by its target customers in order to solve their whole problem. This thought process of seeking to satisfy the full needs of a focused and limited set of customers resulted in an offering that was substantially better than any competitor could offer, and substantially shortened sales cycles.

Reseller Partners Add Substantial Services to Round Out the Whole Product Offering: ROS Software was able to produce these results while working through reseller partners. (Note that resellers are often problematic, at best. Usually, the better approach is to sell to the end customer directly.) In this case, ROS Software's reseller partners were in a position to add substantial services that produced a truly whole and complete solution to the customer's urgent need. As I regularly stress, the objective is that the salesperson calling on the target buyer is viewed by the target buyer as representing a whole spectrum of products and services necessary to solve the buyer's urgent problem.

Most software companies only offer the parts they want to offer (usually, just the super-profitable parts), and leave the customer to fend for themselves for the additional necessary products and services. **This whole product solution to urgent customer needs is perhaps the single most important action that can be taken to reduce sales cycles.**

Results: With the revised approach, ROS Software was able to close six new large clients in eight months.

Some Mistakes to Avoid: Part of why ROS Software stumbled in the U.S. market was that they did not study the attributes of U.S. buyers. The original management team, buoyed by success in Europe, plowed ahead, went public, spent the money – and produced 0 sales in the first 16 months.

ROS Software tried selling its toolkit of software to reseller partners in the U.S. first. This strategy failed. They then tried selling the toolkit to end-user buyers in the U.S., and again, the strategy failed.

Tight Focus on Specific Customer Niches: ROS Software had an initial advantage, which perhaps accounts for their success in closing six new accounts in eight months. They were already focused very narrowly on a specific industry.

Ben and his comrades helped ROS further research its target companies, narrow the focus and prepare a package of product and services. The combination of these activities helped reduce the sales cycles dramatically.

Close to the Customers: As mentioned above, Ben came from the target customer's industry, so he knew the problems, needs and priorities of the customers. Initially, the problem was getting management to listen to those who were close to the customers. After management was replaced, the needs of the target customers surfaced as priorities.

Understood and Helped Reseller Partners: Ben, and some of his

knowledgeable friends within ROS Software, understood the nature of the target resellers. They understood that these resellers could significantly boost their own businesses by helping to sell ROS's software product. Ben and friends helped ROS concentrate on the resellers who offered services that made the whole product solution more compelling, more viable and more effective. Note that this is not a new phenomenon. In the landmark book, *The Innovator's Solution* by Christensen & Raynor, page 107, a case study documents the exceptional growth of angioplasty and how it overtook open-heart surgery in just a few years. The key, according to the case study, was that cardiologists could perform angioplasty (and keep their patient's dollars) rather than referring the patient to a heart surgeon. To say that the cardiologists were "motivated" to sell the new technology of angioplasty would be a gross understatement.
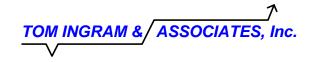
Consultative Approach Required: Ben and his co-workers understood the needs of the customers and understood that a toolkit approach would not work. The target buyers in the United States simply would not put up with the hassle and effort required to fill in all the gaps. The buyer could come up with money, relatively easily, to pay for the consultative services and the consultative approach necessary. Clearly, ROS Software's results show that the customers overwhelmingly prefer a consultative selling approach. Note that this is a very difficult transition for a technology-driven, product-oriented sales force. My experience, in having been hired to train many salespeople in consultative selling, is that few make the transition. You are far better off to cull the sales force very rapidly for those that have experience and the capacity to make the transition to consultative sales. You will also want to hire new people with proven track records in the area of consultative selling.

Europe Tends to be More Willing to be Self-Sufficient: I have noticed this several times throughout my career. In the U.S., we have rapid access to an overwhelming body of technology products, solutions and expert services. (Many would argue that there is far too much of all these available.) In the U.S., if we need a new part, or a new piece of software, typically the longest we have to wait is for an overnight Federal Express shipment.

The technology community in Europe and other developed nations outside the United States do not have access to anything approaching this level of choices and services. As a result, they have learned to become more self-sufficient and are more receptive to buying products that help them be self-sufficient. This is an important observation, that seems to be approaching an axiom. U.S. buyers demand a full solution whereas non-U.S. buyers are much more likely to purchase something where they can gain self-sufficiency on their own.

Summary: As noted by the Documentum success story and several other success stories written by Tom Ingram and Associates, ROS Software was able to execute a repeatable process which was first written down and widely publicized by Geoffrey Moore in the landmark book, *Crossing the Chasm.*

As you read these various case studies in *Crossing the Chasm*, I urge you to note the pattern of things that seems to be consistently working. As many investors can attest, the post-tech boom environment for software companies is horribly difficult. In my view, this consistent pattern of repeatable success is the single greatest ray of hope available to the owners of software companies. Email me at the address below if you would like to see some additional success stories