

An Entrepreneur's Guide to Sales

Sales are vital for startups. Here's a mixture of theory and practical tips.

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Most articles and books on sales are intended for people who sell. In contrast, this article is for the technical founders of a software startup who need to better understand the sales process, with practical tips on how they can be more effective as part of the selling team.

Specifically, we'll review frequent reasons for the sales process being broken, the need for an iterative approach in refining the sales learning curve, key steps in the sales process, preparing for a sales call, sales methodologies, and key sales positions.

Common problems for many software startups are centered around the lack of sales. These problems may result from insufficient marketing, product deficiencies, or problems in the sales organization, and/or a combination of these factors. (See Figure 1.)

Early Stage Sales Problems Flowchart

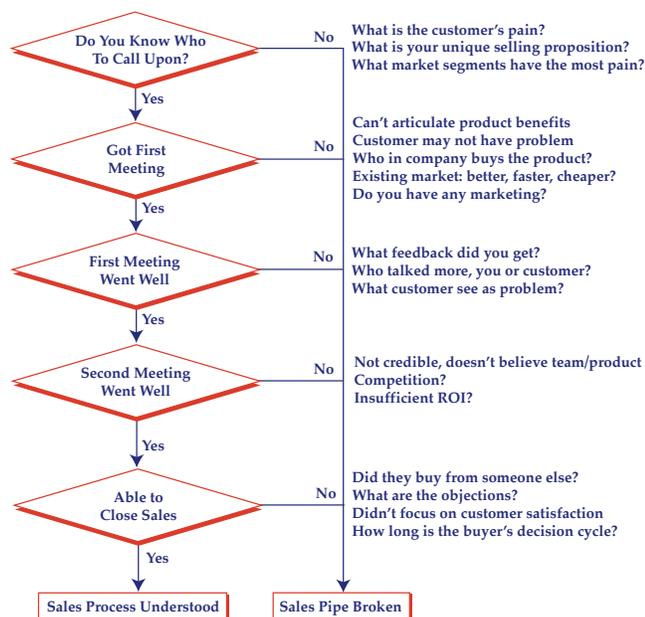


Figure 1 — Early-Stage Problems Flowchart

Mark Leslie and Charles Holloway (Harvard Business Review, July 2006) developed the Sales Learning Curve framework. It tracks the contribution margin per sales representative (sales yield) against the number of customer transactions. They observe that organizational learning occurs with initial sales attempts. They advise companies to remain small and use a small team with the

necessary skills and patience to lead the company through an iterative learning process that may include changing marketing messages, refining the product, or changing sales tactics.

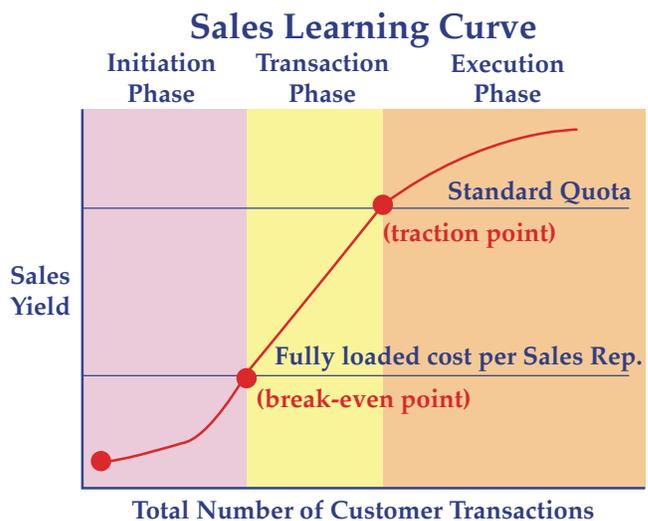


Figure 2 — Sales Learning Curve

Until you're down the sales learning curve (Figure 2), you don't really know what it takes to sell your product or service. Once the sales process is understood, the sales force can be rapidly scaled up. Until the sales process is understood, scaling up is a costly waste of money.

Developing a Sales Process

A sales process is the means by which leads are converted to qualified prospects, the product is demonstrated and evaluated, a proposal is generated, a contract is negotiated, and the sale is closed.

In a startup, developing the sales process is the responsibility of the sales president and one or more of the founders. It is inappropriate to ask salespeople to do this, since they regard objections as things to be overcome rather than possible indications that their sales approach needs to be changed.

Steve Blank in his book *Four Steps to the Epiphany* does an excellent job of describing the iterative approach necessary to refining the sales process.

The sales process can be visualized as a sales pipe (Figure 3).

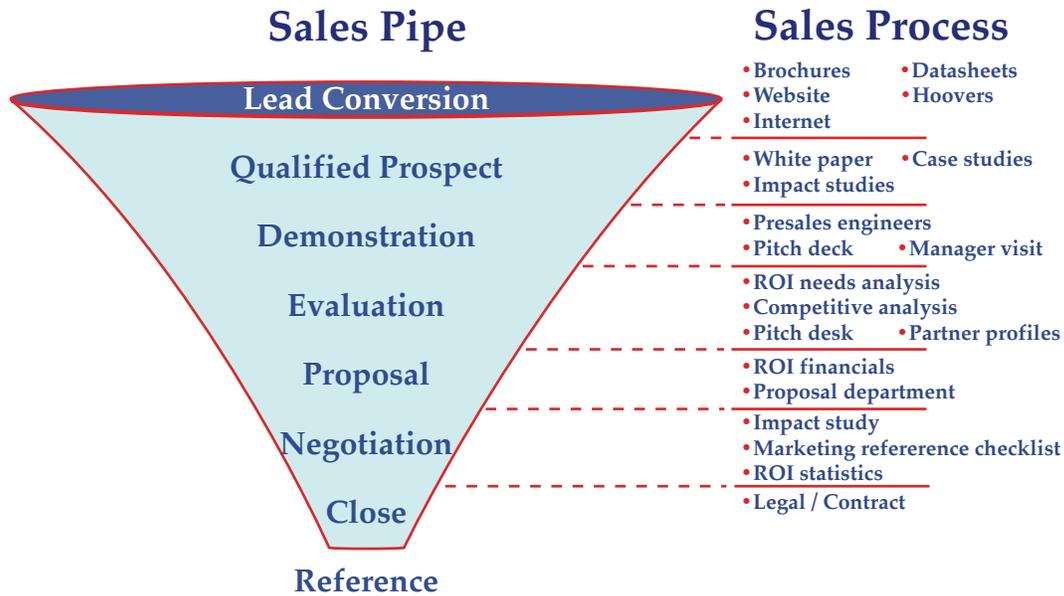


Figure 3 — Sales Pipe

The sales pipe reduces in size with each step, owing to the disqualification and attrition of prospects. An important function of marketing communication is to generate sales leads from the company’s advertising, trade show, direct mail, and public relations efforts. Ideally, these leads are provided in a timely fashion, along with additional information that helps provide some preliminary lead qualification.

Lead Generation for the Complex Sale, by Brian Carroll, details first the need to define your ideal “leads” and target customers. Second, he notes that is essential for marketing and sales to work together to optimize the number and quality of prospects through lead-generation programs, including email, trade shows, referrals, public relations, speaking events, webinars, phone, direct mail, blogging, podcasting, etc.

In qualifying a suspect into a prospect, it is just as important to identify the criteria for not selling to a potential prospect as it is to identify positive buying criteria. It is vital that the majority of your initial customers be satisfied and be able to serve as future reference accounts.

Figure 4 shows an example of a flowchart for processing leads and qualifying a prospect.

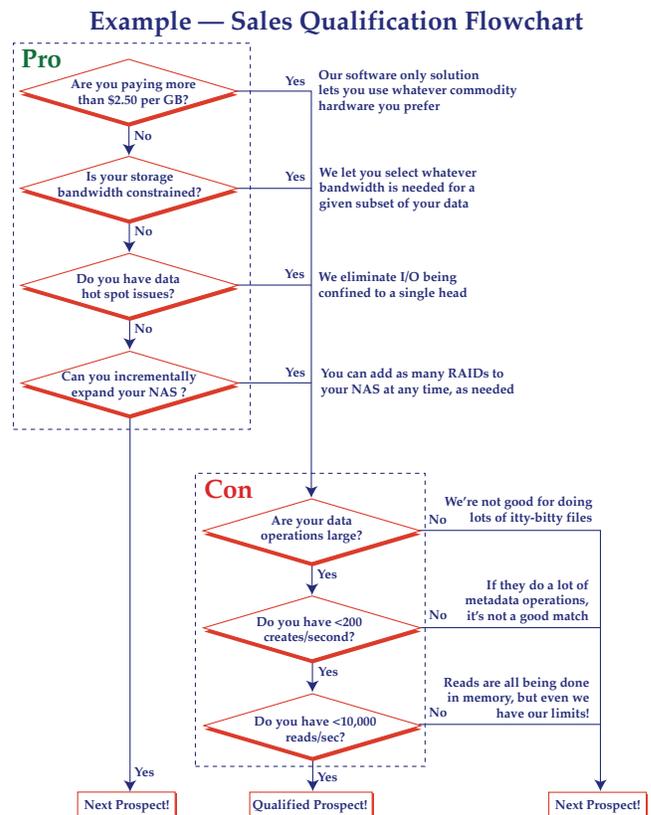


Figure 4 — Sales Qualification Flowchart

Additionally, when your prospective customer has been accurately defined, you can best select the appropriate channel(s) for selling your product or service, e.g., direct, indirect, telemarketing, web, open source, etc.

This is a critical decision since your company's cost structure will be largely determined by the channels and their required margins. For a software company to change its channels is frequently "a bet your company decision."

Rehearse the way you will demonstrate your product or service. Peter Cohan's *Great Demo!* provides considerable useful advice on how best to do this. Resist demonstrating all features—boring customers and losing sales. Instead, show only the features relevant to that customer/prospect.

Refine a presentation and a product concept in response to prospect feedback. A successful VP of sales at a large company had joined a three-man software startup. By virtue of his connections and his reputation he had been able to secure more than thirty appointments with executives in companies able to purchase his new company's offering. It was a two-hour presentation that addressed many features and needs that a prospect might have. No interest had been expressed for a second meeting. When asked how the presentation had changed since the first prospect had seen it, his answer "It's a good presentation. What we need to find are smarter prospects!"

He was hired too soon—a different person was needed to debug and refine their sales process—whereas he was the right person to grow their sales organization.

Key to a successful proposal is being able to articulate the savings your product or service will provide to a customer. Fundamentally, this is the difference between selling a headache remedy and vitamins—one is essential, the other is nice to have. *ROI Selling* by Michael Nick and Kurt Koenig provides considerable advice on how best to add return on investment (ROI) financial justifications to proposals.

The activities in the middle of the sales cycle require the most work by a sales representative. If this work has been done adequately, typically little work is required to negotiate and close a deal.

When you begin to close, luck and uncertainty should have been eliminated from the sales process.

Measuring the Sales Process

With the advent of CRM (customer relationship management) software, it has become common to use metrics provided by the software to provide better sales forecasts of the sales pipe or sales funnel.

Careful and judicious use of sales metrics can give important insight to the overall sales effort and productivity; but, can be challenging to apply meaningfully to complex sales situations.

A prospecting cycle is the time required to find, identify, and frame a sales opportunity (Lead Conversion to

Qualified Prospect). The length of the sales cycle is the difference between the date a deal closed and the date the opportunity was first forecast (Qualified Prospect to Close).

Do Your Homework and Prepare

The larger the prospect, the more time you need to invest researching that prospect before your first meeting. At minimum, you must have reviewed their website and developed some familiarity with its business.

"When I am getting ready to reason with a man, I spend one-third of my time thinking about myself and what I am going to say and two-thirds about him and what he is going to say.

—Abraham Lincoln

Develop an internal FAQ (frequently asked questions) list and practice giving the responses to these questions. As new questions are encountered in your meetings, this FAQ list should be updated and expanded.

When Synopsys, now a major electronic design automation firm, was starting out with their first product, they stressed the need to start your new chip project by designing it in a new language, Verilog, that ultimately became a standard for chip design. But if the Synopsys product didn't perform as advertised, there wasn't another automated path from Verilog to a gate level representation that could be fabricated. So companies were leery of losing time to market on a path that might fail. At the same time, it was common for some chips to be too large to fit into a low cost package or substrate configuration.

Synopsys could also take in a gate-level netlist and reduce the size so that it would sometimes fit. This model gained early acceptance because a prospect's other choice was a costly re-design. Instead of imposing the pain of learning a new language, Synopsys looked for teams that were in pain because their designs were too large (who who turned out to be motivated buyers once the smaller results were presented to them).

Selling Yourself

Founders must sell.

Steve Blank, serial entrepreneur

A salesperson sells him-/herself first, followed by the company, and, finally, the product. As a founder, you will improve the likelihood of getting second meetings by improving your personal interaction skills. These skills were observed by Dale Carnegie in the course of his sales-training business experiences and documented in his 1937 book, *How to Win Friends and Influence People*. Many consider this book as the principal source of ideas that drove traditional selling for much of the 20th century.

Sales Methodologies

In the 1960s, analysis of top-selling salespeople at companies such as IBM and Xerox revealed that they achieved their success by their long-term customer relationships in which they became viewed as trusted advisors. This led to a seismic change in the view of sales: as a process instead of a series of behaviors—in short a sales methodology.

Books on selling methods share more similarities than differences. What is important is that a sales organization select one selling approach, stick with it, and enforce it with everyone. Why? Having everyone use a common vocabulary ensures that a given term means the same thing to everyone, avoiding confusion.

Lori Harmon, VP and General Manager, Verisign.

Key Sales Positions

Early-stage startups face unique challenges and need someone who is very familiar with closing the first few deals. An entrepreneurial director or VP of sales is ideal for working alongside the founders (remember, “Founders must sell”) and debugging the sales process while the founders debug the product. Once the sales process is well understood, bringing in a sales director or VP with large-company experience can be valuable for scaling up and managing a large sales effort. It’s key to remember that startups addressing new markets require unique sales skills: do not hire a large number of experienced salespeople until the organization is much larger.

A senior marketing person should be able to assess early market opportunities and target markets, gather intelligence on customers and competitors, generate leads for possible sales, write proposals and develop business models. Acting in a business-development role, this person creates and manages strategic relationships.

Rainmakers are top producers who consistently make money for themselves and their company. These salespersons are excellent at building customer relationships, creating loyalty, and obtaining repeat business. Top-producing sales staff will often be the highest-paid employees in a company, even including the executive staff. An account farmer focuses on cultivating existing clients and seeks new accounts with great reluctance. This individual can be ideal for maintaining customer relationships and obtaining repeat business.

Summary

Sales—even sales in an early-stage startup—benefit from a systematic approach. You can debug and refine your sales process in the same way you can debug and refine your product and your product-development process. Developing a model for sales that is repeatable and scal-

able is essential to moving down the learning curve for sales. It requires preparation, rehearsal, and the development of good interpersonal skills.

“Founders must sell” not only because early on there may be problems with the product concept or business model in addition to the sales presentation or sales approach, but also because selling is the only way they can understand how these factors interact and support each other. To continue to be part of the management team as the company grows, the founders need a fundamental understanding of the sales process and how to continue to engineer and evolve it as the new markets and new products are added to the mix.

About the Authors



Sean Murphy is an independent consultant for customer development in the software industry. He has 25 years of experience as a software engineer, engineering manager, project manager, business-development specialist, and product marketer. Sean has a BS in Mathematical Sciences and an MS in Engineering-Economic Systems from Stanford University.



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