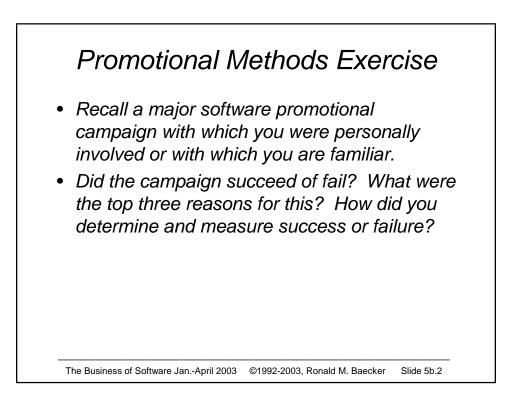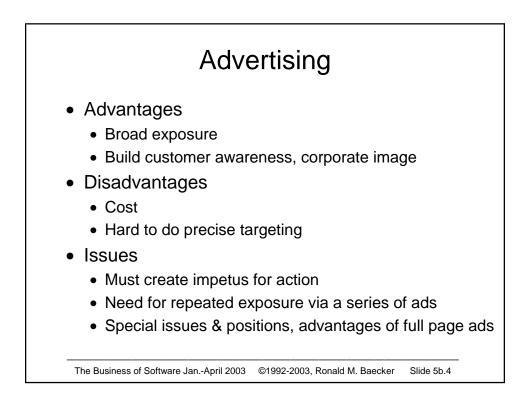# Vb. Sales of Software Services and Products

- Promotional Methods Exercise
- Reaching Your Customer
- Corporate Identity, Corporate Image Design
- The Sales Process
- Relationships with Your Customers
- Sales Management and Support

Promotional Methods Exercise

- *Recall a major software promotional campaign with which you were personally involved or with which you are familiar.*
- *Did the campaign succeed of fail? What were the top three reasons for this? How did you determine and measure success or failure?*
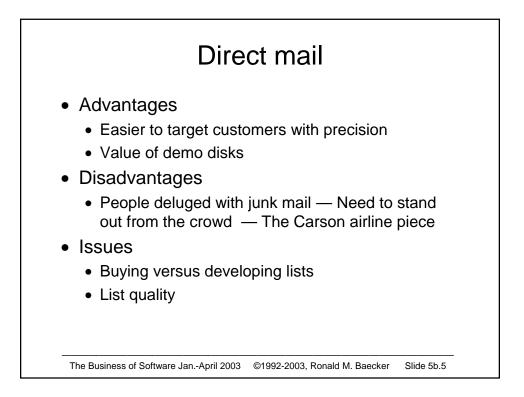
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Reaching Your Customer

- *Consider carefully various methods of promoting your company and product and reaching your customer, including but not limited to (#37):*
  - Advertising
  - Direct mail
  - Trade shows
  - Seminars
  - Articles and reviews
  - Industry participation
  - Public relations
  - Relationship building and word-of-mouth
  - Uses of the Internet
- E.g., Corel spent 49% of rev. on marketing, sales, G&A (FY95)

Advertising

- Advantages
  - Broad exposure
  - Build customer awareness, corporate image
- Disadvantages
  - Cost
  - Hard to do precise targeting
- Issues
  - Must create impetus for action
  - Need for repeated exposure via a series of ads
  - Special issues & positions, advantages of full page ads

Direct mail

- Advantages
  - Easier to target customers with precision
  - Value of demo disks
- Disadvantages
  - People deluged with junk mail — Need to stand out from the crowd — The Carson airline piece
- Issues
  - Buying versus developing lists
  - List quality

Trade shows

- *Use the trade show not only as an efficient method for reaching your potential customers and talking to your customers, but for building strategic alliances, carrying out corporate intelligence, and building morale and customer awareness within your company. Effective use of trade shows requires careful planning before the show, skillful execution at the show, and systematic follow-up after the show. (#38)*

Trade show advantages

- Focuses attention and effort on achieving significant milestones
- If well targeted, can reach significant numbers of potential customers
- Opportunities for enhancing corporate intelligence, pursuing strategic alliances
- For staff, can be both a learning and an exhilarating experience

Trade show disadvantages

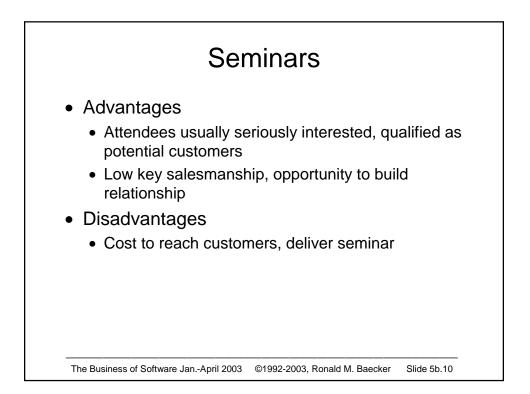- High cost — space, travel, people, equipment, materials
- Disruption

Effective use of the trade show

- Before the show
  - Planning, e.g., Show Guide
  - Preparation of marketing materials, exhibit, booth
- During the show
  - Give one or more talks
  - Staffing the booth
  - Staff communications and daily debriefings
  - Record keeping and follow-up
- After the show
  - Post mortem
  - Prompt follow-up with suspects and prospects

Seminars

- Advantages
  - Attendees usually seriously interested, qualified as potential customers
  - Low key salesmanship, opportunity to build relationship
- Disadvantages
  - Cost to reach customers, deliver seminar

Seminars (cont'd)

- Example: Q.W.Page NewViews
  - 10-20% of attendees buy within 30 days, then suggest buy to 2.5 others within 90 days
- Example: WK Information Systems
  - Coast-to-coast tours after new release
  - Information more than pitching
  - Mix prospects with existing customers

Articles and reviews

- Advantages
  - Good advertising, because it is not advertising
  - Builds credentials, credibility
  - Low cost
- Disadvantages
  - Hard to get a review — You must be persistent!
  - Make sure you are ready — A bad review can kill a product!

Industry participation

- Advantages
  - Builds connections, credentials, credibility
  - Especially important for service business
  - Example: the late Yuri Rubinsky, SoftQuad
- Disadvantages
  - Can devour time
- Do something dramatic and memorable, e.g., the SoftQuad G7 Web site

Public relations

- Advantages
  - Helps in getting press attention and reviews
  - "1$ in PR worth $1000 in ads" (Mike Abramsky)
- Disadvantages
  - Indirect, thus may be or seem to be costly
  - Need persistence and imagination to get the attention of the media
  - Hard to get reviews even with help before you are known and before you have market share
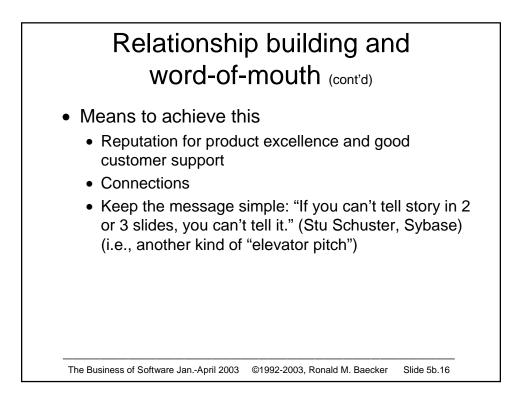 - Watch your ego!

Relationship building and word-of-mouth

- *The best publicity is that which spreads by word of mouth from satisfied customers and respected industry participants. (#39)*

- Cultivate the "industry infrastructure" of gurus, luminaries, analysts, journalists, distributors, and dealers; try to guarantee that these 10% know the value of your product or service, for they will influence the other 90% via word-of-mouth.

Relationship building and word-of-mouth (cont'd)

- Means to achieve this
  - Reputation for product excellence and good customer support
  - Connections
  - Keep the message simple: "If you can't tell story in 2 or 3 slides, you can't tell it." (Stu Schuster, Sybase) (i.e., another kind of "elevator pitch")

Uses of the Internet

- Electronic advertising and direct mail
- The potential: some anecdotes
  - SGI questionnaire: fill it in to win a work-station — Result: many high quality leads
  - Ability to improve and reduce the cost of customer service, e.g., Federal Express

Uses of the Internet (cont'd)

- Issues
  - To stimulate customer awareness and attract readers, still need promotion, e.g., seeding Web indexes and email lists
  - Role of contests, promotions, giveaways
  - Standing out from the crowd with attractive, interactive, clear, well organized Web pages
  - Large new marketing cost

Corporate Identity and Corporate Image Design

- *Carefully design your product name, logo, and literature to assert forcefully and consistently who you are and what you do and make. (#40)*

- "Appearances are everything for a software company." (Scott Welch, SoftArc)
- "Think like a big company while you're small. Think like a small company when you get big." (Revett Eldred, Minerva)

The roles of identity and image

- Corporate identity: who you are
- Corporate image: who the world thinks you are (assuming "they" know you exist)
- Step 1: Understand, define, establish your identity (sharp focus, precise objectives, narrow market niche)
- Step 2: Establish an image through good design and promotion
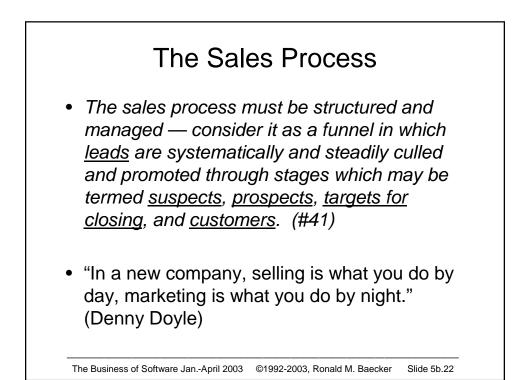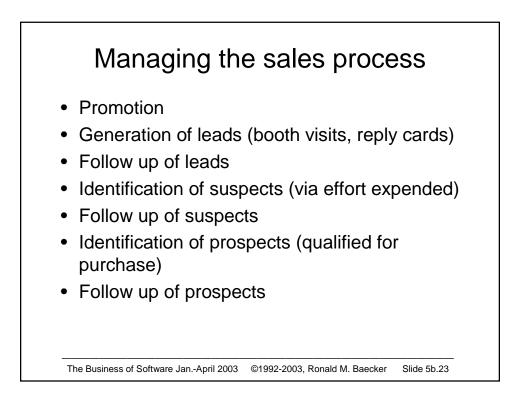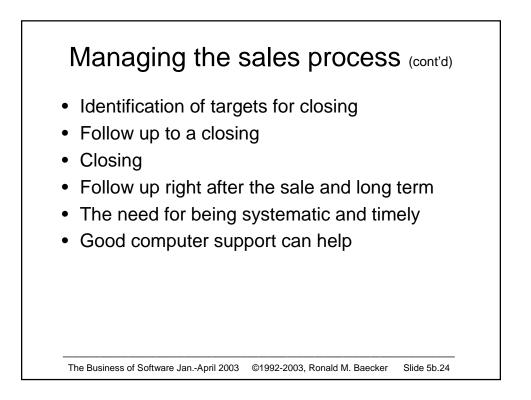- Step 3: Make sure image = identity, otherwise go back to Step 2

Elements of the corporate identity and image program

- Company name and logo
- Corp. brochure, identity ad, newsletter, etc.
- Elements of the product identity and image program to be described later
- Complexity not necessarily a virtue
- Imagination a virtue, e.g., Ron Zambonini and Cognos video made just for Peoplesoft

The Sales Process

- *The sales process must be structured and managed — consider it as a funnel in which <u>leads</u> are systematically and steadily culled and promoted through stages which may be termed <u>suspects</u>, <u>prospects</u>, <u>targets for closing</u>, and <u>customers</u>. (#41)*

- "In a new company, selling is what you do by day, marketing is what you do by night." (Denny Doyle)

Managing the sales process

- Promotion
- Generation of leads (booth visits, reply cards)
- Follow up of leads
- Identification of suspects (via effort expended)
- Follow up of suspects
- Identification of prospects (qualified for purchase)
- Follow up of prospects

Managing the sales process (cont'd)

- Identification of targets for closing
- Follow up to a closing
- Closing
- Follow up right after the sale and long term
- The need for being systematic and timely
- Good computer support can help

Sales process economics

- The size of the software sale
  - The $500,000 contract sale
  - The $50,000 contract or product sale
  - The $5,000 contract or product sale
  - The $500 product sale
  - The $50 product sale
- As size of sale decreases...
  - Increasing use of channels
  - Increasing need for sale in volume to the "right" customer

Relationships with Customers

- *View your relationship with your customer, in Levitt's words, as "a marriage, not as a one-night stand." Thoughtful and attentive concern for your customers' well being will often lead to the desirable goals of repeat business, good word of mouth, and new product ideas. (#42)*

- "Customers don't leave because of price, or service, but because of neglect." (Martin Waters, Locus Computing, now Platinum Solutions, claiming 90% repeat business)

Relationship management

- Things to do
  - Make sure deal doesn't go sour; monitor it through phases, milestones, and shipments
  - Avoid misunderstandings
  - Support the customer by hearing problems, providing sources of expertise and assistance
- Likely results
  - Forestalling product returns
  - Getting reputation, reference accounts, repeat business, potential new customers

Customers and new products

- Statistics Canada 1989 survey of almost 1,500 companies with average annual sales of $6.6M asking about their sources of product innovation, on a scale of 0 to 5
  - 3.51 — customers
  - 3.14 — own managers
  - 2.84 — suppliers
  - Less than 2.5 — marketing, competitors, production, government contracts, R&D dept., ...

Customers and new products (cont'd)

- Example: Delrina
  - As a VAR, got idea for business forms software from customers
  - At Comdex'90, realized how big fax software would be because of huge show response

Sales Management and Support

- *Pay careful attention to the management of sales personnel and sales managers; structure thoughtfully a system of financial incentives and rewards keyed to agreed-upon performance objectives, backed up by an infrastructure of effective administration, sales training, and technical support. (#43)*

Management of sales personnel

- Setting priorities, targets, and quotas
- Assigning territories
- Advising on timing, when to follow up, when to give up
- Providing support — people, resources

Compensation of sales personnel

- Incentive-based: base salary + incentive
- Base — typically 1/2 to 3/4 of target income
- Incentive component — Achieve target income if quota is met
- Non-linearity for performance above quota
- Issues — draws, expenses

Sales representatives and distributors

- Advantages
  - Low up-front cost
  - Avoids setting up office, legal steps, etc.
  - Allows penetration of new geographic areas
- Disadvantages
  - Low commitment to company and products
  - Time split in many ways
  - Lack of good product knowledge

Sales representatives and distributors (cont'd)

- Issues
  - "Exclusivity" (product, territory, channel)
  - Non-competition by you, channel conflict
  - Performance guarantees
  - Duration — renewal or disengagement

Sales training and support

- The need for sales training (Example: IBM)
- Sales aids
  - Corporate and product literature
  - Demos and video tapes
  - Testimonials and demos from reference accounts
  - Confidential product plans, competitive analyses
- Pre-sales support
- Post-sales support