

## **Retooling for the Recession**

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### **Seven Changes to Make on a Rainy Day**

You bet. It's time to buckle up. Change the way you do things. Take advantage of what you have and start improving your bottom line today. Polish the car and get it serviced instead of buying a new one. Paint the house instead of moving. Focus on local festivals instead of traveling to new continents. In other words, take this time to re-examine what's real today. Fix it. Make it better. Benefit from it.

If you are in business today you have customers, real live people who depend on your product to get their work done. You have a market that works. It may be soft, but you know that it works. Under normal conditions the organizations in those markets need your solution. So why not take this time to capitalize on your existing customers and re-sell into your market? Polish your organization. Re-paint your product. Focus on your market. Stay home.

### **Capitalizing on the elusive "Network Effect"**

Many promises were made (perhaps by YOU) about "viral marketing" or the "network-effect". It was supposed to give you more customers automatically, at low cost of sales because your customers would introduce your product to their customers (or suppliers) and they would introduce it to THEIR customers, etc. etc. until you magically had 80% market share and zero cost of sales. That didn't happen, did it? Why it didn't is the key to revitalizing your company.

It has failed because of challenges that you haven't addressed:

- Real product adoption within your customers takes more work than you've given it.
- "Supply chain collaboration" is harder than it sounds
- Your sales organization is not set up to sell to your customer's customers or suppliers.
- Your marketing and partnering efforts were not re-engineered to make it work

Take this time to change your organization and capitalize on what is real - your current customers and your market. Following are seven easy steps to

help you get there.

### **1. Change how you measure Customer Support and Services.**

Today, most customer support and professional service teams are measured on customer satisfaction. You should measure how many current users are using the product - including the new modules and features. Do your current customers need more users? Not until everyone who could use it does use it.

I had a team at a large telecommunications company, and they were measured not just on the "smile meter" of customer satisfaction, but on moving adoption from group to group. In two years we went from a pilot of 300 users in one product organization to 8,000+ users spanning five teams. The lesson: satisfaction is nice, but adoption is the prerequisite of success.

### **2. Change market research to account research.**

It's time to stop talking about vertical market strategies and focus on specific account strategies. Examples:

- To make the network-effect work you need a map of the network. Map the supply chain of your customers account by account. Look for multiple points of influence. Find a supplier to four or five of your key customers and you'll find an interested prospect.
- Research changes in the executive ranks of your customers and your targeted prospects. My experience is that almost all new initiatives that involve significant technological investment occur within 6 months of one or more new key executives joining the company. After all, they were recruited because change was needed. Use this as a key indicator.

### **3. Change the way you work with your customers.**

To make the network effect work requires involving your customers. Get a letter of introduction from individuals at your customer that you can use as a door opener at their relationship accounts. Perhaps you'd like to involve them economically by giving them a "finder fee" for helping you get business. But be careful and clever about what you offer.

Remember it is real people who will help you so the incentive should help them personally (but not directly in their pocket)! It should be something of value that helps them get their job done better or use your product better. Offer incentives such as additional licenses, training credits, or trade show and conference passes, etc. If you simply offer the customer a direct "fee" it

may not go to person's budget who helps you and therefore is of less personal value.

#### **4. Change sales "territories".**

Almost no sales model I've seen is set up to take advantage of the network effect. Say your large New York customer in Banking could give you great leads into several medium sized printers in Chicago. Well guess what? They're in the wrong vertical, in the wrong state, and they're the wrong size account.

How in the world do expect the New York large account Banking team to pass on the lead to the Midwest mid-market printing and publishing team? Change the rules to make this work or it won't work. Let sales teams follow the network by registering their "network" or provide incentives and credit for involving other teams. This requires creative territory compensation plans but to ignore it is to insure failure of the network effect potential.

#### **5. Change the Compensation Plans.**

Today almost every software company I talk to is experiencing lower initial size deal size and longer sales cycles. Companies want to be sure that the software will work and really be used before they invest. Even renewals with existing customers can require rejustification. Changes you can make right away:

- Pay reps a higher rate for paid pilot programs. The dollar amount of the transaction may be low but it's the best proof that a customer is interested and will move forward with proven success.
- Pay reps for renewals. Two years ago they were automatic. Today they have to be earned.
- Pay "new account" bonuses. New customers are smaller in initial value today but you'll need them to grow your business. Make it worth the sales reps' time.

#### **6. Change how product development prioritizes new features.**

This is simple. Customers are your number one priority. If your customers are happy, you will be introduced to new prospects (network effect), you will make more money on maintenance renewals, and you will improve adoption for enterprise-wide deployment. So, how do you make your customers exceedingly happy? Include them in the development process. The old strategy may have been to include just enough customer feature requests to

mollify them. Today this just isn't good enough. Instead of spending only 20% of your development efforts on your customer's needs, and 80% of your time on new technology or new markets, flip it around. After all, you are relying on them to get you through these soft times.

## **7. Change the success criteria for partners and partner programs.**

A partnership is no longer successful just because it made your website. You can have a list of 100 partners, but if they aren't aligned with your new strategy, it just won't help the bottom line. Use the network effect with your partner's customers. Include them in your network effect territory planning. Hold them responsible for adoption. Include them in development meetings. Partners are a resource, but they must be treated as an integral part of your organization or they are just taking up resources across the company - resources you no longer have.

This is not the first down market. The cardinal rule has always been you must survive before you thrive. Just cutting costs (and headcount) is not sufficient. You must be creative and inventive. Those who recognize this as an opportunity will make significant changes to their organization, continue to improve the bottom line and be better prepared when the rainy day is over and the sun starts to shine.

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*He has grown startup organizations to over \$50mm and \$50mm organizations to over \$300mm in revenue. Tom has developed and implemented go-to-market strategies for companies such as Taleo in workforce logistics, MS2, in product lifecycle management, Extricity in B-to-B commerce, and I2 in supply chain management.*

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