



Technology Sales & Sales Management

Fall 2011

Instructors: Howard Anderson & Lou Shipley

Class Dates: September 7 – December 14

Class Time: T-Th 4:00-5:30

Overview

*“There are damn few hunters ... but everyone likes to eat meat.”
– Jim Brown, NFL Hall of Fame*

Nothing happens until a sale is made. That simple point underlines the critical importance of sales to the entrepreneur. Almost every business plan “assumes” a certain amount of sales, but that assumption is the tipping point. Without sales, the entire business model is an exercise in frustration and futility.

The entrepreneur must not only understand the sales process but also embrace that the ability to sell is the *single most critical success factor* of any new enterprise. This course does not approach sales from the vaunted perspective of ‘strategy’. It gets right into the very practical and tactical ins and outs of how to sell technical products to a sophisticated marketplace. Then it moves into the more complex subject of how to build and manage a sales force. The course covers subjects such as building compensation systems for a sales force, assigning territories, resolving disputes, and dealing with channel conflicts.

In a larger sense, the entrepreneur and the manager has to “sell” his or her vision to perspective employees, to angel and venture investors and to strategic partners. While all true and all necessary, this course focuses directly on selling to customers, whether that is through a direct sales force, a channel sales force, or building an OEM relationship. Sales is the one function that cannot hide behind the veil of corporate doubletalk; sales goals are either made or not made. Every entrepreneurial activity leverages off of that single fact. Markets are not totally rational organizations and the firms with the best sales teams will usually win.

“The company with the best sales force wins”

One common misconception is that product innovation alone is a winning tactic. It is not. Often the critical success factor is exactly how a firm goes to market – with its sales force. But the rules have changed – innovations like “freemium” models and social networking are changing the status quo.

As a company evolves through its formation to an enterprise, the sales force also evolves – and becomes more complex. This course starts with sales skills and then evolves into using sophisticated management to grow and scale a sales force, dealing with complex subjects like compensation, channel conflict, and mergers.



15.387 Technology Sales & Sales Management

Instructors

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Tasks

Class Participation is a requirement. We will cold call students on a regular basis. There will be several oral and written assignments. There will not be a final exam. Each class will be 80 minutes long and will be broken into three parts: a lecture on a specific aspect of sales or sales force management, a discussion of either a business case or a reading, and a series of student presentations in front of the class.

Missing Class

More than one unexcused absence will affect your final grade.

Grading

15.387 must be taken for a letter grade and cannot be taken Pass/D/Fail.

- Class Participation: 25%
- Take a Sales Manager and a Salesperson to Lunch 25%
- Video recording sessions: 25%
- Assignments: 25%

Textbook

Professional Selling & Sales Management by Ralph W. Jackson, Robert D. Hisrich, Stephen J. Newell
Published by Northcoast Publishers Inc. ISBN: 9781933583358. Purchase here: <http://bit.ly/mittechsales>



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Assignments

There are two main types of assignments: written assignments and video role play assignments. Written assignments consist of a) short, written case preparations for class and b) two 2-page papers based on interviews with sales professionals.

Written Assignments

Case Preparations – Date due: see below schedule for details, submit through Stellar

Every class is associated with a short assignment, posted on Stellar. All students are required to be ready to discuss these assignments. You are required to turn in **5 written assignments over the course of the class.**

Please form groups of two students. Your assignments are set according to your Group Designation based on your last name (A or B) as listed in the schedule above. If either of the two members' last names begins with A- M, they are in Group A; if both last names begin with N-Z, they are in Group B. For example, if your TAs Damien Peters and Michael Shafirir were going to team up, they would be in "B" because neither of their last names begins with A- M.

Assignments must be submitted through Stellar. Aside from listing how you would go about presenting (bullet points are ok), assignments must illustrate which of the techniques learned in the class should be used to address the particular issue. Grades will be check, check plus or check minus. **Independently of turning in the written assignment, you must always come to class prepared to discuss the assignment and case at issue.**

Take a Sales Person to Lunch Assignment - Date due: September 22 before class, Stellar

You are to identify, get an appointment and meet with an experienced salesperson about what it means to be an effective salesperson. Discuss the requirements to become a good salesperson, as well as other relevant matters (territory management, incentives, information systems, etc.). Write the insights that you learned in 2 pages max. Interview can be done with your partner but you must turn in **separate** assignments. Do not interview one of your classmates, but you may, of course, use your classmates for help in finding a salesperson to interview. You might want to consider interviewing a salesperson in the industry in which you hope to work upon graduation.

Take a Sales Manager to Lunch Assignment - Date due: October 18 before class, Stellar

You are to identify, get an appointment and meet with an experienced sales manager about what it means to be an effective salesman and an effective sales manager. Discuss the differences between a good salesperson and a good sales manager, as well as other relevant matters (territory management, incentives, information systems, etc.). Write the insights that you learned in 2 pages max. Interview can be done with your partner but you must turn in **separate** assignments. Find a different company than the one you profiled in the previous interview. Again, no classmates.

Final Assignment: Team Sales Competition – Teams of 4 will pitch in 2 minutes a technology product to a panel of experts. Each group will be selling the same product. Every team member must participate!

If you have questions about the written assignments, please contact the TAs.



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Schedule of Written Assignments

Class	Date	Class Title	Case & Assignments	Write-up Group
1	9/8	Technology Sales	Assignment 1A: Diver's Delight Assignment 1B: Volt vs. Leaf JHN Ch. 2 (15-39) <u>Teams of two submitted to TAs</u>	Both
2	9/13	Approach, Presentation & Demonstration	Assignment 2: Power Miser JHN Ch. 6 – p.97-116	A
3	9/15	Product Knowledge	Assignment 3: Delphi Software Carly Fiorina Article, Fast Company	B
4	9/20	Prospecting	Assignment 4: Pill Caddy JHN p83-95	A
5	9/22	Handling Objectives / Selling Solutions	Assignment 5: Carol Electronics Bosworth: Selling Solutions <u>DUE: "Take a Sales Person to Lunch"</u> <u>2-page Written Report</u>	B
6	9/27	Designing Sales Territories	Assignment 6: Grid Pro JHN p202-220	A
7	9/29	Setting Quotas & Compensation	Assignment 7: Charles Matrix Greylock JHN p223-266, p285-303	B
8	10/4	Sales Training & Forecasting	Assignment 8: Catherine A & B <u>Teams of four submitted to TAs for team sell competition</u>	A
9	10/6	Sales Management: Hiring & Firing	Assignment 9: GlobalView + Mary Maloney JHN Ch. 16 – p305-320	B
10	10/6	The Close and Selling Intangibles	Assignment 10: Morgan Care JHN Ch. 9 – p157-181	A
11	10/13	Team Selling	Assignment 11: AVA MAC Sales Learning Curve; HBR Article <u>DUE: "Take a Sales Manager to Lunch"</u> <u>Written Report</u>	B
12	10/18	Introduction to Simulation	EchoPort Stanford Case	A
13	10/20	Channel Problems	Tom Thumb	B
14	11/1	Merger Problems	Bay Networks A	A
15	11/3	Territory Problems	Bay Networks B	B
16	11/8	Freemium	Pandora Radio	A



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			HBS 9-610-077	
17	11/10	Sales Compensation	Outerbay/EMC Stanford GSB Case E-177	B
18	11/15	Selling to the Enterprise	Spiderweb	A
19	11/17	Integrating Sales Forces	Veritas A,B,C Stanford GSB SM120 A,B,C	B
20	11/22	Sales Force Reorg	Mercado Stanford Case E296	A
21	11/29	Life of a Regional SM	NetaApp A Stanford E263	B
22	12/1	Discussion	Net App	A
23	12/6	Impact of Social Nets	Metabical HBS 4240	B
24	12/8	Evolution of a Sales Model	Jive Software Stanford GSB Case E-360	Both
25	12/13	Team Sell Competition	Echoport Results	Both



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Video Role Play Assignments

Video role play sessions – **Date Due:** see below for details

You will have the opportunity to practice what you learned in front of a video camera, in order to appreciate the difference between theory and practice. There will be **four** recording sessions per team of **two** students. Each student will have a chance to both sell and buy for all four assignments. You should approach this as a normal sales call between you and a customer, where the object is to convince the customer to buy your product.

Assignment Details:

- In each video recording session (10 min. **total**) you will play **both** the role of the salesman and that of the customer. That is to say, in each session, you will record two interviews that are five minutes each.
- It is very important that each role play should be only 5 minutes long. This will help you develop your effectiveness and efficiency as a salesperson.
- When you have completed your assignment, upload your video (e.g. YouTube, Vimeo) and share the link through the following form: <http://bit.ly/15387videos>.

Schedule of Video Role Play Assignments

All videos must be completed by 10pm the night before the class.

Section A	Section B
PowerMiser Due: 9/13	Delphi Due: 9/15
Pill Caddy Due: 9/20	Carol Electronics Due: 9/22
Grid Pro Due: 9/27	Charles Matrix Due: 9/29
Global View Due: 10/6	Mary Maloney Due 10/6

In the above cases, sometimes you will be “selling” to your boss – or recommending which candidate should be hired (GridPro) or which should be terminated (Mary Maloney)

Michael E Plasmeier

From: Damien Peters <ntp2012@MIT.EDU>
Sent: Tuesday, August 23, 2011 1:51 AM
To: Damien Tyrone Peters
Subject: [15.387] Welcome to 15.387 (Technology Sales and Sales Management)

You are going to love our class, Technology Sales and Sales Management (15.387)!

Let us tell you how we will work together. Each class is 80 minutes... and if the class gives boredom a whole new meaning - than its our fault! Our fault because the subject is so exciting and important.

We will start each class with you prepared to sell! In the first class, you will be selling an advanced wet suit to the buyer of a chain of dive shops....then you will be selling to the auto buying committee of P & G - either the GM Volt or the Nissan Leaf. Its a \$100,000,000 sale if you succeed so practice!

We begin by breaking sales down into its components - and we will teach you how to do each - Approach, Presentation, Demonstration, Overcoming Objections and Closing. By the end of the course we will have "demystified" sales - you may decide that you love it or not, but you will have learned how to do it.

Then we will get into Management - how do you deal with Freemium? Do projections? Set up a Compensation System? Merge two salesforces? Handle International?

We love the quote in the syllabus... "There are damn few hunters, but everyone likes to eat" - Jim Brown, NFL Hall of Fame. Your sales force are your hunters, your samurai. You will go to war with your sales force.

Remember, nothing happens until a sale is made. And usually the company with the best sales force wins!

A little background. Howard Anderson started The Yankee Group when he was 24 and sold it 30 years later to Reuters. The key to its success: sales. For three straight years, it was on the INC list of Fastest Growing Companies. He also co-founded Battery Ventures, a leading Boston VC which has invested over \$3 Billion in more than 100 technology companies. Lou Shipley has been involved in five technology startups, most recently was Senior Vice President of Citrix.

We are including both cases for the first day, Wednesday, September 8th. We look forward to seeing you at 4:00.

- Howard Anderson & Lou Shipley

Michael E Plasmeier

From: Damien Peters <ntp2012@MIT.EDU>
Sent: Monday, September 05, 2011 1:06 PM
To: Damien Tyrone Peters
Subject: [15.387] First Class Demystified
Attachments: Class_1_-_The_Pitch Volt vs Leaf.pdf

Hi All,

I just wanted to clear up any confusion about the first class. Everyone is to read and prepare to discuss our first two cases

- Diver's Delight
- Volt vs. Leaf

The cases can be found on Stellar.

Power Miser (I emailed this out recently) will be for the second class, not the first. Volt vs. Leaf is attached to this email.

For class, read the case, and be prepared to actually sell to Howard or Lou in class. This is an individual assignment.

Let me know if there are any other questions.

- Damien Peters

*↳ make the presentations
or pre-think about it*



9/6

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<i>Case</i>	Divers Delight
<i>Title</i>	Introduction to Sales -- The Sale
<i>Session</i>	1
<i>Class Date</i>	Sept 8, 2011
<i>Task</i>	Prepare a Sales Presentation (~6 ppt slides) and be prepared to perform as Divers Delight or Jake Stow

Your company, Divers Delight, makes state of the art wetsuits for the scuba industry. Your product made of individual nanotube filaments, can keep divers 5°C warmer than competitive suits, although the cost to the consumer is substantially more (\$400 vs. \$250). Your firm received venture backing from two venture firms, one in Israel, and one in Menlo Park, California. The technology itself was jointly developed for use by the U.S. Navy Seals and your company owns the world wide patent rights. There is no direct competition, although some firms are testing a battery powered solution that might offer some degree of warmth, but the technology is unproven and there have been reports of mild electrical shock.

The scuba industry owes a great deal of gratitude to two men – Jacques Cousteau and Hugh Bradner. In 1943, Cousteau invented the aqualung, a system of regulators that remain the core of modern scuba gear and which played a huge role in opening the seas to millions of people. Bradner invented the wetsuit in 1951 while working for the U.S. Navy; his insight was that a thin layer of water could be trapped between the body and a layer of neoprene. Later Jack O’Neill and his brother Robert commercialized the process. The scuba industry counts some 6 million people who are certified divers worldwide and the industry has been growing 10% per year for the last decade. 75% of certified divers are men between the ages of 18 -35; 25% are women.

You have been asked by East Coast Divers, a large scuba shop chain with 25 stores in New England to make a presentation to their buying group at 4 PM tomorrow afternoon. Each of these stores regularly sells \$100,000+ per year of wetsuits and they cater to the top end of the sport diver market. East Coast Divers typically buys product at 50% discount from suggested retail prices and they do not discount. Although your company has never cracked East Coast Divers, you are well aware of their sterling reputation. East Coast Divers carries a few brands of wetsuits but 50% of their sales are O’Neill’s. O’Neill has begun selling its dive suits directly over the Internet and has also begun selling through large department stores and discount chains, forcing dive shops to cut their prices to stay competitive. You understand that East Coast Divers has a love/hate relationship with O’Neill.

Each East Coast store runs weekend dive boats which typically will have 10 – 15 divers on each day of the weekend. Most stores only run these dive boats during temperate



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weather during summer months, usually 10 – 12 weeks. The price for a one tank dive is \$70; a two tank dive is \$100.

? free trial / samples

Their buying group is headed by Jake Q. Stow, who regularly tests state of the art equipment himself. Stow is an experienced diver with a military background. He has done industrial diving, ice diving, cave diving, and salvage diving. He does not suffer fools lightly. He tends to run hot and cold and has been burned previously by start up companies that couldn't deliver or even stay in business. He prides himself that East Coast Divers has a reputation of knowing the best equipment and having the most experienced store managers. His buying group wants to make certain that East Coast Divers stays in the forefront of what is happening in diving. Make no mistake Stow is "The Man".

Under ideal circumstances, you would like an order for 12 wetsuits per store, 2 units of both Men's and Women's suits in Small, Medium and Large.

Assignment:

1. Prepare a Sales Presentation for the Jake Stow and East Coast Divers Buying Committee. They have told you that you have one half hour on their schedule.
2. What do you think will be their major objections? If you were on this buying committee, what questions would you need answered? Prepare for those objections in your presentation.

$$200 \cdot 12 \cdot 25 = 60,000 \text{ sale}$$

Doing Divers Delight

9/17

5°C warmer

400 vs 250

- What are problems people have

O'Neill's - more premium products

Extend season

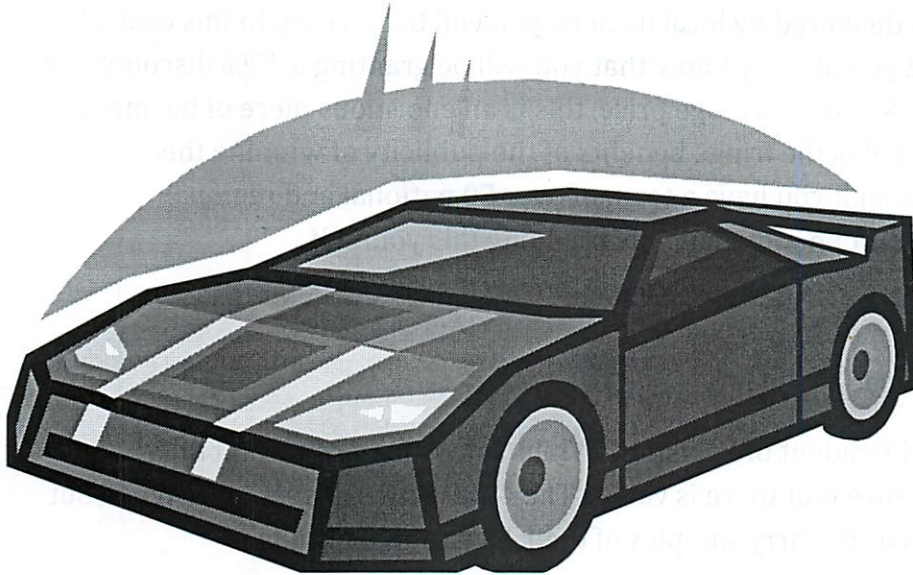
5°C = 9°F

EC Divers real

260°F now

↳ Add 2 months to season

(make up data)
if don't have



The Pitch

Good Morning.

It's March 29th and the sun is rising over Cincinnati. You are one of two people:

Harry Healer, Vice President of Sales, Volt Division, General Motors (if your last name ends in A-M, you are Harry)

Or

→ Brenda Bruiser, Vice President, Leaf Division, Nissan (if your last name ends in N-Z, you are Brenda)

all electric

In a few minutes, you will be pitching to the Auto Fleet Acquisition Committee at Proctor and Gamble. Bob McDonald, P&G's CEO, has made sustainability one of the three major goals for P&G and the AFAC team has to decide on which auto will be the standard for P&G. The team has isolated the finalists down to these two cars. The purchases will be for 4,000 autos in the United States, 2000 this year and 2000 in the next year.

You may use a PowerPoint Presentation for your 15 minute pitch. Please limit this to 10 slides. Feel free to add video/ music or whatever you think will help you sell your solution.

Although the autos will be delivered by local dealers, you will be pitching to this central acquisition committee and you already know that you will be granting a 40% discount from the sticker price. Even at a \$25,000 average price, this is an enormous piece of business - \$100 Million at a minimum plus the fringe benefits of the publicity of winning this important bakeoff. Even though you have a team of over 50 national and regional salespeople - this is important enough that you are doing this yourself.

On the acquisition committee:

Tom Terrific, age 56, Vice President of Logistics. While Tom is fully cognizant of P&G's plans, it is his job to make sure that there is value. The 4000 P&G salespeople drive about 45 miles per day and often must carry samples of their 13 national brands.

Mary Mahoney, age 40, Vice President of Sales, P&G. She is responsible for the care and feeding of her large national 4000 person sales team. She knows not a lot about autos but she does know that often her salespeople are taking customers to lunch or dinner.

Gary Green, Director of Sustainability, P&G. While Green does not have budget per se, it is his job to bring environmental issues to the forefront.

Each of the three has been given two test cars for the past two weeks - one Volt, one Leaf. They have put in over 200 miles in each of the cars and have found them "more than satisfactory".

The Nissan Leaf is the first affordable, mass-produced electric vehicle (EV). It is all electric. The Chevy Volt is a hybrid; it can run for 40 miles on an electric charge after which a small gasoline engine kicks in and recharges the battery, giving the Volt a range of 350 miles. The Leaf has no engine and has a range of 60 - 100 miles, depending on weather and terrain.

The Leaf has no tailpipe because it has no engine; it is 100% clean, although the electricity which powers the car probably does not come from low emissions sources.

The Leaf is a peppy little beast; below the floorboards lie 600 pounds of lithium-ion batteries. It has a gauge which tells the driver how many miles he has before his battery runs out of juice; the Volt, on the other hand, can recharge at any recharging station and the time required can vary from 30 minutes to seven hours.

You know that Mary Mahoney is quite concerned with “range anxiety” and even though 95% of travelers drive less than 100 miles per day, that makes little difference if you have to get somewhere and you are fretting about your range. 78% of drivers go under 40 miles per day but this doesn’t include those whose job is selling and moving from supermarket to supermarket, as P & G salespeople do. Mary feels that sustainability be damned, the real job of her team is to keep P&G in front of customers – and she feels that a hybrid is inherently more reliable. Gary points out that hybrids have now been around for ten years and have proven themselves and isn’t quite so certain about all electric cars (the Leaf), but he feels that P&G has to be in the forefront and is willing to suffer some early problems. “If not us, who? If not now, when?” he has said.

Tom Terrific has been a Prius owner for eight years and has wondered what took Nissan so long to get to the market. Prius owns 3% of the car market but they were eliminated as a contender for the large P&G order. While most of the auto industry flirted with EV’s and then abandoned their efforts, both Nissan and Volt persevered.

Bob Lutz, the retired design chief at GM and an avid jet fighter pilot, had been quoted as saying that “All electric cars are ten years away”. GM had been bludgeoned into building an early version in the early part of 2000 but the cars were too expensive to be considered seriously. During the past three years, battery technology has evolved, driving up performance and driving down costs.

What will drive the industry more than anything is the government’s mandate for better fleet mileage – which means the emergence of hybrids or electric vehicles. By the year 2016 fleets from all the car manufacturers must average 35 mpg and the only way this 40% improvement could conceivably be accomplished is if there are enough EV’s to compensate for the gas guzzlers. Even Porsche is bringing out a hybrid.

So the acquisition committee has to decide – go with an all electric fleet or hedge their bets and go with a hybrid now and make another decision in a few years.

JD Power has estimated that the hype is greater than the reality and that all electric vehicles will only total about 100,000 units per year in the United States or about 1.8% of the market. Others believe that hybrids will take another 4% of the market so that, combined this might be 7% to 9% of the car market by 2020 and over double that by 2030.

"EV's are different" said one auto expert. "It is a different driving experience. Its quieter; its faster torque. People are going to love it". But it is not clear that these experiences are going to translate into what a fleet owner like P&G will want. On the other hand, why not?

Imagine a world without gas stations? That is what is going to be issue with EV's in the beginning. While there are over 100,000 gas stations in the United States, the number of public charging stations is only expected to pass 10,000 this year. Homes of salespeople will have to be retrofitted but the cost of operation of an EV will be \$.02/mile vs. \$.13/mile for conventional gas powered cars. The Volt should fall somewhere in between. A Volt could go 300 miles on one tank of gas and would get 93 mpg "equivalent" in electric mode and 37 mpg in gas only vs. the Leaf which would get 99 mpg equivalent.

The Chevy Volt : 149 hp electric drive which can run 40 miles on a charge; then an 80 hp gas engine which recharges the battery. Great acceleration and handling and no "range anxiety". 300 mile range per tank; Uses gasoline and averages only 37 mpg. "Light Green"

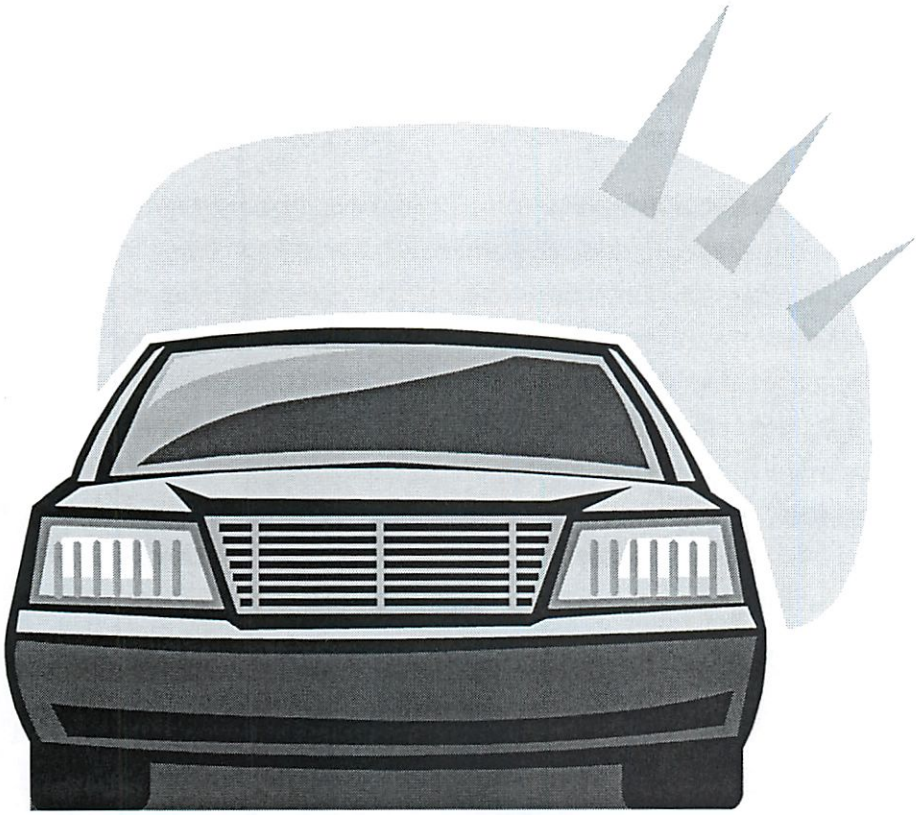
Effuly Accurate

The Nissan Leaf: All battery electric. Great acceleration, zero emissions; up to 100 miles per charge; limited range. Running the heater/air conditioner sucks power. Few public chargers for now.

Charging an electric car via a 120 volt outlet can take up to 18 hours, but only 6 – 8 hours with 240 volts. P & G estimated that, if it went with the Leaf, it would pay about \$1500/salesperson's home to retrofit to 240 volts and it would absorb that cost and the added electricity cost.

Electric utilities are of two minds. They love the idea of having a home draw 3300 watts of nighttime power – which is about twice what a hairdryer consumers. It is estimated that 80 % of the salespeople would charge overnight at their homes.

Gentlemen, Start your Appliances!



Doing Volt/Leaf

9/7

No tailpipe

5 star safety rating

100% electric

- No other such car

Pre heat/pre cool w/ iPhone app or timer
- before unplug

EV charging stations expanding

~100 miles or a charge

62 miles in winter urban stop + go
↳ 4 hrs of driving

Driving range map

idea Compete w/ staff for best range

Both need chargers

Peak torque at low RPMs
Very quiet

highest rated Sloan class?

1. How to sell

2. How to manage

Diver's Delight Case

Cold call people to do

buyer not structured

- did not prepare like I did I guess

Prof did it

- personal connection

- Stopped at Wal Mart

- slower

- personalize to person

- know industry

- % of people taking 2 tank dive

- extra profit

(2)

Multiple reasons

- longer season

- 2. tank

- add women

Year logo on it

Rent out aquarium - we pay
put half in our wit

Something new

- people > 6x / year

Can't just sell same as WalMart

Sell to serious divers

"What I would like to do"

- on your purchase order

\$200 Gross margin

Do exclusive for 1 year

③

Over/Past Game

turn from adversarial

to common enemy → Wal Mart

start w/ ~~the~~ common interest

- don't offer to play tennis againsts
- Play doubles

↳ Common Enemy

- focus anger → release anger

- Party at auction

- not really to spend time

- need managers to help sell

- Not just sell corp, but also store manager

- If you don't sell on em I'll take it back

- no risk from him

- Commit to side -

- so feels committed

(4)

Powers point

Start simple → build

Yankee Group

Wo was SVP of Citrix

The client

how old?

background?

what's on desk?

conference / industry associations?

Motivation? goals?

What would ~~he~~ he write on his personal evaluation?

- head - want to be top dive shop
- heart - like diving
- wallet - help stores make \$

5

If he says I liked O'Neil

- was right decision 5 years ago
- how did you make that decision?
- try that process again now?

Head Got to have technical

Enthusiasm drops off after 1st day

Put product in their hand

Heart - brand, trust

- "When you invested in O'Neil - 'just 2 guys in garage'
- Sales in CA, etc
- borrow status from him
- build brand from him

Wallet - Cost, margin

Want commitment

Say Low risk, high reward
I'll go to someone else

6

Volt vs Leaf

(This guy did much better)

Sustainability is not everything

I heard you had a chance

3 big things - go over

Reevaluate later for rest of them

Sit down closer

Ask qv

PP is bad

- natural flow of things

How to sell 'intangibles, etc'

- product knowledge

- forecasting

- hire + fire

- automation

- budget

- handling obligation

- time + territory

①

keep customers happier than board

Sales people have quotas

Over pay them

Creative sales account

Not

- an art but a process
- low life
- Done on relationship
- Throwing out features
- price game

It's

- form of subduction

Once you get the order leave

Fears

- losing self esteem
- the unknown
- losing control
- disaster for co or firm career
- can buyers remorse
- diminish respect

8

Small co - attackers

Big co - defenders

People by needs ~~with~~ satisfaction

Sales is - # game

- ego deflating
- so many losses
- planned process

Know each person's agenda

(This guy very good lecturer - have not looked at phone once)

Appeal to his ego

Types of people

- user
- influencer
 - consultant
- tech decision maker
- economic decision maker
- buyer
- enemy

Sell right things
to right people

9

Come in w/ a biz partner

Psy Needs

Power

Achievement

Recognition

Affiliation

Control

Security



Sales cycle may be 6 months - 1 year

(I think I have a different attitude towards
management classes now)

1 week to do work

2 face cards

Closes 9 PM

Form teams of 2

- alternate - do half assignments

1st interview Sept 22

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"Introduction to Sales & Sales Force Management"

Divers Delight

Howard Anderson
howard@yankeetek.com

Lou Shipley
lou@vmturbo.com



About Howard

- Bill Porter (1967) Distinguished Senior Lecturer of Entrepreneurship at MIT
- Founder of The Yankee Group
 - ▶ High-Technology Market Research Firm
- Founder of Yankeetek Capital
 - ▶ High-Technology VC firm
- Co-Founder of Battery Venture Capital
 - ▶ Big Hits:
 - ▶ HNC - sold for \$810m
 - ▶ LIFEE - 3.5X increase in value in just 12 months (sold for \$800m)
 - ▶ Consona - 4x revenue; Completed 8 acquisitions to date
 - ▶ Vastera - \$2M to more than \$80M in revenue
- B.A. from Penn and M.B.A. from HBS



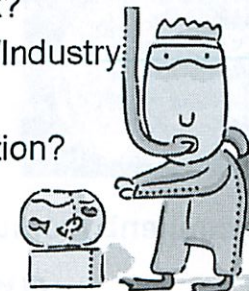
About our esteemed TAs

- Damien Peters
- Michael Shafrir



Meet Jake Q. Snow

- How old is he?
- What is his background?
- What's on his desk?
- What conferences/Industry associations?
- What's his motivation?

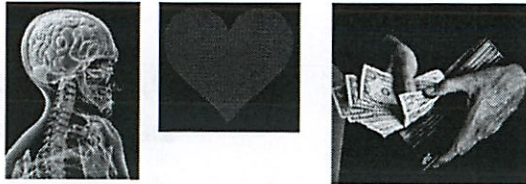


Lecture 1
Divers' Delight

9/8
1

What's his motivation?

- Head
- Heart
- Wallet

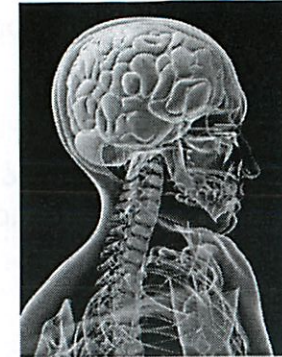


5

HEAD

(What are the technical qualities?)

- Technical features
 - Zipper
 - Cuffs
 - Seams
- Comfort
 - Wearing a hood
- Alternative approaches
 - Warranty
- Funding levels



6

Heart (How do I feel about my supplier?)

Characteristics of "heart":

- Trust
- Relationship
- Partnership
- Support
- Working together
- Building a business
- Brand



7

Wallet (What are the wallet items?)

Examples of "wallet" items:

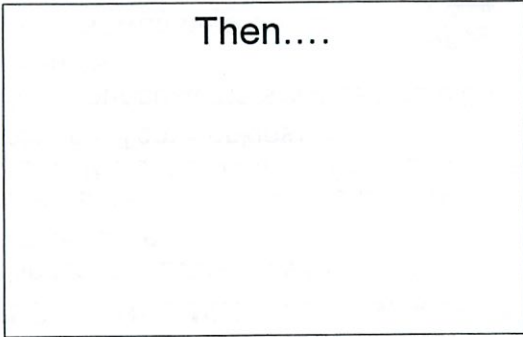
- Cost
- Margin
- Volume
- Other?



8

Assume Head, Heart, Wallet Are Equally Important...

Then....



9

Introduction to Sales and Sales Force Management What Will You Learn?

Automation
Time & Territory Management
7 Step Sales Process
Product Knowledge
Forecasting
Budgets
Hiring & Firing
Tactics vs. Strategy
Ethics
Handling Objections



10

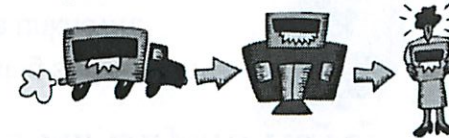
“Who Was the First Salesman?”



11

Selling is NOT ...

- An art, it is a Process.
- A “Low-Life” profession.
- Done solely on relationships.
- Throwing out the latest features.
- A price game.

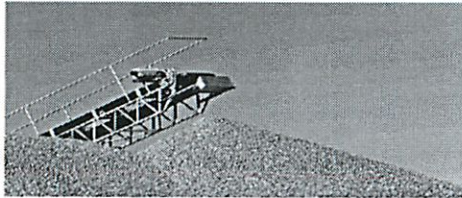


12

What is Selling!

Definition:

“Selling is the transfer of products or services from one person to another through an exchange mechanism called money.”



13



Fears All Buyers Have!



- Fear of losing self-esteem.
- Fear of the unknown.
- Fear of losing control.
- Fear that a wrong decision could mean disaster for the company.
- Fear that a wrong decision could ruin their career.
- Fear of buyer's remorse.
- Fear of a wrong choice could diminish respect & esteem of others.

Source: David Sandler

14



Selling Facts

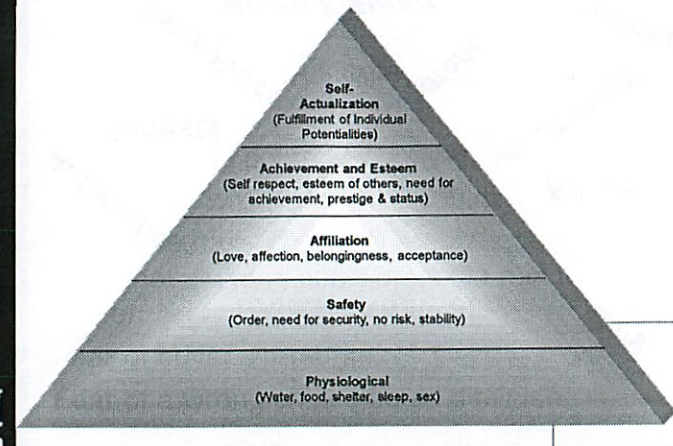
- **“PEOPLE BUY NEEDS SATISFACTION”**
- Selling is the fastest way to wealth outside of an inheritance.
- *“Sales success is a continuous journey towards the achievement of predetermined goals”* (by: Tom Hopkins).
- 20% of your customers will generate 80% of your sales.
- Sales is a “Numbers Game.”
- Sales is a “Planned Process.”



15



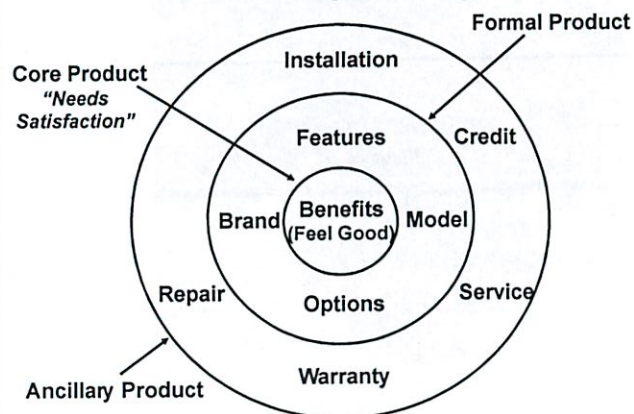
Maslow's Model



16



What People Buy...



"People buy for their reasons – Not yours"

Source: Selling & Sales Management 17



Influence Types of a Sale



Type	Definition
User	The person using the product.
Influencer	The person who helps influence the sale, such as a consultant.
Technical Decision Maker	The person who qualifies, technically, the product or service.
Economic Decision Maker	The person who has the authority to approve the purchase.
Buyer	The actual purchaser, usually a purchasing agent.
Enemy	The person who does not want your product sold to the company.



18

Psychological "Needs" of Selling

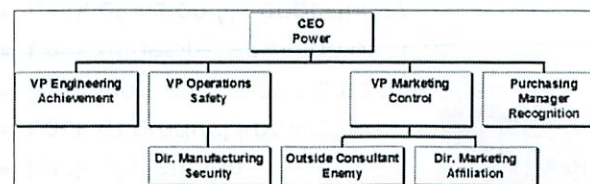
Psychological Needs	Decision Making Process	Sales Cycle Timing
Power	Bold decisive decisions; Influences control of the sales process on others.	Fast
Achievement	Bold decisive decisions; The need to accomplish or see change; Results driven.	Fast
Recognition	Moderate decisions; Influences the sales process on others and must be recognized.	Moderate
Affiliation	Moderate decisions; Team or group driven; Influences the sales process with others.	Moderate
Control	Cautious decisions; Must have order, process or rules; Influences others sometimes.	Slow
Security	No real decisions; Avoids risk or change; No real influence on others in the sales process.	Slow

Source: Tom Hopkins & Tim Kraskey 19



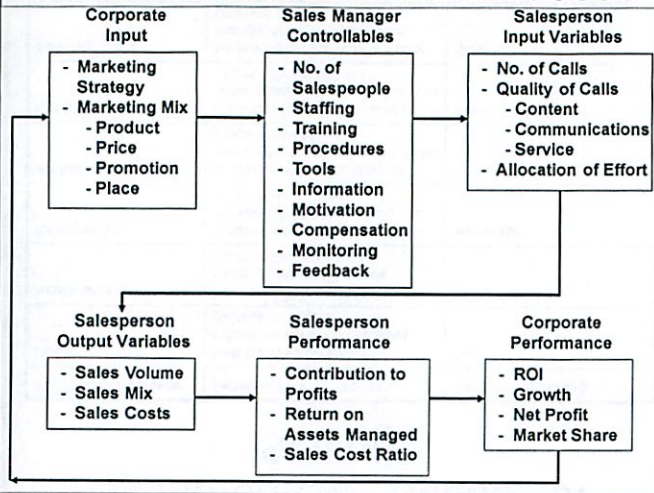
Multi-Level Selling

When selling in large organizations, you will have different "Needs" satisfaction by various departments and individuals.



20

The Sales Effect to the Process

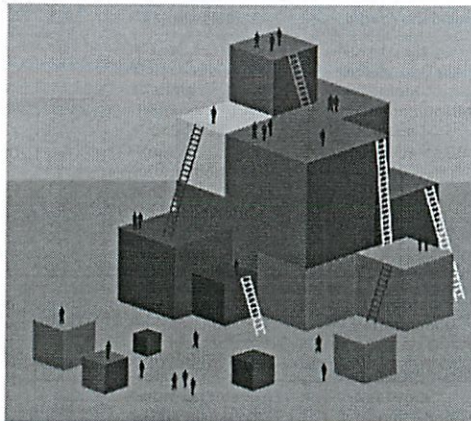


Why Sales People Fail?

- Lack of planning.
- Lack of product knowledge.
- Poor work habits and time management.
- Lack of desire, ambition or drive.
- Lack of vision for opportunity.
- Inability to handle objections.
- No self-confidence and easily discouraged.
- Can't close effectively.
- Poor presentation skills.
- Poor listener or communications skills.



Sales Building Blocks:



What Are They?

What...Voice? Creativity, Reliability, Listening? Imagination



25

The Ideal Salesperson

Nose: A top performer can smell an opportunity through knowledge, communications and persistence.

Mind: Top salespeople truly understand the customer's business. They strategically plan all sales calls.

Eyes: Sales superstars look at situations from the customer's point of view. They see their customers as partners.

Heart: The surest way to a customer's heart is honesty. Good salespeople only promise what they know they can deliver.



Ears: The best salespeople are the best listeners. They involve their clients in creating solutions to needs.

Technology: The superstars use telephone, computers, etc. to access information to out flank the competition.

Legs: Savvy salespeople use their influence within the company to help meet their clients' needs and get a leg up on the competition.

Feet: Fancy footwork and product knowledge are no longer enough. The right to do business must be earned, not assumed.

26

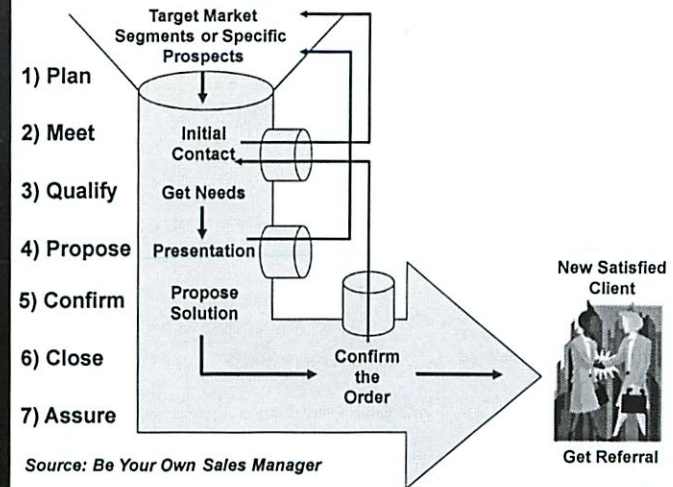
The Selling Triangle



Source: Tom Hopkins

27

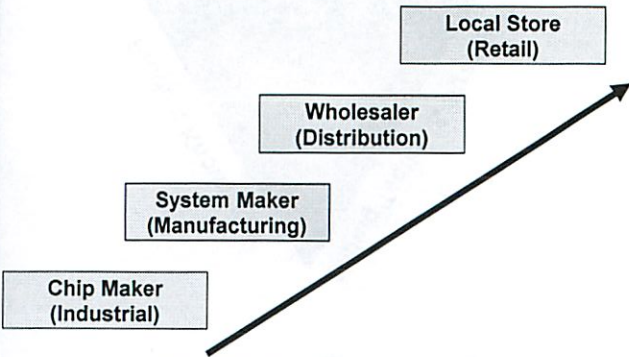
The 7 Step Sales Process



Source: Be Your Own Sales Manager

28

Types of Selling



9/10

FASTCOMPANY.COM

Where ideas and people meet

Article location: <http://www.fastcompany.com/magazine/67/carly.html>

December 19, 2007

Fired 2005

Tags: Leadership, leadership skills, women leaders

The Carly Chronicles

Another pg says 2003

By George Anders

"Someday, there will be books written about what we're doing, Carly Fiorina declared in 1999. She had just joined Hewlett-Packard as its new chief executive, the first outsider ever chosen to run the high-tech giant, the highest-profile female CEO in the United States. Her strategic and operational mandate: to breathe new life into a proud but aging company and to successfully execute one of the most audacious business transformations of all time. Over the past few years, Fiorina's tenure at HP has become a case study in more ways than she ever expected. Early on, the new boss seemed to be conducting a master class in leadership, winning allies and taking steps that made HP nimbler, leaner, and more exciting. Then the economy turned south, and some of her boldest bets misfired. She was held up as a paragon again, this time of hubris and insensitivity to the company's deep-seated culture. Then she masterminded HP's \$20 billion acquisition of arch rival Compaq Computer Corp. in the face of fierce resistance, a strategic move that was packed with lessons about crisis management and the changing future of the high-tech sector. All along the way, Fiorina has sat in the celebrity-CEO chair, competing in a high-stakes industry, leading a time-honored company, working in the intense environment of Silicon Valley -- and doing it all with the added scrutiny that comes with being a woman at the top.

In *Perfect Enough: Carly Fiorina and the Reinvention of Hewlett-Packard* (Portfolio, 2003), Fast Company senior editor George Anders pieces together the full story of Fiorina's epic struggle to navigate HP toward a viable new future without renouncing its storied past. This excerpt presents five crucial scenes along the way, dramatic moments that illuminate both the challenge that Fiorina has faced and her approach to tackling the task. The story begins with an inside look at Fiorina's candidacy for the job and culminates with her candid views on the tech sector in the years to come.

All what was HP's culture before she joined?

Carly Wins the Job

In October 1998, a burst of publicity made Carly Fiorina a prime candidate for a CEO job. She was a top executive in the telecom industry then and one of the new faces of female leadership in the United States. Her boss, Lucent Technologies chairman Henry Schacht, offered her some pragmatic advice about recruiters' calls. "It's not disloyal to think about alternatives," Schacht said. "But you owe it to yourself -- and to our company -- not to get distracted by the wrong kinds of offers. Decide very clearly what you would pay attention to. Don't talk to people about anything less."

Over the next seven months, Fiorina ignored a drumbeat of recruiters' pitches, tossing their message slips into the garbage. Finally, a persistent caller reached her office line in the evening, after all of the secretaries had gone home, with a breathless message: "Hi, this is Jeff Christian. Don't hang up. I'm calling about Hewlett-Packard." Fiorina paused. She savored his opening line for a moment. Then she said, "Well! You've got my attention."

A few days later, Fiorina and Christian lunched at a back table in an obscure New Jersey Hilton, seeking to avoid attention. Christian was in the early stages of screening 100 candidates for HP's board as it sought to pick outgoing CEO Lewis Platt's replacement, and he wanted to hear about each one's career challenges and triumphs. Whenever candidates abandoned their corner-office reserve and began telling rich, dramatic stories from the heart, Christian knew that the allure of a new job was magically taking hold. Partway through the meal, Fiorina entered that zone.

"What struck me," says Christian, "was that in her career, she constantly had been sent into troubled situations. And at every junct- ure except one (a Lucent-Philips joint venture to make telephone handsets), she had been able to fix things. She had a methodology. She would go into an area and spend a lot of time listening at first. She was a big believer that organizations already contained a lot of the right ideas. People just didn't feel as though they had the authority to get them done."

Two months later, Fiorina emerged as one of four finalists for the job. The crucial interview would be with Richard Hackborn, a key director and retired HP executive who had built the company's enormously successful printer business. They met at Chicago's O'Hare Airport, at a restaurant decorated like an imitation speak-easy. Within minutes, they were talking about HP more bluntly and more affectionately than either had expected.

Hackborn guided Fiorina through HP's business challenges that needed fixing: The personal-computing division was acting as if fast-charging rival Dell Computer Corp. didn't exist. The sales force was tripping over itself. The company was losing ground to younger rivals, such as Dell, Lexmark, and Sun Microsystems, which irked Hackborn greatly. "We're in danger of losing everything that made this company great," he said. Fiorina listened carefully and explained her work at Lucent, where she had built an industry-leading sales force. She had come to the lunch regarding Hackborn as the company's Yoda: the elder figure of supreme respect and the true decision maker in the search for HP's new CEO.

Several hours into the meeting, Fiorina began speculating about who should be chairman if she became CEO. She wanted some wise-uncle support early on. Departing CEO Platt had signaled his desire to remain chairman, and she thought he could help. But she quickly realized that Hackborn didn't like that idea. At that moment, an idea popped into her mind. Looking at Hackborn, other people might have seen a wrinkled retiree with sunken eyes and white hair. She saw something different: a special counselor. Rather than get tangled up in a Platt conversation, she looked at Hackborn and said, "Actually, Dick, I think you ought to be chairman."

The idea startled Hackborn. He had been seeking to wind down his commitments to HP. But as he and Fiorina continued talking, he warmed to the idea. When their meeting ended and Fiorina headed toward her plane, she told herself, "I've got him hooked!"

Soon afterward, Hackborn briefed the entire HP board on his chat with Fiorina. "I could see he was dazzled by her," fellow director Patricia C. Dunn recalls. "He was really excited about her vision for the company. She had a feel for the company's strengths and weaknesses. It corresponded with his feel." Hackborn expressed mild concern about Fiorina's lack of a technical background, but that wasn't a top-priority worry for him. "We may be getting one of the top two or three CEOs of our generation," Hackborn declared. "She could be the next Jack Welch."

Carly Goes Back to the Garage...Sort of

Once she took office at HP, Fiorina followed the newcomer's creed that had served her well for more than a decade. She hunted for good ideas buried in the bureaucracy while identifying inane practices that could be stopped right away. She declared war on brand clutter, pointing out that a profusion of minor brand names -- Chai, Tape Alert, Vectra -- was confusing customers and weakening what should

be the best brand name of all: Hewlett-Packard.

Fiorina quickly identified her rallying point: the original Palo Alto garage where Bill Hewlett and Dave Packard founded the company in 1939. To change HP's culture, "we had to go back to the roots of the place," she later said. She engaged a local ad agency, Goodby, Silverstein & Partners, to reposition HP to the world. Goodby creative manager Steven Simpson sat down with Packard's autobiography, *The HP Way*, and, working from the text, produced a manifesto that he called "Rules of the Garage." It contained 10 maxims that had guided the men who had built the early oscillators, voltmeters, and atomic clocks of the 1930s, 1940s, and 1950s. "Perform more than you promised," Simpson wrote. "If the person at the next bench sees what you're working on and doesn't say, 'Wow!' start over." He arranged the rules in front of a photo of the original garage and sent his draft to the company for review.

Fiorina loved the concept. But she and Susan Bowick, HP's head of human resources, decided the draft rules didn't capture the company's current direction. Soon the allusions to next-bench engineers and topflight performance had disappeared. Newly coined rules had taken their place, notably "The customer defines a job well done" and "Invent different ways of working." *Fermyng Eng. Culture*

More rejiggering lay ahead. Goodby and HP executives wanted to showcase the garage in HP's new television commercials, but Packard's old house had changed hands multiple times, and the shed in back was being leased for \$100 a month by a florist. So the ad team picked out a back corner of HP's corporate campus and built an ersatz garage. The lawn in front of the building was made to look like a rutted driveway. Sport-utility vehicles rumbled back and forth until they wore down a 100-foot stretch of grass. Ad-agency camera crews arrived and ultimately produced a dazzling commercial with Fiorina herself telling people, "The company of Bill Hewlett and Dave Packard is being reinvented. The original startup will act like one again. Watch!"

By crafting the garage commercial as she did, Fiorina was turning HP's heritage into a fable. The ad included black-and-white footage from the '30s, shared by the Packard family. But as Fiorina stood in front of the faux garage, HP's birthplace was becoming something akin to Abe Lincoln's log cabin. Reality and imagination now blurred together. If HP could redefine itself faster by taking liberties with its own history, well, so be it. Everyone involved in the "Rules of the Garage" project nudged Fiorina that way. The rules didn't need to be literal precepts from Packard's writings. As the company's chief mythmaker, Fiorina now possessed extra-ordinary powers. It was up to her to use them wisely.

Carly Meets the System

Less than a month into her new job, Fiorina held an off-site at the Seascapes Resort, near Monterey, California, where she argued for greater centralization. "We aren't growing fast enough," she declared. "We aren't profitable enough." Unconnected divisions were driving customers crazy. Ford Motor Co. and Boeing were grumbling that HP pestered them with dozens of separate sales teams, each pushing a narrow line of products rather than addressing their total needs. HP's executives were saying that various operating units had great potential to help one another, but it just wasn't happening. "We're leaving diamonds on the floor," she declared.

As a remedy, Fiorina borrowed a page from her Lucent playbook. Instead of letting each division handle its own research, manufacturing, sales, and marketing, she decided to reorganize HP into quadrants. Two vast sales-and-marketing groups -- known as the "front end" -- would take command of customer relationships. One group would talk to mass-market consumers; the other would focus on the Fords and Boeings of the world. Meanwhile, the research and manufacturing for all of HP's products would be redefined as the "back end." That would be split in two as well, with printing and imaging

making up one-half, and all of the computer initiatives the other half.

Those ideas looked great on a whiteboard, but some sub-ordinates shuddered. "I was a deer caught in the headlights when she described the front and back end," the longtime head of laser printing, Carolyn Ticknor, remarked in mid-2000. Before long, it emerged that HP couldn't precisely allocate costs between the front end and back end. As a result, some salespeople raced to beat quotas, only to saddle the company with unprofitable orders. Fiorina retooled her system to meet employees' concerns. She was right that HP needed to show a better face to its customers. She was wrong to think she could transform a company so rapidly without creating new snarls.

Fiorina was running into the hardest challenge of all: the inevitable tug-of-war between a radical new CEO and a skeptical workforce. Mid-level managers and rank-and-file employees didn't openly attack her new ideas. They just meandered around them. In public forums, Fiorina appeared to win support. Then managers huddled privately to decide whether they liked what they heard. They softened goals, adjusted timetables, made some exceptions. By the time they were finished, they had gutted whatever it was that Fiorina was trying to achieve. Resistance was so subtle and pervasive that she couldn't accomplish anything by getting angry. There was no obvious opponent. It was just the system.

Carly Finds Her Voice

In mid-2001, Fiorina and HP's directors bet everything on a giant merger with Compaq. The deal was supposed to shore up both companies' computer operations, permit major cost cutting, and give the combined enterprise a better shot at competing against IBM. Everything had seemed logical in the summer's secret boardroom negotiations. But once the acquisition plan became public, shareholders, employees, and customers balked. Fiorina was a chief executive in peril. Her early efforts to win supporters misfired badly.

bottom priced?

What Fiorina really wanted was to change the conversation, infusing audiences with her conviction that HP could be a stronger, bolder company by acquiring Compaq. She needed to win loyalty with a vision of better times ahead. When fellow director Walter Hewlett -- the oldest son of company cofounder Bill Hewlett -- announced his opposition to the deal, Fiorina found her voice.

She recast herself as a brave woman, alone on a podium, crusading for the dreams and aspirations of her entire company. If people thought she was vulnerable, all right, she was. Before her opponents fully realized what had transpired, she had turned that appearance of vulnerability into her greatest asset. In a major speech, she declared, "To the skeptics who say it won't work, it won't sell, it won't succeed, it's not the HP Way, I say, 'You don't know the people of the new HP.' "

In her most audacious move, Fiorina began invoking the early careers of Hewlett and Packard as justification for the HP-Compaq merger. With the late founders' heirs strongly opposed to the merger, it seemed mind-boggling that she could lay claim to the patriarchs' intentions. She latched onto a legendary Packard quote -- "To remain static is to lose ground" -- and made it the centerpiece of two-page newspaper ads. And not only did she appropriate the founders' language for her cause, but she also scripted dialogue for them, using her new ideas for the company as their text. Fiorina created plausible -- but unsubstantiated -- conversations from long ago, in which the founders spoke her language. Her tactics infuriated Packard's son, David Woodley Packard, but she didn't back down. She had framed her message.

Carly Asks Three Questions

By late 2001, the HP-Compaq merger seemed doomed. The foundations aligned with the Hewlett and Packard families both opposed the deal. During her first two years on the job, though, Fiorina had cemented superb relations with all nonexecutive directors on her board except Walter Hewlett. These

board members regarded her as their instrument, charging into work to make HP a more modern business. No matter how bleak it looked outside the boardroom, Fiorina believed that she could draw strength from her directors and ultimately prevail.

A key moment came on Sunday, December 9. Fiorina sat in a small, first-floor study in her home and began a conference call with a half-dozen directors, led by Hackborn. Fiorina didn't plead for their support. Instead, she did something both innocent and ingenious. She asked each board member to give her a yes or no answer to three questions: Should we stop? Should we go on as is? Or should we go on in a modified way?

Decisive answers came back, almost in unison. "We're going on!" the directors told Fiorina. No one was more adamant than Dick Hackborn. "Let's get back to the question, 'Why are we proposing this in the first place?'" he remarked. His answer: "It's the best solution for fixing the whole computer business." By the end of the call, the directors were so confident in what they were all doing that they could afford to worry about Fiorina's well-being. They asked if she felt comfortable proceeding in what would surely be a long struggle. When she said yes, the board's support was sealed.

Carly Carries On

Last spring, the HP-Compaq transaction finally won shareholder approval by a razor-thin margin and withstood a court challenge, giving Fiorina her long-awaited chance to reshape HP. She now runs one of the world's largest enterprises, with at least \$70 billion a year in revenue and the number-one position in a half-dozen key markets. HP can bulldoze its way past smaller rivals, simply because it has more salespeople, more advertising dollars, and more reinforcement from consultants and friendly third-party vendors. The company can win just by showing up. Fiorina had played that game effectively at Lucent; now she could do the same at HP.

What's more, the Compaq acquisition brought 65,000 fresh faces into the company. Most of those employees didn't mind redefining HP Carly's way. They had job-hopped already; they were comfortable settling into new assignments and getting the job done, without agonizing over each cultural adjustment. As Fiorina acknowledged soon after the deal became effective, "part of what we've done in the merger is inject new DNA."

Yet winning the battle to acquire Compaq had exacted a toll on Fiorina. In the new organization, she found herself straining to update her own leadership style to the demands of the job. She wasn't the fast-paced outsider anymore, or the daring rebel. She had become the face of established authority. In her first three years at HP, Fiorina had been a strategic whirlwind, creating most of the opportunities and the problems that she now faced. In her fourth year, it was time to repair her own mistakes and exhibit the day-by-day precision of a skilled operating executive.

"I always thought it would be nice if Carly gathered some scar tissue," says Richard Munro, the retired chairman of Time Inc. He had seen her swagger earlier in her career, when they were outside directors of Kellogg, the Michigan-based cereal company. Now, Munro welcomed Fiorina's newfound caution. "She had overwhelming self-confidence then, and she was probably right most of the time," he recalls. "But she had a sharp edge. When she got to Kellogg, I said to myself, 'Someday, Carly, you're going to get yours. You'll encounter the same frustrations that all the rest of us face. And if you're lucky, it will make you a better person.'"

Given enough time, Fiorina believed, she could fix everything. HP's earnings and stock price were down since her arrival, but that was true of almost every high-tech company. She was withstanding the industry slump better than most. In the abstract, founders Hewlett and Packard were still her heroes. But after the HP-Compaq merger battle subsided, she largely stopped talking about the founders. It was

as if she had put them back on the mantelpiece, protected with dust covers. Instead, she cited two different companies, unbidden, as examples of enterprises that got it right. They were Microsoft and IBM, the powerful pragmatists.

"Technology is more than an engineer's game," Fiorina remarked. "That's where Microsoft has been brilliant. If you think about technology companies that have really led, they didn't fall too much in love with the technology." Someday, she believed, the rest of Silicon Valley would understand.

Fast Company senior editor ^{I disagree} George Anders (ganders@fastcompany.com [1]) is the author of two previous books, *Merchants of Debt* (BasicBooks, 1992) and *Health Against Wealth* (Houghton Mifflin, 1996).

Links:

[1] <mailto:ganders@fastcompany.com>

Ms not best on tech

- better on sales

Google big on tech

- needs better at sales

I didn't think good article for class

- out of date

What was HP way?

- be loyal to emp, emp loyal back, fri afternoon beers

What did she violate?

+ more corp - traditional

- shed staff

Prob was very academic first

Think ~~she~~ would be good mix that is not too corp

She was prob steamroller

February 11, 2009 7:36 PM

Add. articles

The Rise & Fall Of Carly Fiorina

By Lloyd de Vries

It's easy to kick someone when she's down, so let's start with Carly Fiorina's positive attributes.

To her credit, she is not one to leave "well enough" alone. Fiorina arrived at Hewlett Packard in 1999 after a successful career at Lucent and AT&T - mostly in sales and marketing. Even before she moved into the CEO's office, she had several obstacles to overcome.

Being female was the least among them. Her biggest problem was that she was an outsider, not only because she had never worked for HP but also because, unlike the company's founders, she was a marketer, not an engineer.

Fiorina took over HP at the height - or perhaps the beginning of the decline - of the tech boom. Making money in technology the past five years has been a lot harder than it was during the late 90s. Fiorina knew - or at least believed - that HP had to make some serious changes. She had a vision and she wasn't afraid to sell it to others.

And sell she did, spearheading the initiative to acquire Compaq Computer, despite the objections of the son of company co-founder William Hewlett and many other stockholders.

Much has been said about how Fiorina strayed from the "HP Way." The old HP was very collegial with open offices, open collars and open lines of communications between management and employees. Some have suggested that co-founders William Hewlett and David Packard would have frowned at Fiorina's management style and, perhaps they would have.

But the late Mr. Hewlett and Mr. Packard and Ms. Fiorina do have one thing in common. They were all risk-takers. "I don't know if they would have taken the same risks," said Rosalie Dickey, a former HP chemical engineer who retired in 1986, "but they, like she, were willing to take risks." As per the HP Way, Dickey says that it was "waning before I retired," but she acknowledges that it got worse over time. "The company is so big, it's hard."

When looking at a company, it's important to realize that its health and vitality is not stuck in a steady state. Lately, HP has been under fire for lackluster revenues and failed strategies.

When the Compaq merger was being debated and shortly after it was tumultuously approved by just a slight majority of stockholders, Fiorina was seen by many as a disruptive force, bent on turning two viable companies an unwieldy monster.

Indeed, I was one of many commentators who editorialized against the merger, pointing out that it would be bad for employees, bad for retailers (who would have fewer competing products to carry), bad for consumers and, ultimately, bad for stockholders. It would be easy to gloat, but it's also fair to point out that HP had some pretty good quarters after the merger causing me and lots of other one-time critics to pipe down a bit.

Still, there is plenty to criticize about Fiorina's tenure at HP. At this point, the changes that Fiorina made didn't turn out so well for the thousands of Hewlett Packard and Compaq employees that were laid off and the millions of HP stockholders who lost equity since she took over. HP stock is worth less today than it was in 1999. Dell and IBM stock has increased in value.

I guess the changes didn't work out too well for Ms. Fiorina either. Though based on her \$21 million severance package and her generous compensation while employed at HP, I doubt very much that she's worried about making ends meet.

Looking back, it now appears that Fiorina was trying to make HP all things to all people.

On the PC side, she tried to compete with Dell's low-cost commodity strategy while on the higher-end she tried to compete with IBM's high-end, high-cost consulting and custom services business. While HP was a contender in both sides of the spectrum; it didn't truly succeed at either. Some have suggested that HP should abandon its PC business to focus more on its printer business that was doing well long before Fiorina took over.

HP dropped the ball when it came to innovation. Shortly after taking the helm, Fiorina changed HP's slogan to "invent." It's a cool idea that reflected her continued support for R&D and HP's terrific research staff, but whatever inventions HP came up with simply were not inspiring enough to change the company's fate.

Compare this to Apple, which was also in trouble in the late 90s. Under Steve Jobs' leadership, Apple didn't just invent new computers; it invented a new industry with its iTunes service and iPod digital music player. HP wound up licensing the iPod, which, I suppose was better than coming up with its own "me too" knock off of it. *IF should study more - or base value in the control market - not just open.* Speaking of knock offs, HP tried to follow Dell and Gateway by marketing its own line of TVs and other home entertainment products. Gateway had the sense to pull out of that business when it realized it couldn't compete. It's too early to know how either Dell or HP will do, but, for a struggling company, it may turn out to be more of a diversion than a new birth.

It's now up to HP's board of directors to figure out where to go from here. With some wisdom and luck, the company will settle on a CEO that has roots in HP's past along with a vision for HP's future. It has always been and still is a great company. Perhaps, over time, HP may once again find its "Way."

HP - hard tech except printers

A syndicated technology columnist for nearly two decades, **Larry Magid** serves as on air **Technology Analyst** for **CBS Radio News**. His technology reports can be heard several times a week on the **CBS Radio Network**. Magid is the author of several books including "The Little PC Book."

By Larry Magid

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HPAlumni

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- > Join: Leaving HP

For members

- > All of HPAAs on one page
- > Events
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For recruiters

- > Apply to Post
- > Post Jobs

For everyone

- > The HP Way
- > HP History Links

The HP Way

"...an egalitarian, decentralized system that came to be known as 'the HP Way.' The essence of the idea, radical at the time, was that employees' brainpower was the company's most important resource.

"...one of the first all-company profit-sharing plans... gave shares to all employees... among the first to offer tuition assistance, flex time, and job sharing... Today, the behavior of the two founders remains a benchmark for business..."

– Peter Burrows
Business Week 3/29/04

"The garage was left behind... So too were the audio oscillator and thousands of other products – all abandoned in the endless pursuit of something better. Only the people remained, and they were cherished and respected..."

– Michael Malone
Forbes 10/11/00



HP history:

[History Links for HP and Predecessor](#)

[Companies](#)

[Books on HP and EDS](#)

[HP Acquisitions and Divestitures](#)

The HP Way

We have trust and respect for individuals.

We approach each situation with the belief that people want to do a good job and will do so, given the proper tools and support. We attract highly capable, diverse, innovative people and recognize their efforts and contributions to the company. HP people contribute enthusiastically and share in the success that they make possible.

We focus on a high level of achievement and contribution.

Our customers expect HP products and services to be of the highest quality and to provide lasting value. To achieve this, all HP people, especially managers, must be leaders who generate enthusiasm and respond with extra effort to meet customer needs. Techniques and management practices which are effective today may be outdated in the future. For us to remain at the forefront in all our activities, people should always be looking for new and better ways to do their work.

We conduct our business with uncompromising integrity.

We expect HP people to be open and honest in their dealings to earn the trust and loyalty of others. People at every level are expected to adhere to the highest standards of business ethics and must understand that anything less is unacceptable. As a practical matter, ethical conduct cannot be assured by written HP policies and codes; it must be an integral part of the organization, a deeply ingrained tradition that is passed from one generation of employees to another.

We achieve our common objectives through teamwork.

We recognize that it is only through effective cooperation within and among organizations that we can achieve our goals. Our commitment is to work as a worldwide team to fulfill the expectations of our customers, shareholders and others who depend upon us. The benefits and obligations of doing business are shared among all HP people.

We encourage flexibility and innovation.

We create an inclusive work environment which supports the diversity of our people and stimulates innovation. We strive for overall objectives which are clearly stated and agreed upon, and allow people flexibility in working toward goals in ways that they help determine are best for the organization. HP people should personally accept responsibility and be encouraged to upgrade their skills and capabilities through ongoing training and development. This is especially important in a technical business where the rate of progress is rapid and where people are expected to adapt to change.

Circa 1992



Technology Sales & Sales Management, 2011

<i>Case</i>	Power Miser
<i>Title</i>	The Approach, Preparation for Presentation and Demonstration
<i>Session</i>	2
<i>Class Date</i>	Sept 13, 2011
<i>Task</i>	Prepare a short memo answering the questions below (max 2 pages) and be prepared to perform as Divers Delight or Jake Stow

Overview:

Your company, Power Miser, has developed a device that can power down cold soda machines during late night and early morning hours. A typical soda machine uses up to \$280 a year in electricity, but with your device, electric cost will run \$140 per year. Using a custom passive infrared sensor, Power Miser powers down vending machines when the area around them is unoccupied and automatically re-powers the vending machine when traffic returns.

The cost of the Power Miser is \$300 and the return to the user is 50% Internal Rate of Return/year. One advantage of the Power Miser is that the customer will never see a powered-down machine. In the event that someone approaches the machine at 4 AM wanting a soda, the Power Miser will turn on the machine and deliver a cold beverage as usual. Cans are dispensed from the bottom of the machine where they are coldest; and by measuring the ambient temperature and the compressor current, the Power Miser re-powers the machine as needed to ensure the products are at a cold enough temperature at all times. The soda machines are actually owned by the major softdrink bottlers but MIT provides electricity and receives 10% of the revenue of each machine. MIT has a three year contract with the bottlers, which is up for renewal at the end of this year.

Tomorrow at 4 PM you will make a sales pitch to Chuckie Vestcoat, who is the Director of Facilities at MIT, which has some 150 soda machines on campus. Chuck does not have a "budget" so to speak, but he is charged with implementing cost effective and environmentally correct solutions. Chuck's budget for facilities runs \$15 Million a year in terms of expense and he has no capital equipment budget, per se. His major job is to make sure the physical infrastructure of the College runs well. You actually are not certain that Chuck Vestcoat is the decision maker, but you could find no one else who even came close to understanding the issue.

Recently Shai Agassi, founder and CEO, of Better Place, a venture backed company that aims to reduce the dependency on petroleum through the creation of a market-based



Technology Sales & Sales Management, 2011

transportation infrastructure that supports electric vehicles, spoke on the MIT campus. His message was that energy conservation was *everyone's business*.

“We have massive investments from firms like Vantage Point, Israel Corporation, Israel Cleantech Ventures....but it's important that we each do the seemingly little things too.”

You asked Mr. Vestcoat's secretary if he went to the speech on campus; she said that he did not.

Assignment:

1. Prepare the first three parts of the sale – The Approach, The Presentation, and the Demonstration. You will have 15 minutes and you will be meeting Mr. Vestcoat in his office.
2. What information would you like to have before you meet with him?
3. Draw what you think would be an organization chart....and where Mr. Vestcoat might sit. What would his year end revue consist of?
4. How is this case different from the previous case?

$$\begin{array}{r} 300 \\ \times 150 \\ \hline 45,000 \end{array}$$

Low - CEO of 5 startups virtualization

Power Miser sim

↳ sim

- guy slow at starting
- then move to technical facts
- visit other clients
 - I would not have offered
- buyer's concerni hiccup
- who needs to make decision

After

Beginning of meeting ≠ small talk

Need to sell need for it

If someone else

- build advocate

Buyer shall be more difficult in sim

②

Role reversal

Technical mistakes?
- slight misstatements

Included in upfront cost

Mentioned end of year

Already done at Harvard

Are you right person at MIT?

Willing to do trip?

Profs doing it

- Open w/ friend from HS

- Ask qv

(he got a real style)

- Most of your \$ goes to energy
- (loss of revenue)

3

How many memos a week on sustainability

Not a lot of money

but end of year your evaluation
- what will you put on it?

Agreement w/ Coke + Pepsi

We'll install

Whose your boss - get him

Put electric meter w/ device - big

Send to newspaper

BoA will lease

- we will apply lease payments to purchase

Plant - goes on desk + he thinks about

Framing - not facts + figures

- but easy install, financing

- looks good to you

- de risk proposition

④

New tech sale: have to prove it to them

What are you selling?

- Tech
- Green lifestyle
- Energy efficiency
- Might not be how case is written

Plan about positioning

Start w/ a few

- Secondary order easy
- get on vendor list

Don't keep talking + talking + talking

Qu Is decision maker? In loop?

Mandate?

Objections?

5

Q

Where am I in sales cycle?

- Right person?

Have they had success/failure before?

Each biz has unique sales cycle

- need to figure it out

- even as manager need to know

Build agenda w/ customer

- internal sponsor

- needs of org

- Then what are next steps

Who should be there?

Who should not?

- that person should not be in meeting

- like competitor

- schedule around them

In your side too

- CEO - sometimes ceremonial or sometimes does process

6

Or 'is naysayer good so can address at meeting
Good salespeople control each part

Next steps:

- Demo
- References
- Trial
- Purchase

Tech demo must work!

- script it
- customer does not realize was scripted
- just show a little of product
- not everything

Be theatrical

- passion + belief in your product

Let me tell me about how you did the light bulb
products project

He wants to feel in forefront

⑦ Scarcity works when try to raise \$
- but not that deal picked over
- just ~~with~~ went down street

Customers buy 90% software lost 4 days in qv
- try to remove that

Choosing ~~with~~ people very carefully
- can tailor it to your needs now

Hard to know when customer is ready to close

Diff Approaches

- Memorized
- Planned
- Needs
- Satisfaction
- Problem solving
- Craft w/ counterparty
- lots of practice

8

Positioning

Competition

- don't say you have any
 - otherwise bad space
- position them correctly relative to your project
- or praise them in the past
 - 10 years ago when you bought them
- grant them what they already believe
- damn by ~~thin~~ faint praise

When are you being played

- just competitive analysis
- if get feature to feature
 - bad space

Will never lead in all features

- or get out of product

Ash - are they using it on their internal system yet?

Gran

9

You have 2 years + 1 month
- order of importance

Give them your biz card - so they give you theirs
- then write down each person's ~~names~~ hot + cold issue

Or have 2nd note taker

- they might think meeting went other way

How to build rapport when phone

- Share experience

- You came to our booth

- do Hw on person

- to get conversation going

- Your voice is important

- Enthusiasm

Meet ~~at~~ in their office

If people want free time from you

- give a bit

- ~~he~~ I might want consultative help

- buy product to keep you

(10) At 30 min - say I respect your time
Can I ~~go~~^{come} back

Some flexibility in gap
Group B video due tomorrow

15.387 Technology Sales and Sales Management

*"The Sale: Preparation, Approach, and
Presentation/Demonstration"*

Module 2
Lou Shipley



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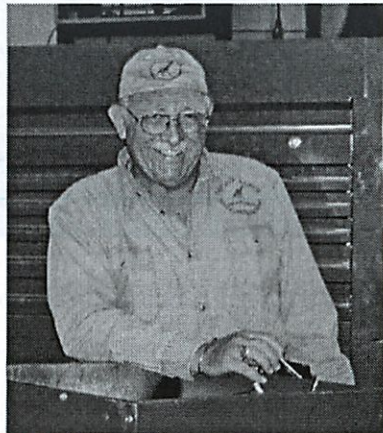


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Lecture 2
Approach

2

Meet Chuckie Vestcoat



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3

What are you selling?

- Soda?
- Green lifestyle?
- Energy efficiency?
- Technology?
- How much is this deal worth?



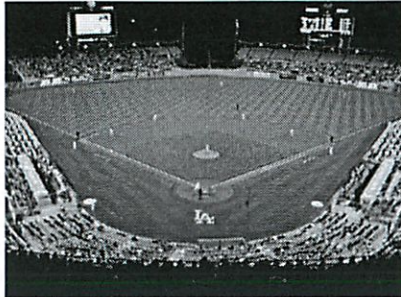
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4

9/12

Account Planning Cover your bases

Thoroughly Prepare and Plan ahead



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Evaluating Chuckie...

- What information do we want to know about Chuckie and why does he care?
- How long has he been on the job?
- What does his yearly eval look like?
- What's on his desk?
- What's his signing authority?

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Evaluating the account

- Is Chuckie really the decision maker?
- Is there a mandate for such a product?
- Who else is in the decision loop?
- What objections are we likely to hear?

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Questions to answer

- Where am I in the sales cycle?
- What do I know about the person/group I am going to be calling on?
- Have I done my research on the target customer?
- Has my prospect had success/failure with similar offerings?
- Have I completed the Feature/Benefit analysis for my products vs. the competition?
- Have I done a Frequently Asked Questions exercise?

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Getting ready for the sales meeting

- Build a sales meeting agenda together with your customer
 - ▶ Find an internal sponsor
 - ▶ Understand the needs of the organization

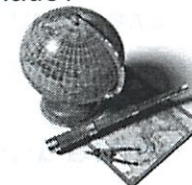


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Preparing for the sales meeting

- Who should be in the meeting ?
- Who should not?
- Who is your internal sponsor?
- Who are your nay-sayers?
- Who is the decision maker?
- How do decisions get made?



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Setting the meeting objectives

- What do I want to achieve in this meeting?
- What specific objections exist?
- What is the best outcome for this meeting?
- What are the next steps?
 - ▶ Demonstration
 - ▶ References
 - ▶ Trial
 - ▶ Purchase



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The Sales Meeting



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12

Rule #1: Ask questions

- Shut yo
- Uncover
- Apply to you can
- Don't try than the



Columbo (my sales hero)

omer talk
so that
the future
smarter



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13

The Presentation

- GOALS
 - ▶ Establish the current situation
 - ▶ Build rapport/trust/credibility
 - You
 - Your company
 - ▶ “Set the Table”
 - Set up for a successful “next step”
 - Understand needs/hot buttons



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Types of Presentations

- Memorized (or canned)
- Planned
- Needs
- Satisfaction
- Problem-solution
- All presentations, regardless of type, should be jointly crafted with your counterpart



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Why you and your product?

- ...there is a better way.....
- ...successful companies have used our method....
- ...financially, it may pay to consider changing present environment...
- ...we support you 24x7...
- ...we have a team who has done this before...



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What to do about competition?

1. don't disparage
2. don't insult – your customer chose them once –
3. give them credit where credit was due...."their X-50, introduced in 2000, was a great, great product"
4. damn by feint praise
5. leave door open



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Demonstration

- First rule about doing a demo: Never do a demo (or at least limit the demo)
- Demos can break, they can highlight the wrong ideas
- A demo is not an evaluation
- Tease and please



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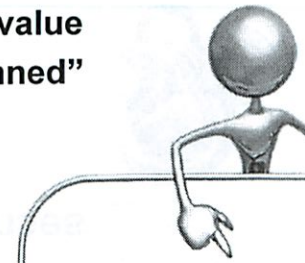
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Demonstration (make sure what you show works)



Demonstration

- Show off a little: product knowledge.....Tailored to the account
- Focused on moving toward a close or the next step in the sales process
- Gain agreement on value
- A demo can be "canned"



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Showmanship

- Be Theatrical!
- Show passion and belief in your product
- Use your senses...or as many as you can. Be flexible and show compassion and sensitivity..."feel the meeting"
- Ask questions



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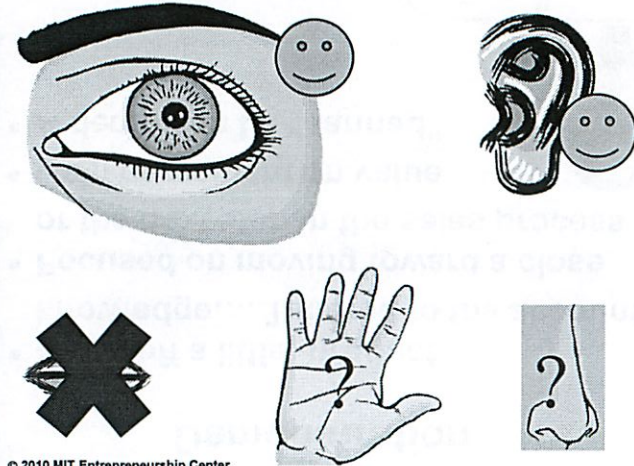
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In the Meeting ...

- Know "Who or Whom" you are presenting to before you meet them.
- Go prepared with backup failure scenarios
- Probe for areas of need.
 - ▶ Use "open" probing questions for discovery.
 - ▶ Use "closed" probing questions to quantify need.
 - *Being dumb like a fox!*
- When you discover a need ...
 - ▶ Acknowledge articulate the need.
 - ▶ Introduce the appropriate benefit(s) that will satisfy the need.

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Sales Senses



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During the meeting

- Remember your meeting objectives.
- Force the agenda – stay on track
- Close off key objections
- Small wins matter
- Watch, listen, feel the meeting
- Create action items and next steps

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“Active Listening”

- You have 2 ears and 1 mouth?
- Listen for ...
 - ▶ Main supporting points.
 - ▶ Focus on key words to support points.
 - ▶ Categorize key points.
 - Pros vs. cons
 - Advantages vs. disadvantages
 - Likes vs. dislikes
 - Similarities vs. differences
 - ▶ Clear vs. unclear message.
 - Verify message



“Remember, every time you open your mouth in the presence of someone who has superior knowledge, you display to that person your exact stock of knowledge, or lack of it! Genuine wisdom is usually conspicuous through modesty and silence.”

By: Napoleon Hill



Overcoming objection

- Sales starts when the customer says “NO” ...
- Don’t give up
- Use your knowledge of the account and the people to recover
- Focus on the objection, not on the “NO”
- Cut your losses early



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After the meeting

- Follow-up
- Make sure key action items are done
 - ▶ If something doesn’t happen find out why
- One of the best ways to learn if an account is “real” is to see what happens after the meeting
- Set the timetable and expectation for whatever comes next



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Technology Sales and Sales Management, 2011

Case	Delphi Software
Title	Product Knowledge
Session	3
Class Date	February 8, 2011
Assignment	Write up 15 Objections and 15 Answers to those objections (max. 2 pages)

Or video?

Overview:

Your company, Delphi Software, is in the crystal ball business. Your product, Delphi One, has the ability to warn network administrators of impending faults on their network at least 20 minutes before that fault occurs.

Networks are continually sending signals and those signals can be analyzed to find where and when a fault occurs. Much like seismic studies that can predict earthquakes, Delphi One continually monitors a network and can anticipate when faults may arise. This would allow a network administrator to engineer around those faults or to reduce load on his network so that the faults could be handled without bringing the network to its knees.

The basic technology came out of Intel Israel and was used in the first Gulf War when scud attacks threatened and Intel decided that it would not shut down. It was refined by Norbert Goodguy, a former classmate of Gil Shwed, CEO of Check Point Software. Goodguy had worked on the early instant messaging standard for both Yahoo! and Microsoft and is considered a genius of the first order

who cares if he writes software

Your firm has been funded to the tune of \$10 Million by a coterie of Boston and Israeli based venture capital firms, led by Gemini Israeli Ventures and Battery Ventures. The research that forms the basis of the company was licensed from Intel through their Technology Licensing Office.

After two years, you have an up and running Beta Site, John Hancock Life Insurance, and you are ready to begin selling this software product, which costs \$100,000 and which also carries a \$15,000 annual Maintenance fee. The product is designed in a two-tier architecture that can manage up to 50 routers, but is scalable for up to 1500 routers.

Your company believes that the best markets are those Enterprise firms where the network is key: institutional brokerage, banking, health care and large manufacturing firms – in fact, any firm where network uptime is critical.

each \$100,000



Your background: You have worked at the IDF Logistics and hold a B.Sc.Ed in computer science from Carnegie Mellon. You have a trained sales technician on your staff and you have identified five major companies –Ford, AOL, Citibank, DOD and AEG Insurance, as companies who rely on their networks to an extent where they should have some interest. Each of these firms spends well over \$500 Million on computing and networks every year. Each of these firms is also under heavy financial pressure and has put in a hiring freeze.

this is value - ? can reduce people in other areas?

The product continually monitors networks and networks are always crashing. Sometimes the transceiver goes out of spec, sometimes memory begins to leak, and sometimes networks crash because false packets are being generated. One of the advantages of your product is that it can categorize network problems on an A, B, C basis, indicating the severity and the duration of the probable problem. A service of the company is the ability to build a library of faults between users so that they are continually exchanging profiles of faults.

Assignment:

1. Come up with 15 objections that the Chief Information Officer at one of these five German companies might have. Note that all five are already key customers of HP, Cisco and Siemens.
2. Come up with 15 answers to those same objections.

but not all german

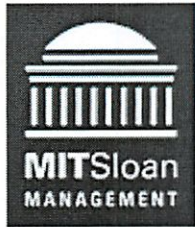
— how is our product better?

- exchanging of faults

→ - new research at Intel Israel

- those guys don't mess around

Next



9/12

15.387 Technology Sales & Sales Management

Video Role Play Assignment Instructions

Grading:

- The expectation is that the videotaped presentation will be more thorough and practiced than those given in front of the class. You should rehearse prior to taping the video. Don't try and wing this assignment.
- REHEARSE, REHEARSE, REHEARSE.
- Make sure you draw on the readings – include teachings such as Bosworth's 9 boxes etc. This is worth 25% of your grade so make sure you spend enough time incorporating lecture material. You must incorporate class material such as the Approach, Solution Selling, Meeting Objections.
- We will be grading your performance based on both the sales side and on the buyer side.
- On the sales side you should demonstrate the skills covered in class to date and show that you are able to address the key needs and concerns of the customer. On the buyer side, ask thoughtful questions, raise reasonable objections and have a genuine willingness to get to a 'yes'.
- Any creativity that you wish to bring to the assignment is a plus.

haven't learned yet

Tips for Video Assignments:

- **Greeting:** Build up a rapport with your client or boss. Don't jump directly into the sale.
- **Smiling:** Relax and smile once in a while. Make sure the client would want to talk to you again.
- **Closing:** Don't leave things up in the air. What is the next step? What are each party's responsibilities? Make sure you have a clear understanding before leaving the meeting.

I'm guessing just do like in class

Logistics:

- You can use your own video camera, smartphone camera, computer webcam, etc.
- Submit either electronically to the TAs or on a thumb drive.
- Make sure that your video is viewable and understandable. If not, re-record!
- Each seller should plan on a 5 minute exchange. Thus, the full taping should take no more than 10 minutes total. Points will be taken off for long sessions.
- Both of you should sit in a chair, just like the demonstrations in the class. This is a sales call not a sales presentation. There should be no notes and no visual aids.

If you have questions about the Video Role Play Assignment, please contact your TAs.

Monitoring Planning

9/13

~~Do you have p~~

Well first ~~introduce~~ small talk

- ? see Brass cat

- MIT connection

Do you have problem w/ downtime?

How much does it cost you?

- we have new tech out of Intel Israel

- Analyzes fault patterns

- To find faults 20 min before happening

Like seismic studies for earthquake

Norbert Gooding - did first ~~PBM~~ IM protocols

(Prob a question)

How would your biz change if less outages?

I know network is there in bg + only comes up when problem.

② \$10 Mil funding - 2 VC firms
We have a trial set up w/ John Manders
Want to bring to your location
How many routes you have?

(price)

\$100,000 each

\$15,000 Maintenance Fee

- For that we've identified a way to share pattern problems

Strict confidentiality - like consulting firm

Just technical patterns

- packet flow rates

- remove all specific data

Might even reduce staffing

- as less fires to fight

- More time to respond

Find problems before happen

So what do you say

(see how thing going)

[I'm getting much better at this :)]

(5 min late)

Delphi - can predict future

What keeps CIO up at night:

- Security
- Downtime
- Meeting lines of biz
- Competitive
- Budget

Key vendor's financial vulnerability

Existing vendor working on same thing

- Strategic

Simi Seller did very bad I think

Never really told me why I should buy it

Prof'i. # of devices on network

5 years ago - half that

2016 how many will you have

②

Are you ~~Wanted~~ under headcount?

How can you ~~duplicate~~ maintain that w/ 2x devices?

You built your NOC 5 years ago - state of art then

Put them on future network team

Run our system in parallel

Turn 4 people on network 2016

- better job for them

\$100,000 is not much \$

How many thousands of people in IT dept?

Cisco said they would do this for last 3 years

They are not using the system they are trying to sell internally

Tell us your requirements

We will design it around your needs

Your chairman is always buying a new bank

Our system built to scale

You made gutsy decision w/ EMC when only 3 guys

3

Bring your team to Liberty Mutual
~~Read~~ Resit down after that

After

Selling whole system

Common enemy

Don't put guys out of their job -

- tell them to do next cool project
- eval product that ~~you~~ you does your past job
- that they are not out of job - have better job

Also when CEO calls - networks down

say can say he's on top of it

Make him uncomfortable w/ what he got

Your homegrown documentation

Bloomberg terminal - get it free for a year
if you are fired

Builds loyalty

9

May have to sell through an integrator

You're paying these ~~guys~~ \$200,000 - \$100,000 is not much

Then aim him w/ facts the next meeting w/ ^{Cisco} CEO

Are you using it internally?

Just set it up on internal network

Need to have product knowledge

- know competitors

For meeting w/ tech people - bring tech people

We'll make proposal for you

- tell us info

- get more understanding of company

Address issues people have

- not general

Sales people may make more than CEO

5

Buyer is buying / not buying sales person

Can I trust him?

Consultative

Selling diff levels of Org

CEO - Power

VP Eng - Achievement

VP Ops - Safety

Dir. Manuf - Security

VP Marketing - Control

Outside Consultant - Enemy

Purchasing Manager - Recognition

Each person has own agenda

Pencils vs Pens

Plastic spoons vs Metal spoons

iPad vs Laptop

- not clock speed, etc

6

Fill out competitive planner

- Reputation

- Size

- Financial strength

- Product

- Cost Service

- Availability

- Quality of employees

Sales staff

Product

- I will put a service person in that country

- and a sales person

- to grow

- Company growth follows key customer

⑦

How to get data?

- their web pg
- 3rd party

Customers see you better w/ product knowledge

Have your engineer talk to the other engineer at trade show.

~~Be~~ Talking to marketing people

- I'm too long winded

Tell your engineers instructions

Profit centers have clout
Cost centers don't

Customer knowledge + Product knowledge + Sales Skills

15.387 - Technology Sales and Sales Force Management

"Product Knowledge"



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1

Delphi Software



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What Keeps Chief Information Officers Up at Night?



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3

Chief Information Officer

- Age?
- Background?
- Size of Staff?
- Reports to?
- Budget?
- Sells through... Independent and Dedicated Agencies

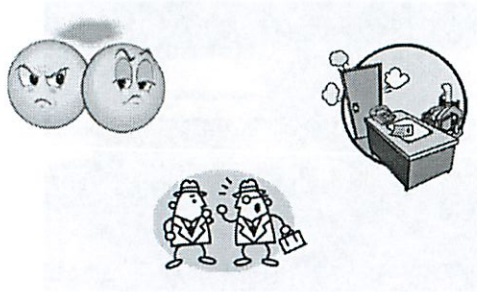


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Lecture 3
Product knowledge

9/15

Objections!



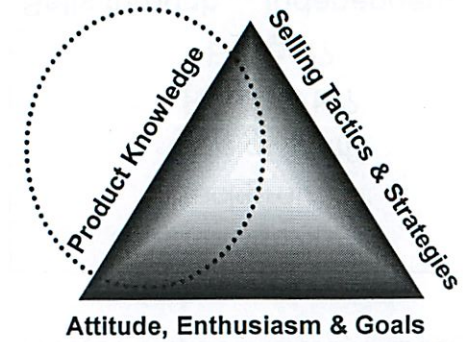
What objections will you encounter?



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5

The Selling Triangle



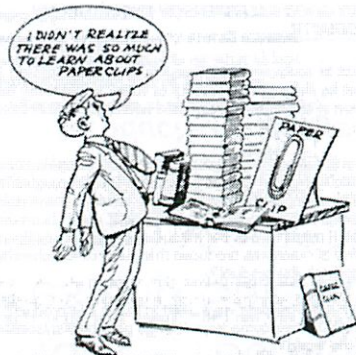
Source: Tom Hopkins



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6

Sales Product Knowledge



THE PROFESSIONAL SALESPERSON
CAN'T HAVE TOO MUCH
PRODUCT KNOWLEDGE.



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7

Sales Product Knowledge - Buyer ("Does He Know Anything")



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8

Selling Climate

- Determine what prospect(s) have the where-with-all to buy?
- Need to determine the “situation analysis” climate. What needs (problems) does your prospect have?
- People buy “benefits” not necessarily features.
 - ▶ A feature is a descriptive set of characteristics of a product or service.
 - ▶ A benefit is the “satisfaction” of a need you get from the feature of a product or service.
- Propose benefits your prospect needs and will buy.



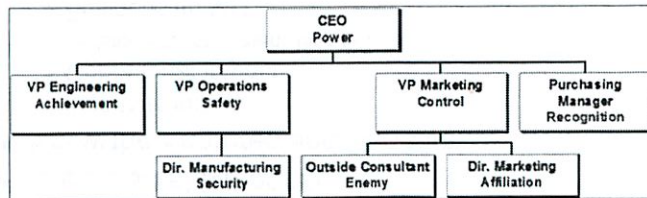
Buyer:

1. Is this salesperson the real thing?
2. Does he know enough about his, and his competition’s product that I can trust him?
3. Is he/she always saying, “I will get back to you”?
4. Am I looking at a “consultative” salesperson... or a peddler.



Multi-Level Selling

When selling in large organizations, you will have different “Needs” satisfaction by various departments and individuals.



Each Buying Influencer Has His/Her Own Agenda

- Technical buyer: specifications
- Financial buyer: price
- User: Interface with existing decisions
- CIO: Risk/Reward
- Using Divisions: helps us win business and not screw up existing relationships



Product Sales Planning

- Create an elevator pitch
- Know the Features and Benefits
 - ▶ Financial impact
 - ▶ Operational impact
 - Easier to implement, less downtime
 - ▶ Business impact
 - Will make workers more productive leading to less turnover
- Understand the competition

Preparing the above will enable you to sell on value and not on price!

The Elevator Pitch

- *Imagine:*
 - ▶ You are selling a product/service and the VP of the division you are selling to steps into the elevator. She asks, what do you offer?



Elevator Pitch: The quick, succinct summation of what your company makes or does

XYZ builds and installs custom, back-office financial software for small businesses to help simplify and automate their invoicing and payroll processes in order to improve account accuracy and efficiency

Feature/Benefits - VMWare

High Availability

ESX Server 3 is the only virtualization product designed, created, tested and certified across the complete IT stack of servers, storage, operating systems, and software applications allowing for application portability.

Operational Impact ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

Business Impact ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

Support the VMware® vMotion™ vMotion™ allows for live migration of virtual machines between ESX Servers 3, allowing for maintenance and load balancing.

Cost Savings ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

Security

ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

Performance and Scalability

ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

Advanced Security Management

ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

Management

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Advanced Availability and Security Features ESX Server 3 enables management of entire virtualized environments.

VMware® vMotion™ vMotion™ allows for live migration of virtual machines between ESX Servers 3, allowing for maintenance and load balancing.

VMware® ESX Server 3 is the only virtualization product that can be installed on a single server, reducing the number of servers required to run the same applications. This reduces the number of servers required to run the same applications, reducing the number of servers required to run the same applications.

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Feature/Benefits - VMWare

High Availability

ESX Server 2 enables data center class high availability, for virtual machines.

Shared Storage. Eliminates single points of failure by storing virtual machine files on shared storage such as Fibre Channel or iSCSI SAN, or NFS. Use SAN mirroring and replication features to keep critical copies of virtual disk architectural recovery plans.

SAN Transparency. Use shared SAN storage for virtual machines with the same ease and flexibility as virtual disk files. File servers requiring low virtual machine use to archive SAN. SAN data centers or additional storage purchase can't terminate LUNs for virtual disk files. Offload file level backup and replication of virtual machine files to independent agents. Scale compute clusters of virtual and physical machines with shared SAN data centers for cost effective high availability.

Built-in shared storage multipathing. Ensure shared storage availability with SAN multipathing for Fibre Channel or iSCSI SAN, and NIC teaming for NFS.

Enhanced VM Monitoring. Give each virtualized workload a built-in NIC behavior and host behavior watching greater network availability and a tolerance. Host NIC teaming policies allow users to configure multiple active and standby adapters. Teaming configurations must be different for different host groups for the proper virtual switch of different groups can avoid avoid different meaning objectives for the environment.

Support for Microsoft Clustering Services. Cluster virtual machines running Microsoft Windows operating system across physical hosts.

To Do

Security

Compatibility with SAN security appliances. Enhance security policies with LUN masking and LUN mirroring.

VLAN tagging. Enhance network security by tagging and filtering network traffic on VLANs and the network of connected devices.

Layer 2 network security policies. Enhance security for virtual machines at the Ethernet layer. Disable ports to prevent intercepting of network traffic, MAC address changes, and target source MAC addresses.



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VMWare Elevator Pitch

VMware delivers virtualization and cloud infrastructure solutions that enable IT organizations to energize businesses of all sizes. With the industry leading virtualization platform – VMware vSphere™ – customers rely on VMware to reduce capital and operating expenses, improve agility, ensure business continuity, strengthen security and go green.

With 2009 revenues of \$2 billion, more than 190,000 customers and 25,000 partners, VMware is the leader in virtualization which consistently ranks as a top priority among CIOs. VMware is headquartered in Silicon Valley with offices throughout the world and can be found online at www.vmware.com



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Class exercise

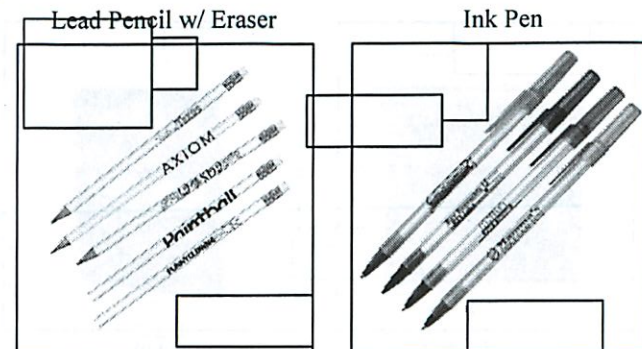
1. I will present pairs of competitive products
2. You will create an elevator pitch, features and benefits, competitive attributes
3. I will cold call two people to sell the products to the class
4. Winner will be determined by the class



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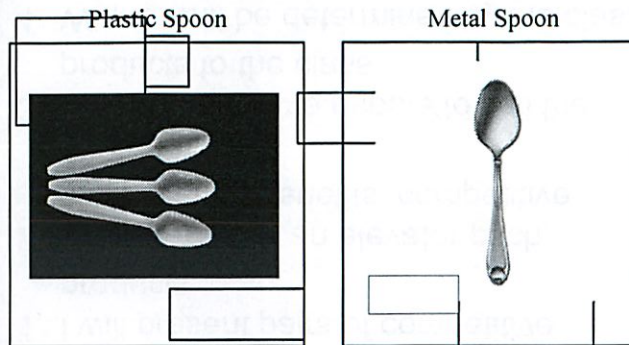
Sales exercise #1



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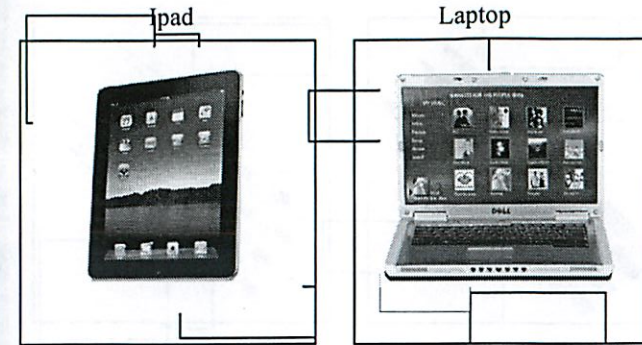
Sales exercise #2



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Sales exercise #3



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Competitive Planner

Company		Rating: 1 = Strong; 2 = Average	
Date			
No.	Attribute	Your Company	Competitor A
1	Reputation		
4	Size of Company		
2	Financial Strength	Flexibility & Depth	
3	Product	Features & Breadth	
4	Customer Service	Responsiveness & Depth of Expertise	
5	Availability	Ease of Purchase & Order Quantity	
6	Quality of Employees		
7	Quality of Sales Staff	Order Takers & Depth of Team	
8	Quality of Products		
9	Pricing	List vs. Discounts	
10	Ability to Handle Problem Fast		
11	Marketing	Promotion, Advertising & Programs	
12	R&D	Ability to Change & Innovate	
13	Manufacturing	Quality & Delivery Scale	
14	Installation	Availability & Skills	



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Where to Find Competitive Information

- Library
- Internet
- Newspaper, Magazine & Trade Articles
- D&B, Moody's, Standard & Poor's
- Government Sites and Locations
- Consultants
- Personal Contacts
- Other Sales People
- Academic Institutions
- Annual Reports
- Your Prospect



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Sales resources

- Available to you:
 - ▶ Tools/reports (ROI calc, analyst reports)
 - ▶ Partners (help with account knowledge and to complete the offering)
 - ▶ Formal organizational resources (sales mgr, system engineer, product manager, etc)
 - ▶ Reference-able customers
- ... Use them... you get the same quota credit and commissions regardless of the resources used



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Power of Product Knowledge

- Makes your customers and prospects want to see you
- Ability to better qualify your prospect
- Find the real objections instead of just answering product questions
- Can set the traps for the competition
- Know the traps your competitor(s) will set for you and take steps to avoid them
- Enables you to more quickly build internal champions as they consider you to be an expert...the trusted advisor
- Decrease the length of the sales cycle
- Sell on value instead of on price
- Create opportunities



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A few things to remember

- Product knowledge without account qualification is useless
- Product is often the same, but reason the customer buys can be very different from account to account-match product attribute and value to need or pain of the particular prospect
- Is in not a contest to show your customer how much you know about your product
 - The finest doctor still asks the patient, "what hurts" or "tell me about your medical history"...before he/she recommends a solution.



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And Finally.... What top performers have

- The ability to orchestrate a sales campaign
 - ▶ Customer Knowledge
 - +
 - ▶ Product Knowledge
 - +
 - ▶ Selling Skills
 - =Making Quota



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Case	Pill Caddy
Title	Prospecting <i>This case is not really prospecting.</i>
Session	4
Class Date	February 10, 2011
Assignment	Outline FIVE distinct ways of closing the sale. (max. 2 pages memo)

Overview:

Your company, Pill Caddy, has an innovative product that is specifically designed for Senior Citizens who often have a hard time remembering to take their medication. This device is about the same size as a toaster oven. Its feature is that it automatically dispenses a pill at a certain time of day... and alert's the son or daughter of the aging parent if the pill has not been taken.

The United States, like most of the developed world, has a problem with its aging population. *(I thought of doing something like this)* With life expectancy expanding, it is not unusual for older citizens to live to their 80's or 90's. With so many families needing two incomes to live, it is not an option that someone is in the extended home to care of elderly people.

Also, the option of moving an aging parent into a special care facility is both an expensive and a demoralizing activity. \$100,000 per year is not uncommon and aging parents often resist uprooting themselves, especially if they are in generally good health. Modern medicine has made great strides in providing medication to keep the elderly going, but if these medications are not taken, the patient runs the risk of major problems. The problem is exacerbated by the fact that half the medications that are prescribed are not taken. Elderly patients often have trouble remembering if they have or have not taken the medication. If they do not remember, they will either under-medicate or over-medicate themselves. Pill Caddy dispenses the pill and provides a verbal message, "Time to Take Your Pill" and it can do so in five different languages. If the pill is not taken within 15 minutes the device automatically calls up to 4 individuals who will then call the parent. If the message is received by the first individual, that person simply presses "1" – and the message will not call the rest of the people on the list. The entire device works wirelessly.

For the last two months you have had several meeting with Harvey Rosenthal, buyer of consumer electronics for CVS with over 4500 stores. Harvey previously held a senior position at Walgreen's and has both a degree in pharmacy and an MBA. CVS expressed interest because of its desire to remain dominant in the elderly health care delivery systems market and its belief that this product, which would sell for \$500, could be a winner. Although you are a young company, Rosenthal is intrigued enough to consider a pilot buy for 15 stores located in and around Providence. His plan was to buy 5 machines for each store and to promote vigorously the product with an in store display. You have offered Rosenthal very attractive 40% margins and have told him that he will have a six-month exclusive in this pilot market. Yet for some reason, you have had trouble closing the sale.

Tomorrow at 4PM you are having one final meeting with Rosenthal, who is Vice President of New Products at CVS.



Assignment:

Be prepared to close the sale five different ways to Harvey Rosenthal. Determine the key objections Harvey may have. Have proof points for the objections. Review the product benefits to assist you in overcoming the objections for closing the sale.

Prospecting

9/20

Moving prospects into the funnel

Role play: Pill Caddy

Did you have time to think about?

Objections

Doing SWOT analysis during sale

\$500 not in range for CS

What store would you sell it in?

(Seller ~~is~~ not doing well I think)

Only a pilot

— testing out product

Takes up SKU space

Proposed faster distribution delivery

Won't take that much space

Closing exclusivity window

2

After

Oh connection b/w exclusivity + not wanting risk

Pharmacy loses connection w/ you when you go into a home

New products person - more entrepreneurial

- wants to beat Walgreens

Think long + hard about exclusivity

What else have they done innovatively

I (should have been better at asking dinner guy or did I, but answer not what expected)

Was exercise more about closing?

Best sales people close

- not delay

You need to do it pretty directly

Or try to bring Pharmacy VP in

- not \$200 profit

- but \$1500

Get on same side - not controversial

- ③
- Talk about personal story
 - See who is buyer
 - Elderly + family
 - ↑ may lose whole family

Exclusivity

- good sign if asking for it
- but rarely want to give it

Need to generate sense of energy

- big opportunity

- not threaten

- but we've got an ~~and~~ mention in press -
people are calling

- need to sign up on launch partner in next week

WalMart

- sell in cages

- try to demean you

- talk to lots of depts

④

Prospect

Salesforce.com - become standard

Telemarketing

600 calls/day

10% contact rate

- just talking to someone

You are responsible of sales pipeline

Divers

1. List dive shops

2. " high end

3. " D+B ratings

4. floor sizes

5. Owners

6. Industry associations

7. Trade shows

~~8. Text~~

Power Miser

University

- facilities manager

- green manager

- student advocacy group

5

Sales Call

- hard work
- know who is calling
- it right person
- need a hook
- want hold of them, not voicemail

Leads from buying lists

Trade show

Best are ones trying find you

Don't assume someone has authority to buy

- but don't write off too quickly

1-2% email hit rate

What if few buyers exist

- can't play # game
- just be more targeted
- target various divisions

④

Call or email?

Some people do 1 or other

email - faster

esp gen shift

Sometimes when you call they are looking for a solution

know your contacts

1. Letter/email must be well written
2. Figure out prospect name
3. Arrive early
4. Flying delays
5. Mirror
6. Over dress
7. etc. like an interview

Demos

If someone fighting fire, come back

⑦

Tech Co - don't want to look like the suit

Cultural differences

Want it to feel like partnership

- even I banks dress down

Call the secretary

Dress down once partnership

**15.387
Technology Sales
and
Sales Management**

"Prospecting"

Session 4 - Pill Caddy



1

**What Role Does the Pharmacy
Play in Elder Health Care?**



*Lecture 4
Prospecting*

**Let's Think About Harvey
Rosenthal**

- How Old?
- Experience?
- Job?
- Education: pharmacy, Mass College of Pharmacy; MBA
- How big is IDS?
- What are they doing innovatively? (Doc in a Box)



3

**What happens to a pharmacy's
business when a customer
goes into a nursing home?**



4

9/20
1

Prospecting



Old days: drive around,
look for smokestacks
Try to find a nugget
from trade shows



5

Prospecting today



Still a necessity.
Each salesperson is
ultimately responsible
for his/her own leads.



6

Examples: Divers Delight



7

How would you prospect?

1. List of dive shops
2. List of dive shops that carry other high end lines
3. Above, with D&B ratings
4. Above, with floor sizes
5. Above, with owners
6. Industry associations
7. Trade Shows
8. What else?



8

Power Miser

1. List of Universities
2. Above, with number of students
3. Facilities managers
4. Green managers
5. Industry Associations
6. Student advocacy groups
7. Overlay with GPS data



9

Straight forward way

Activity	Week 1	2	3	4	5	6
▪ Contact						
	30	30	30	30	30	
Set up First Meet		5	5	5	5	
Go to Meeting			5	5	5	
Make Proposal					3	3
Get Order						1



10

The Sales Call ...

- The sales call is also called prospecting.
- Know "Who or Whom" you are prospecting.
 - Types of calls.
 - ▶ Telemarketing & Telephone
 - ▶ Direct Mail
 - ▶ Person-to-Person
 - ▶ E-mail
- You need to have a "HOOK".
 - ▶ A hook is the message to getting to the next step in the sales process.



11

Each step, done correctly, leads to the next

If your original call/letter was interesting enough, you will get the first meeting.



If you did your homework and were talking to the right person or people, the first meeting will lead to a second, etc.



12



Account/Contact Profiling

- See handout

Sales Contact Profile

1 Company Name

2 Sales Territory

3 Salesperson Name

4 Division

5 Contact Information

6 Last Updated

7 Company Name

8 Contact Name

9 Contact Address

10 Home Address

11 City, State, Zip

12 Main Phone

13 Home Phone

14 Main Fax

15 Home Fax

16 Personal Profile

17 Power

18 Recognition

19 Achievement

20 Affiliation

21 Influence Type

22 Control

23 User

24 Technical Decision Maker

25 Buyer

26 Influencer

27 Economic Decision Maker

28 Emoney

29 Special Events & Dates

30 Event

31 Date

32 Event

33 Date

34 Family Background

35 Single

36 Widowed

37 Divorced

38 Married

39 Priority

40



13



Know your Prospect ...

- Develop an account profile on each account.
 - Company history and key locations
 - Mission statement
 - Financial condition - growth/decline (D&B rating and annual report)
 - Founders or key management
 - Stock information & performance
 - Product offerings
 - Marketing and advertising policy
 - Customer service policy
 - Quality and ethics policy
 - Distribution and sales policy
 - Personnel and employment policy



14

Does your product/service dovetail with the vision of your customer's?



15



Know Your Contacts

- What to keep track of on your prospects/customers ...
 - Names
 - Company names
 - Addresses
 - Various phone numbers
 - E-mail addresses
 - Assistants name
 - Best times of day to reach the client
 - Dates, locations, and times of appointments
 - Notes on conversations
 - Correspondences sent
 - Products or services ordered
 - Delivery dates
 - Challenges that arose and how you overcame them
 - Future growth plans and forecasts
 - Birth date, hobbies, how long they have been with the company, etc.



16

10 Steps to Positive First Impressions

1. Any letters you send must be grammatically perfect.
2. If prospect has an unusual name, learn the correct pronunciation before the meeting.
3. Arrive early.
4. If a meeting requires a flight, allow for delays.
5. Check yourself in the mirror before you meet.



17

10 Steps to Positive First Impressions (Cont.)

6. Dress for success = Overdress.
7. Check your teeth, clean your breath.
8. Greet client with a smile & direct eye contact.
9. Extend your hand for a bonding handshake.
10. Have all your information ready, attractive & functional.

Source: David Sandler

18



Effective delivery of your pitch = getting the meeting

- Know "Who or Whom" you are prospecting.
- Have a few pitches ready.
- Convinces the "target person" to schedule a longer meeting with you, and be receptive to doing business with your company.
- Empowers and enables the "target person" also to convince other appropriate people to become interested in your company.
- Resonates. Demonstrates honesty & sincerity.
- Communicates a sense of value, empathy, and urgency.
- Tell them how much time you will need.
- Combines thorough Sales and Market Research.
- Requires no more than 1-2 minutes.



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The Sales Meeting ...

- Go prepared with backup failure scenarios
- Probe for areas of need.
 - ▶ Use "open" probing questions for discovery.
 - ▶ Use 'closed" probing questions to quantify need.
 - *Being dumb like a fox!*
- When you discover a need ...
 - ▶ Acknowledge articulate the need.
 - ▶ Introduce the appropriate benefit(s) that will satisfy the need.



20

Sales Prospecting



21

Prospecting



A good salesperson always has time to do prospecting; customers disappear, go bankrupt, merge, etc.



22

Prospecting Types

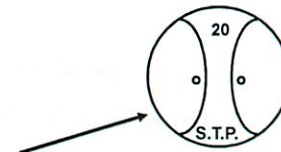
- Cold Call
- Personal Observation
- Sphere of Influence
- Referral (The Best One)
- The Telephone Book
- Advertising
- Direct Mail
- Mailing Lists
- Service Personnel
- Other Salespeople
- Association Directories
- Meetings and Conventions



23

Prospecting

- It about gathering information over time.
- How do find out "Who" to contact?
- Your best prospect is your last satisfied customer.



24

Prospecting

- Words to eliminate in your sales vocabulary ...

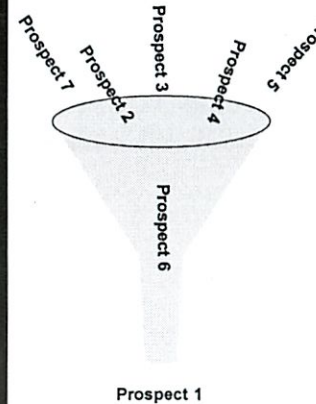
Instead of ...	Use ...
Sell	Get them involved or help them acquire
Contract	Paperwork, agreement, or form
Cost or Price	Investment or amount
Payment	Investment or amount
Pitch	Present or demonstrate
Buy	Own
Deal	Opportunity or transaction
Objection	Area of concern
Problem	Challenge, Opportunity
Appointment	Visit, as in "pop by and visit"
Sign	Approve, authorize, endorse, or okay

Source: Tom Hopkins

25



A Numbers Game!



- What are your hit Ratio's!
 - ▶ 10:1, 20:1, etc.
- How much time does it take to hit?
- How many prospects are referrals?
- What is your plan of attack?
- What is your follow-up?



26

Best Times to Prospect

- Never call an executive on a Monday morning.
- Best time is after 3pm on a Thursday (admin. staff has left for weekend).
- Before 8am is always a good time (Admin. staff not in yet). Executives are usually early risers.
- After 5pm is a tougher time (admin. staff has left for the day).



27

When Prospecting and Selling

- Send thank-you notes for meetings, calls, orders, etc.
- Handle problems fast.
- Call people back immediately.
- Keep every promise made.
- Keep in touch.



28

Take a Sales Person to Lunch Assignment - Date due: September 22 before class, Stellar

You are to identify, get an appointment and meet with an experienced salesperson about what it means to be an effective salesperson. Discuss the requirements to become a good salesperson, as well as other relevant matters (territory management, incentives, information systems, etc.). Write the insights that you learned in 2 pages max. Interview can be done with your partner but you must turn in **separate** assignments. Do not interview one of your classmates, but you may, of course, use your classmates for help in finding a salesperson to interview. You might want to consider interviewing a salesperson in the industry in which you hope to work upon graduation.

Sales Evan

9/18

- my goal
- your goal
- thought program video game
 - sit in front of PC whole day
 - liked people + presentations
- used their products as end user
 - nuclear fuel channel inspector
- very good tech support when he called
 - entry level position for engineers
 - entry leader program
 - applied
- then moved to marketing
 - product manager
 - no client interaction
 - or just tradeshow

②

- Make more \$
- Sales people highest paid
- excellent listener
- personalize your work to that person

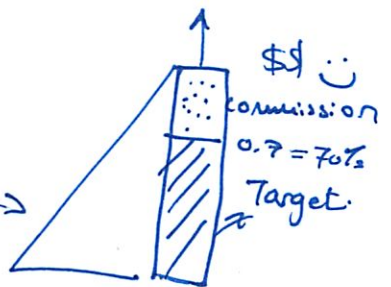
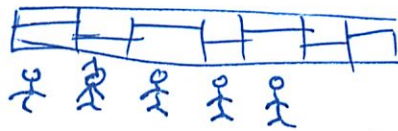
- Then Field Sales ~~age~~ engineer

- sales person
- first title

- District Sales Manager - title & grade

- Biz dev

- Area sales manager



- Good Sales Manager knows when to pressure
- ~~How~~ to make calls!

-

③ Day to Day

Mon - Office day

- set schedule - had wide latitude^{as} in field
- write proposals

Tue - Fri ~ 4 visits/day

- lots of driving

Manage expectations

I have 1 hr

~~Q~~ Schedule follows on afterwards

Call

Calls

- Mon

- existing relationship

- Sale

- referral

- or comp information who is VP ops?

- leads

- marketing collects leads

- express interests

④
2 inside people

- no tech bg
- 2 year degree EET
- make quotes in office
- do bg area

lead quality

- how, where it was collected

Identify key decision makers

- varied

- manager

~~eng~~ engineering team ← they told him to buy

- look at people's titles

- if you have a good value prop for that person

- look at companies

- if sold before

Phone list

then email, ref phone call

5

Email template

- job is to add value

Spent all time on top 10 companies

- 85% of revenue

Only interested in ~~20M~~ \$20,000

Paid on everything sold into territory

- Shipped

Extra West PA + ^{W.} Virginia

2-4% revenue

Look at very top for growth

Advisor - online quoting system

- had specific thing in mind

Sales call

- Meet + Greet

- don't know if sales opportunity

(6)

Sales call - demo that specific situation for specific need

- learned needs from meet + greet
- do a ~~demo~~ tech demo
- might multiple meetings
- provide a quote
- try to get a verbal commitment
- then done

Post-sales

- very important at NI
- spent more time
- make sure working, had expertise
- taught programming

Provide value in interacting w/ you

- technical for him
- or past lot level tech support
- or lower equipment

7

Engineers run co

- don't investment in man stock market

Books : Selling the Wheel

- evolution of person in sales org
- at 1st : need very tech people
- then need less skill - more relationship

"Wizard" - does tech

was going to transition in

Closing

- ask tough qv
- but does not seem tough
- ask series of qv they most say yes
- then ask will you buy it
- outline things they said - will you buy it
- right time

8

Price

- no direct competitors, when are
 - no ~~kind~~ same rep or tech support
- ask probing av, closed qu
 - do you want to buy mice
- price is often proxy for something else
 - ask what do they need
 - the only system is ~~known~~ \$10,000 that does

- Cust ask for discounts
 - had very little authority over it
 - discount schedule for qtd
 - pre written

- "In sales you get what you negotiate"

- ask for discount
 - can't if by 1
 - chance if by stuff in future
 - sign to buy stuff in future

- Some set discounts ~~for~~ students - academic
 - or large org

9

Get blanket price agreement

- so don't have to bicker

Rejection

- desensitize
- look back what could have done differently
- ask them so I can improve my offering
- once didn't show that it would meet their needs
 - connect w/ them more
 - express ~~hints~~ hints early on

1 week to 1 year
 3 weeks made

Influence: The Science of Persuasion

- 7 things people do
- ~~thing~~ people like you - complement
- reciprocity
- scarcity (I'm really busy, but I'll come in)
 - we just spent 3 hrs on your program - was it valuable?
 - how valuable? would you be willing to set up mtg or referral?

(10)

Email Howard - very ~~Wahp~~ helpful



15.387 Technology Sales & Sales Management

	Carol Electronics
<i>Title</i>	Tactics
<i>Session</i>	5
<i>Class Date</i>	February 15, 2011
<i>Assignment</i>	Design a Systems Solution for Spike Insurance. (2 pages max.)

Overview:

Your company, Carol Electronics, supplies internal IT departments with boards, wiring, surge protectors, monitors and LANS. Typically you call on the network administrator who has a number of items he keeps in inventory. You typically are one of two or three suppliers from whom he buys.

You have some 40 accounts which together bill \$3.75 Million per year and you call on each of them every two weeks. Your typical order is \$5,000. Your warehouse is within 30 miles of all of these accounts and they do business with you more because you are "never out" of key items. Although you have some 300 stock keeping items, most of your accounts use you for just 30 or 40 of the items you carry. Most of your customers like to keep as little inventory as possible but they do recognize that to serve their internal users, they need to have some stocking capability. You typically deliver to them within one week of taking the order.

say what! 30 miles - should be day of!

One of the frustrations of your job is dealing with the network administrator who is often working on repairs or installations within the building when you call on him. Often he orders what he needs based on his memory of what is in his storeroom and since he operates on an open rec basis, there is not a problem in getting paid.

??

Over the years you have build up a rapport with most of your clients so that they trust you to go in and count their inventory for them; in some of these companies you can even write your own purchase order.

One of your clients, Spike Insurance of Burlington, has asked you to come up with a solution that will cut down on the time it takes to order, guarantee that items are in stock and keep the cost down to competitive levels.

? in their warehouse or yours

Assignment:

Design a Systems Solution for Spike Insurance and make it vigorous enough so that it might be used by you with other of your clients. Describe how your solution would be different from the status quo.

Your goals are also to help you get a larger share of the business from each of these customers. Right now delivery costs your firm \$100 each and you believe that having more items delivered would help your sales and would make the territory more profitable. Your pay is based on 5% of your sales but you know management is considering turning that into a percentage of profit in the future.

what type of delivery are they using

auto restock

*Use 1 - also reorder + new one sent in next shipment
cheaper - shipping!*

Michael Plasmeier

Carol Electronics

First of all I think Carol needs to do something about its shipping costs. With a \$100 shipping cost for 1-week shipping it is hard to be flexible in delivering items. Carol will have a hard time competing with Amazon.com's Prime free 2-day shipping. Carol needs to take better advantage of its close proximity to its customers – 30 miles. This should allow it to put together a better shipping program. For example, it could use couriers to deliver items same day to its customers. This would let the customer's stock room feel like an extension of Carol's. This type of service would give Carol's a big advantage over the competition.

If this service would be too expensive, Carol should also consider the normal mail. Within 30 miles service would be overnight or 2-day which would be far faster than their current service.

If they had their own delivery trucks, they could build work on a restocking model where the truck would be fully stocked and drive through the territory calling on customers every few days. The delivery clerk would then restock the customer's supply up to a pre-set level.

Carol could also move to a "minibar" model where the items are not considered "sold" until they are removed from the stock room. With this model the customer would not have to worry about setting a stock level, having to reorder, or carrying stock. When Carol next visited the stockroom they would note what was taken and restock the area. They would then bill the customer for items removed in the meantime. This service would be very convenient for customers because they do not need to go through the trouble of filling out a purchase order, they merely go over to the stock room and pick something out. There would be no reason for the clients to purchase from other companies as long as the item was in stock in their Carol "minibar."

Carol Electronics

- really good relationship
- install a terminal
 - each time you take it, just scan it
 - no need to click anything

(I like that better as first shot)
(cheaper for co)

- tried to ↓ delivery times

Missionary Sales - new cust

Often sell instead to existing customers

Last line scary
profitability line

Normally ya make 7% \pm 100 shipping

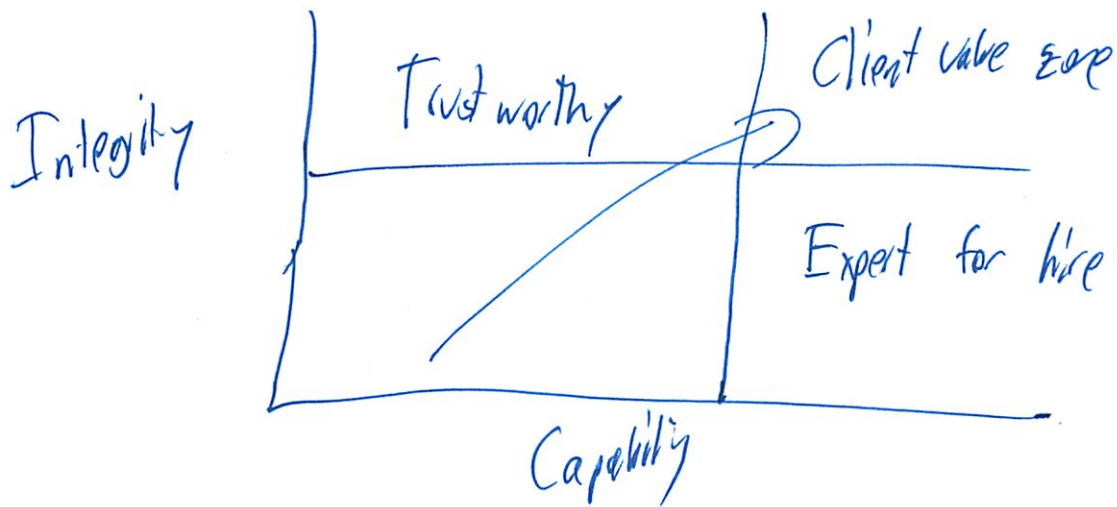
Goal is to buy more + more

②

If 2x items then profit \uparrow

Needs satisfaction

- Prove value
- Retrieve missing info
- Insulate against competition

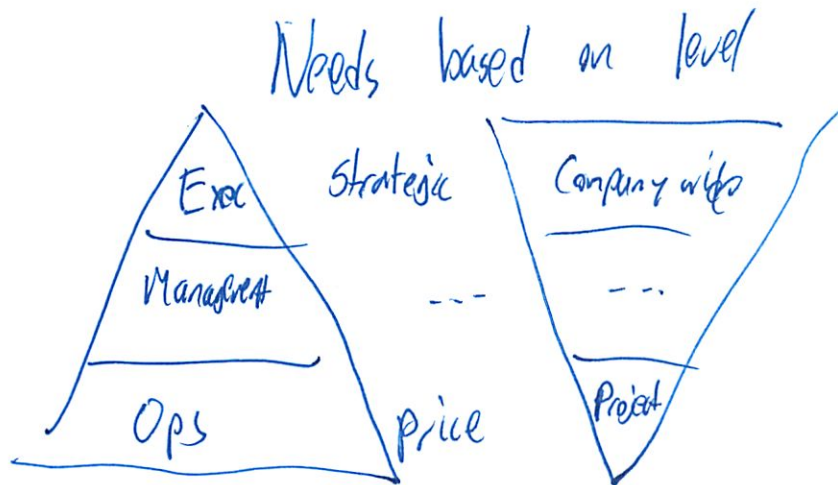


Sales is getting complex



③

If can build a special sol for Spike might work for all customers



Citrix repackages your software?

- Who do you call?
- Where - all across country?
- How do you get a person to call back?
 - get HR department to connect
- Engineering?
 - Could be trying to sell to someone who is building internally?
- Marketing?
 - has to bubble up
- One of your jobs is to put org chart together

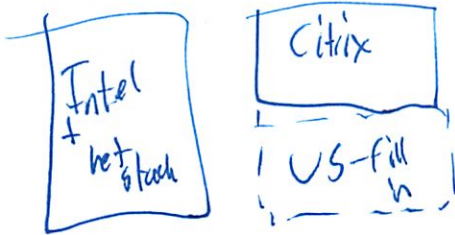
④

How do you find it?

Linked In

Call your counterpart at a Co that does not compete w/ you

Then the pitch?



People don't want to integrate

1. How are solving current problem
2. How will their work processes change w/ product
3. Calculate change.

NIH = Not invented here.

- Make us there
- Hardware, software
- Ongoing maintenance
- Replacement cost

5

Gaining Exec Sponsorship

- Inside sponsor
 - highest prob. of meeting
- Referral - outside sponsor
 - reasonably high degree
- Gate keeper (admin)
 - some prob. meeting
- Direct (email, phone)
 - low/no prob meeting

No just needs they need more information

Need to discern real objections

Pretend changing warranty policy is hard

- if too easy, it's not worth it

Break down objections

- listen
- analyze
- isolate
- confirm

⑥

- suggest solution
- repeat the value
- remove issues
- never leave w/o next step

Don't want to

They will tell you how to sell them.

When does your capex year start?
Could I lease them to you?

Bring evidence

Cost: don't understand perceived value

* Understand what really asking

Add extra value - will label store room

Try to return unused products for store credit

For this most of selling is internal

- convince to set up Carol Electronics e-system

⑦

Or give away Elevator designing software
make it easy for architects to build

Maintenance biz

- much of the money
- but new supplier starts

Or proactive maintenance

Figure out better ways to do things

- see pain point

Complex sales may look 1-off

but could ^{put} you in first

Make dissatisfied w/ current situation

15.387 Technology Sales and Sales Management

"Objections and the Complex Sale"



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1

Why People Buy?

- Answer: Needs Satisfaction
- In sales you must:
 - ▶ Prove your value
 - ▶ Retrieve missing information
 - ▶ Insulate against the competition
 - ▶ Minimize your weaknesses
 - ▶ Emphasize your strengths
 - ▶ Why will Carol Electronics buy?

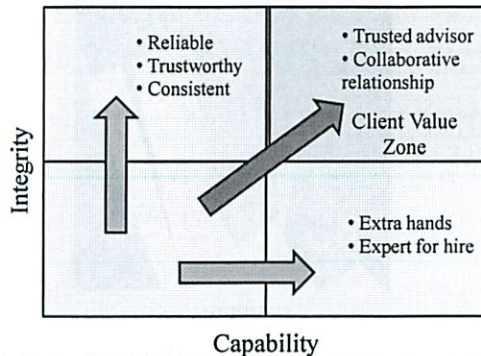


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Objections + Complex Sale
Lecture 5

2

Proving your value in Solution Sales



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Source: Clients for Life, 2000

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Where are we so far?

- Approach, presentation, meeting
- Product knowledge
- Prospecting

- Let's raise the bar...



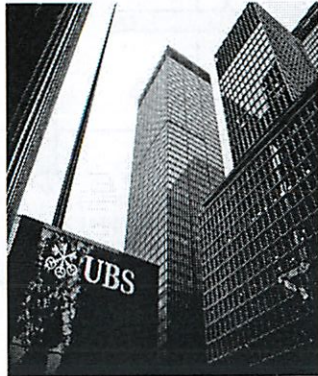
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4

9/22
1

...The complex solution sale

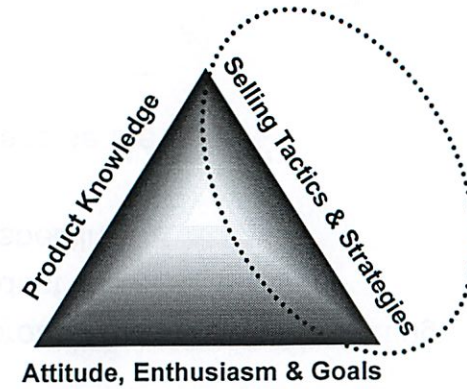
To this...



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The Selling Triangle

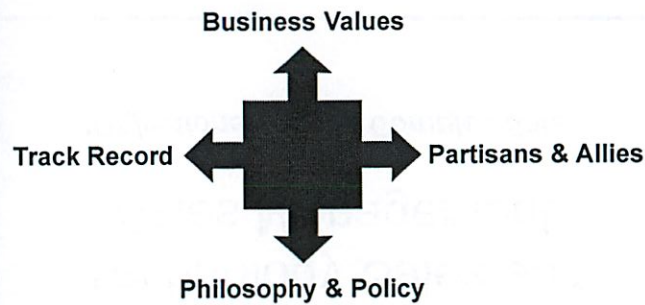


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Source: Tom Hopkins

6

Identifying Influences

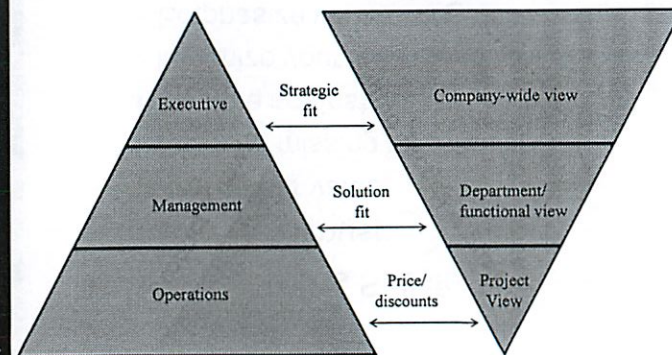


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Source: Target Marketing Int'l.

7

Need is often based on operational level



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Source: *Selling to the C-Suite*, Read, Bistriz

8

Here's the scenario

- You are a sales rep for a California-based startup that sells Networking Software and one of your accounts is Citrix
 - Citrix (CTXS, Technology company, Fortune 500, \$2B revenue)
- Your job is to do a deal with Citrix where Citrix re-packages your software with their networking product line.



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9

So now what?

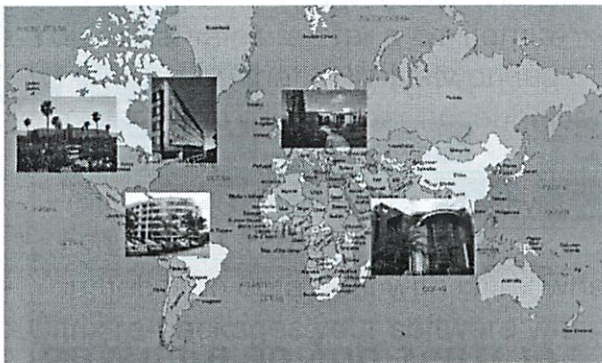
- You have to make quota and increase your pipeline
- Time is precious
- And one more thing...



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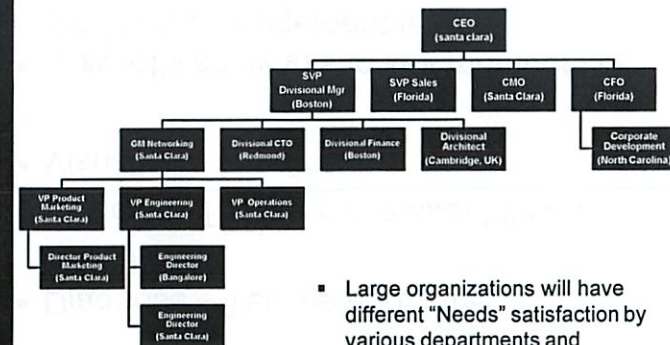
...there are offices around the world!



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So where do you start???



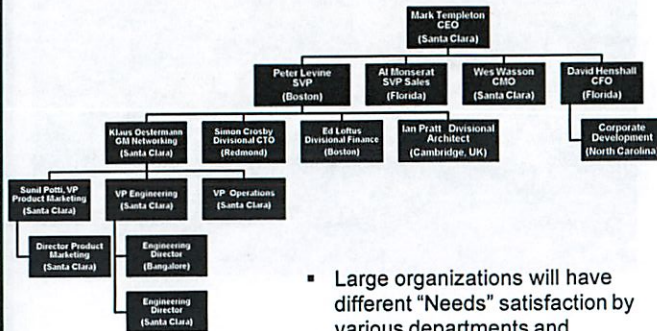
- Large organizations will have different "Needs" satisfaction by various departments and individuals.



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So where do you start???



- Large organizations will have different "Needs" satisfaction by various departments and individuals.



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From the reading

- Diagnose – Tell me about the pain/need...
- Explore – Tell me more about this...
- Visualize – Imagine...
- Now let's apply this to key members of the Citrix management team....

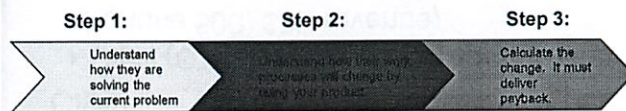


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Modify your elevator pitch to your audience

- Get in their heads ("needs satisfaction processing") and model the effect on their business of using your product.



- The forces of evil which fight against innovation are rampant, devious, and well-organized.
- To justify the risk of change, and of being a small company, you must be at least 2X faster, 2X better, and 2X cheaper than the known alternatives.



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Understand the Economics

- Consider NIH. Set a trap for in-house competition.
- Calculate "Make vs. buy." To understand the customers' economic benefit, you also need to quantify how much it would cost for customers to try to build the solutions themselves.
- Examples of Customer Cost Components**
 - Hardware, software
 - Economic amortization
 - Scale efficiencies, etc.
 - On-going maintenance (people costs)
 - People required to manage new product
 - Synergies with other businesses
 - Replacement cost when new versions are needed



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Influence Types Of A Sale

Type	Definition
User	The person using the product.
Influencer	The person who helps influence the sale, such as a consultant.
Technical Decision Maker	The person who qualifies, technically, the product or service.
Economic Decision Maker	The person who has the authority to approve the purchase.
Buyer	The actual purchaser, usually a purchasing agent.
Enemy	The person who does not want your product sold to the company.



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Gaining executive access

- Identify the right executive
- Options:
 - ▶ Inside Sponsor
 - Highest probability of a meeting
 - ▶ Referral (external sponsor)
 - Reasonably high degree
 - ▶ Gatekeeper (admin)
 - Some probability
 - ▶ Direct (email, phone)
 - Low/no probability of a meeting



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Direct approach

From: Ken Dixon [mailto:ken.dixon@emsys-design.com]
 Sent: Thursday, November 04, 2010 12:41 PM
 To: Peter Levine
 Subject: Cisco has sponsored a seminar on Data Centers - don't miss it! We're offering your infrastructure to its knees

Peter,

Please forgive my interruption. I hope you're enjoying the SVP and General Manager, to understand the company's vision and mission. The company is accounting on your team to provide a bulletproof environment for your business.

What should you use?
 EMSYS's Cell SPY system is in the market. It's a great product. I've attached the sheets with additional details. Would it be possible to schedule a meeting to discuss it in person?

Thanks in advance.

Sincerely,
 Ken Dixon
 COO
 EMSYS Design Inc.



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Internal Sponsor

From: Simon Crosby
 Sent: Thursday, November 04, 2010 9:31 PM
 To: Mark Templeton; Michael Cristinziano; Bernd Christiansen; Gus Pinto; Chris Fleck; Gordon Payne; Brett Caine; Wes Wasson; Peter Levine; Catherine Courage; Sumit Dhawan
 Cc: #CTO; Brad Peterson; Richard Pamell
 Subject: Important: Acquisition proposal to enable Receiver on Every Endpoint

All, before you think your way through the proposal below, please download the following app onto your iPad and PC/Mac, and have a play with it.

My proposal is that we consider acquiring this technology ASAP for inclusion in Receiver. It's time to get the Citrix brand in front of every consumer, tied into our SME and Enterprise portfolios in a seamless, killer user experience.

Best wishes from Beijing
 Simon



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Psychological “Needs” Of Selling

Psychological Needs	Decision Making Process	Sales Cycle Timing
Power	Bold decisive decisions; Influences control of the sales process on others.	Fast
Achievement	Bold decisive decisions; The need to accomplish or see change; Results driven.	Fast
Recognition	Moderate decisions; Influences the sales process on others and must be recognized.	Moderate
Affiliation	Moderate decisions; Team or group driven; Influences the sales process with others.	Moderate
Control	Cautious decisions; Must have order, process or rules; Influences others sometimes.	Slow
Security	No real decisions; Avoids risk or change; No real influence on others in the sales process .	Slow

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Source: Tom Hopkins & Tim Kraskey 21



Objections!



Selling starts when the customer says NO!

Dr. No

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Did you know?

- The good news:
 - ▶ 84% of all selling situations have objections*
 - ▶ 94% of all objections fall into the same categories*
- The bad news:
 - ▶ Most of the time objections are not “obvious”
 - ▶ Objection discovery and removal is an art and a developed skill
 - Complex sales requires removing objections at multiple levels

*Source: Silver Bullet Selling, Bartick

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Guidelines

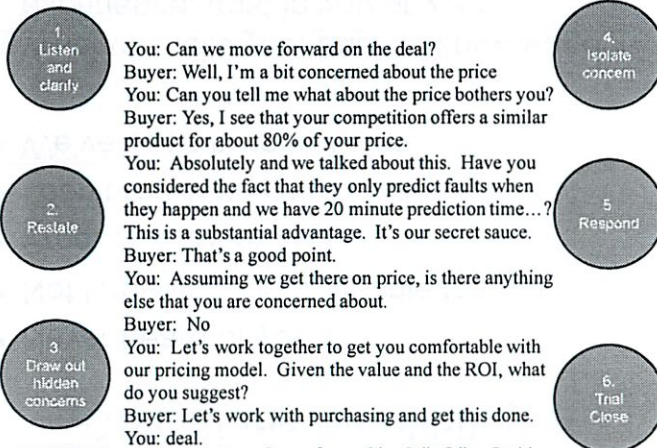
- Listen and analyze. Is it actually an objection or is it just a ploy to delay the deal? "Don't you really mean..."
- Isolate. "Is this the only reason you won't buy from our company?"
- Confirm. "In other words, if it weren't for the price, you'd buy my service. Is that true?"
- Suggest a Solution. "So if I were able to get you a longer warrantee, would that be enough for you to make a decision?"
- Repeat the value. If you cannot clarify the doubts of the client in a way that sets you apart from the other, you will never be able to close this sale.
- Remove issues. "If we did X, Y or Z , would you give us your order ?"
- Use past experiences.
- Never leave without a next step. "When shall we begin?"

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Example Dialogue



© 2009 MIT Entrepreneurship Center Process Source: *Silver Bullet Selling*, Bartick

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Objection Categories

- No need/not a priority
- Not credible (experience/quality)
- Competition
- No authority (I have to talk with my boss)
- Price/terms
- And the catch all: I have to think about it

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Objection: No Need/Priority

- Not Interested
- Already have something
- Don't need it
- Not a priority now
- Don't see any reason to change

What this tells you: Perceived value is not high enough relative to strategic priorities

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Increasing Perceived Value

- Need, features, bridges, benefits

Need	Feature	Bridge	Benefit
You mentioned that a strategic imperative is to improve the quality IT services	Our product continually monitors a network and can anticipate when faults may arise (an unprecedented) twenty minutes before a fault occurs	And that will help you because	Delphi will eliminate downtime, reduce cost, and improve IT/network service

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Objection: I have to talk with my boss

- Our CFO/CEO won't authorize
- It will never get through the system
- I have to consult with the broader team
- We need to have others review the terms
- What this tells you: Either the person does not have authority, or they are stalling



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Determine responsibility/authority

- Must be the person who:
 - ▶ Is involved with the buying decision
 - ▶ Has personal interest in the outcome
 - ▶ Has adequate rank to affect decision
 - ▶ Has influence to affect decision
- Determined by:
 - ▶ Track record (what have they done?)
 - ▶ What they do now (current value)
 - ▶ Who they know (their network)
 - ▶ Ability to drive change (their will)



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Objections: credibility

- Never heard of you
- Not large enough to handle the job
- Product lacks quality
- I don't really trust your judgment
- We've been burned before
- What this tells you: Lack of knowledge, experience, trust in you or your company



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Establish Credibility

- Develop an elevator pitch to establish you, your firm, and your message.
 - ▶ You need to establish credibility and trust in the first 5 minutes of your meeting.
- Establish product credibility with evidence:
 - ▶ Buyer success stories
 - ▶ Independent articles/blogs
 - ▶ Video demonstrations/interview
 - ▶ Team



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Objection: Competition

- We've got to look at a number of suppliers
- Not sure yours will work as well
- Don't see any difference

- What this tells you: Either they want to negotiate terms/price or you have not substantiated your perceived value against other options



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Dealing with competition

- Encourage to look at the competition
 - ▶ They will anyway
- Give questions to ask the competition
 - ▶ Understand your company, product, advantages
- Answer the questions



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Objection: Cost/Terms

- Your competitor does it for less
- Your price is way out of line
- I can't justify spending that much money

- What this means: Perceived value not understood, terms/cost not acceptable



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Dealing with Cost/Terms

- Increase Perceived Value:
 - ▶ Internal and external "experts"
 - ▶ Understanding of benefits and applicability to need
 - ▶ Reputation/quality
 - ▶ Build perceived value from day one
- Changing the price
 - ▶ Ask questions...there are many nuances to pricing/terms
 - ▶ Trade a give for a take
 - Eg, we'll reduce the price if you commit to annual minimums
 - ▶ Always get them to lay out their asks first
 - Never, ever offer something without them asking



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Common Mistakes

- Pre-empting objections
- Too dismissive
- Responding too quickly or eagerly
- Ignoring the source
- Not attaching a “close” to the objection
- Being “the expert”
- Not gauging its importance, relevance, or gravity
- Not using questions to uncover



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Carol Electronics Video

9/27
Late

Hi, how are you

We've been your supplier

Come at every 2 weeks

You want a system solution

Have you heard of a mini-bar?

Items there -

Take it if you want

Someone comes around + restocks

Don't need to worry about inventory
- we handle it

We would set it up + restock

Pay for what you use



15.387 Technology Sales & Sales Management

Case	Grid Pro
Title	<u>Designing Sales Territories</u> ← 'now starting' Sales management
Session	6
Class Date	February 17, 2011

Overview:

You have just been appointed Regional Vice President of Sales for GridPro, a new Israeli virtualization computing company. Grid computing or virtualization is a way of parsing complex computing tasks that are currently handled by large mainframe computers. Grid computing allows the tasks to be subdivided among many of the existing computers, using their dormant processing cycles and then allows them to merge the information for analysis on any single client device. For example, a pharmaceutical company could do complex analysis of a protein in half the time and at 20% of the cost.

By making available the “buckets” of computer processors, storage and network intelligence, and a company could use this software to create a customized remote server that can be cloned. This device might be likened to “The Sorcerer’s Apprentice”—a device that a computer engineer can essentially wave wand and produce multiple servers from one.

You previously have worked in Enterprise sales for IBM and covered the Mid-Atlantic States of the United States. Your new territory is the states of New York, New Jersey, Pennsylvania, Maryland, Virginia, West Virginia as well as the District of Columbia. Your new boss is Shlomo Murphy, who is the Vice President of Sales and who has just moved from Haifa to Lexington, Massachusetts.

Assignment:

1. Take a Map of the United States and design a prospecting system for your first 13 weeks. Which companies will you call on? What is your strategy for deciding? Should you go regionally? Or by industry sector? Be ready to present this to Shlomo (who you should treat as your “customer” because he is the one that will approve it).
2. Assume that you can see two potential customers per day, block out your plan for the first 10 weeks. Who will you be calling on—and why?
3. What information that is available will you use—and why? How might you use the Internet to help you in prospecting?

15,387

Designing Sales
Territories

9/27

Starting management part

Regional VP - title to impress clients

- not in charge of everything

Scenario i Grid Pro ~~breakup~~ Design Sales Territory

(I don't know how well Ae is doing)

He is doing all talking

1. Go to old clients

2. Buy info to find people w/ data center

3. Universities

- cheaper license

Group by geo to ↓ travel

Profi That's not a plan - is this a hiring mistake

They have no idea what they will do

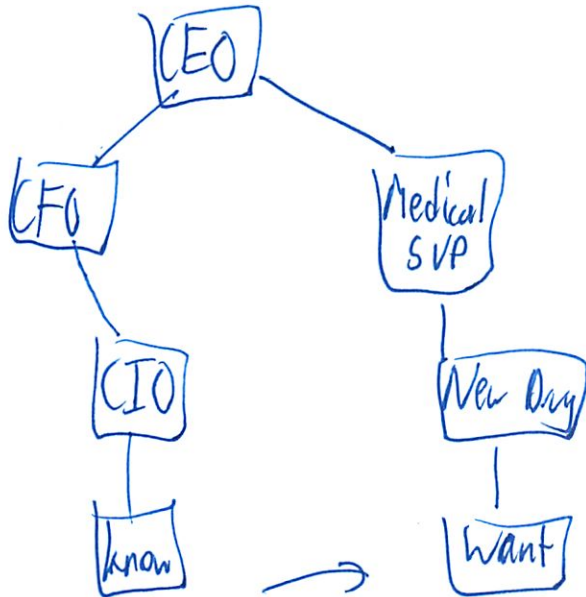
Ya need replicable & scalable system

②

He is an experienced sales person

- knows territory

Think through org chart



Can provide rec + endorsement

- find via linked in

- call them + ask for intro

Diff buyers

Diff cost models

Calls returned less at startup than IBM

Cost will rely on your reputation

3

Building Sales Pipeline

Can't predict how much sales

Can measure pipeline before measure sales

Look at key verticles

- Northeast: Finance
 - ~~Wall~~ NY, CT, NJ
- Pharmacy
 - Boston, Philly
- Gov
 - DOD
 - Everything else
 - Is 21% of market
 - DC, VA

Want to be efficient + effective

Instead say

APPA
- weeks

~~breaks~~
Activities

1. List 50 largest Fin cos in NY
 - meeting on what is Virtualization
 - Call buddy for conf room
 - Now find virtualization people at 50 cos

9

Call names

Tell them about conf

Whats happening

Call people for help at conf

Find internal person

Need CTO to give talk

Then for each of 10 - say would you like me to do this inside each Co

25 say yes

- 2 say we have AFP

- Week 10: Get 1 order

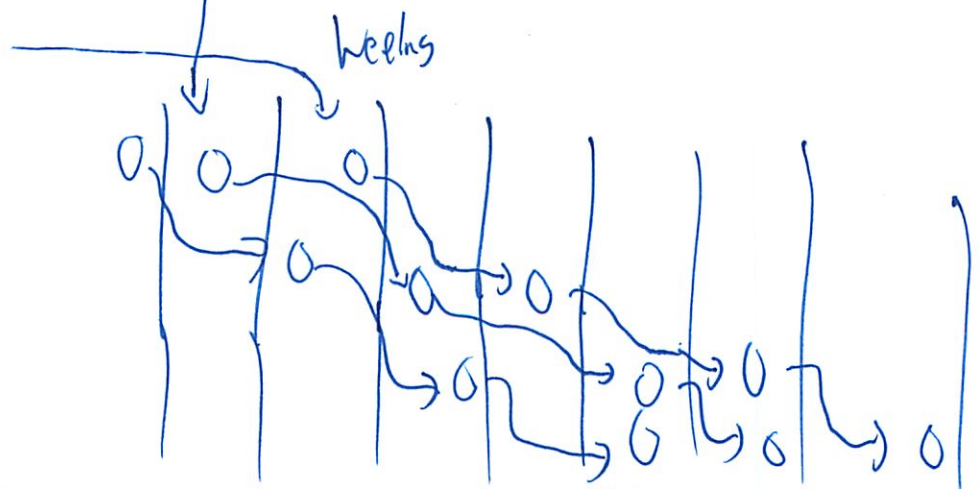
~~Week~~

- Then take 2nd vertical

- replicate

- 3rd vertical

- same



5) Sandy: nice plan

Go to big cos first

- hot SMBs

- smaller odds

- less money

- high risk

(same thing Evan said)

A - have a + staff to understand

B - 1000-5000 emp

C -

To find sales #emp : 300,000

In spare/in between time fit in small cos

Taking a booth

Plan

- actionable

- specialization

- regional

Sandy can manage

⑥

Selling Sandy to help him internally

Industry / locations kinda already separated

Don't know what will succeed

Invite people working in advance research

Pick some # of industry

- to limit to some scope

- if they are not buying, no one else is

- don't spread thin

Howard likes having ~~internal~~ experts internally

- don't buy

Q No Name - Do kinda neutral

- not just your tech

Next time avoid partner w/ other firm

- like larger firm

① Plan

- Do-able
- Executable
- Measurable
- Scalable

CIO has so long ago stopped being tech

Don't start w/ social

- once have relationship

Fortune 500 by state

Don't divide by this

Fact based analysis

Instead
where best prospects + industry

Align territory to company

Can have indirect sales

- Value added reseller

8

Pricing

If have a VAR - get ^{only} 60%

get more \$ if go direct

They already have customers

Won't find new custs

But can't control

Still need to train

OEM - ~~will~~ get 40-50%
- gets some orders

He likes Direct + Channels + OEM strategy
get each as third of biz

OEM - learn from + copy your product

VAR/OEM - you don't even know who is buying
- don't want you to go around

Plus maybe channel conflict

-
- Complex
 - large Tx > \$500,000
 - comp < 20 cust
-) direct

9

Stuff goes more general / cheaper over time

direct → have to create demand

indirect → fulfills demand

Direct \$100,000 Base + \$100,000⁺ if quota

Growth - start to specialize sales force
- get new markets + penetrate existing

Mature - cut costs

4-6 ^{outside reps} people is too many to manage
- can up to 10 inside / telemarketing
3-6 months to get productive

Train sales (reps)

1. Telemarketing low \$ products

2. Junior doing lower leads

3. Move up - w/ mentor

(10)

100% club / silver club

- even by \$

Can set up quota

~~the~~ goal: 75% make it
100% or 20% bad

Ask sales force where want meeting
all year reminders

get their family involved

Some spent \$5 mill for 100-200 people

Summary

- review every year

- prioritize

- forecasting

- very important

- help factory plan

Be rare 10% of sales staff

But realistic w/ CFO

(11)

Can do national act structure

- big issue

- worked pretty well

- need to give person real goal



15.387 Technology Sales and Sales Management

“Sales Management: Designing Sales Territories”

Howard Anderson

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1



New Salesperson

- +’s
 - Worked for IBM
 - Sold to CIO’s
 - Knows territory
- -’s
 - New technology
 - Different buyers
 - Different cost justification
 - Now at a start-up



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3



GridPro Issues

1. New type of computer system leveraging virtualization
2. As sales manager, you have new responsibilities
3. How should this salesperson manage his territory; how should ALL your salespeople manage THEIR territories?
4. How should you manage them?

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2

GridPro
Lecture 6



GridPro Considerations

- Defining prospective customers
 - ▶ Horizontal or Vertical focus
 - ▶ Large or mid-size companies
- Territory coverage and planning
 - ▶ Optimizing time and effort
 - ▶ How can one person cover it all?
- Building an effective pipeline

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4

9/27
1



What Would YOU Like To See?

- An understanding of the market
- A real plan:
 - ▶ Do-able
 - ▶ Executable
 - ▶ Measurable
 - ▶ Scalable

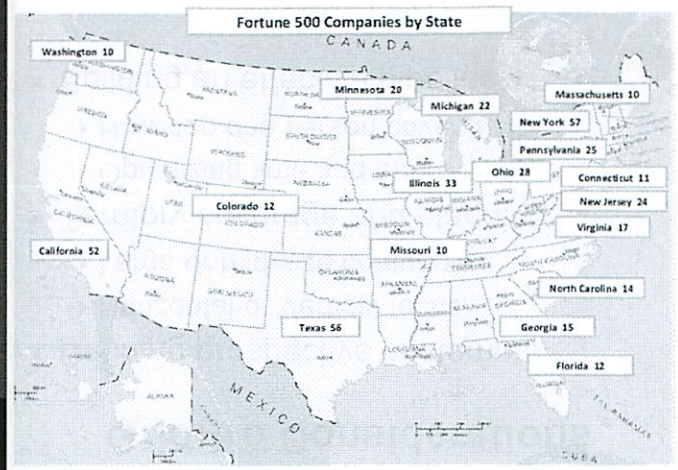


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Handwritten notes:
 1/20
 1/20



Grid Pro: Territory Analysis



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Handwritten notes:
 1/20
 1/20



Example (measurable) Plan

Task	1	2	3	4	5	6	N
Compile list of 20 accounts by industry	X						
Develop schedule for visiting cities	X						
Host regional meetings by industry starting in week 3			4	1	1	1	1
Invite 10 technical staff to each meeting (goal of 5 to attend)			20	5	5	5	5
Hold meetings at customer site						4	4
Provide proposals							2

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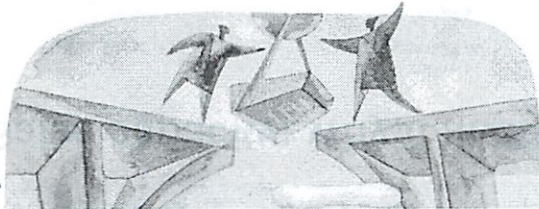
The Sales Manager: Designing Sales Territories

- Objective: Align territory design to company and product strategy
 - ▶ Company
 - Consulting, product, medical, software?
 - ▶ Product
 - Eg, Jet Engine or Tube of Toothpaste?
 - ▶ Distribution channel
 - ▶ Revenue objectives

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Understand specialization and vertical markets

- Pharma: NJ, PA
- Financial Services: NY, CT
- Gov/DOD: DC, MD, VA
- Technology: CA, TX, MA



9

Getting To The Customer



Indirect
Channel



Where are there the best prospects?
How many? Coverage?



Sales Team



Direct
Channel ¹⁰

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Where You Can't Put Direct Salespeople – Use A Channel Example: West VA

- Are extensions of your own sales force.
 - ▶ Training
 - ▶ Reporting
- Must complement the sales/marketing/company strategy.
- Pricing must meet both your company's and the channels' profit directives.

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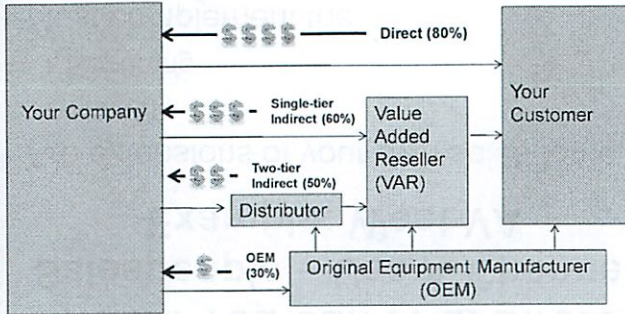
Pricing

- Must understand the entire flow through model with the companies objectives for pricing and distribution.
 - ▶ What are the gross margin targets?
 - ▶ How many levels of distribution?
 - ▶ Sales compensation?



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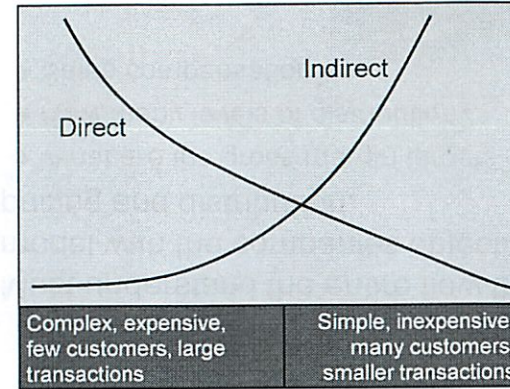
How a channel works: getting to the customer



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Product and customer considerations



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Sales capacity: why it matters

Direct
(Quota: \$1.5M/yr.)



One rep can cover about 15 accounts and close about 10 deals



InDirect
(Quota: \$2.5 M/yr.)



One rep can cover multiple resellers who each cover many tiny accounts



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Channel Characteristics

	Direct	Indirect
Coverage	Low	High
Focus	High	Low
Complete complex deals/support	High	Low
Allegiance	High	Low
Demand creation	High - creates demand	Low - Fulfills demand
Start-up applicability	High	Low-medium

•Net-net: A channel is useful for fulfilling demand, when demand exists

•A start-up will likely require account reps working direct, even if product is fulfilled through a channel

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Company life cycle and sales force structure

Business Life Cycle			
	Start-up	Growth	Maturity
Customer strategy	Create awareness and generate quick uptake in target, receptive markets	Penetrate initial markets while developing new segments	Focus on customer retention and efficiency
Sales force structure	Create a small sales force of generalists, adding selling partners as appropriate	Grow the sales force and create specialized sales roles (eg. vertical, channel)	Cut cost by reducing number of specialist teams

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XenSource: Case Study

- Product: Virtualization Software, \$1000/copy
- Strategy: Replicate the Microsoft channel over time (eg, sell through OEM and VARs)
- Approach: Divide world in two
 - ▶ Americas:
 - Direct Sell: prime demand
 - Channel fulfillment
 - OEM
 - ▶ ROW (rest of world)
 - Channel/OEM only
- Leadership:
 - ▶ Sales Director for each part
 - ▶ OEM through business development

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XenSource: In early days...

- Learn the model (6 mos. – year)
 - ▶ U.S. = 3 direct reps (east, central, west.) 2 Systems Engineers
 - Work with key target accounts and the channel
 - ▶ Build the channel with a few (2-3) regional VARs in each major city.
 - Target virtualization-savy VARs
 - Revenue could only be taken through the channel
 - ▶ OEM deals through business development

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XenSource: Expansion

- Next: Europe, Japan and China
 - ▶ Europe: VARs or Distributors in UK, Germany, Netherlands
 - Will need a Sales/SE pair in Europe
 - ▶ Japan/China: OEM (done by corporate)
- US: Split territories and expand sales
 - ▶ Northeast, Southeast
 - ▶ Central, (maybe) South Central
 - ▶ Northwest, Southwest
 - ▶ 1 rep for each region, keep SE ratio at 1SE:1.5reps
 - ▶ Quotas stay the same, though territories are cut
- Add Latin America (VARs) and Canada
 - ▶ One rep/territory with SE support
- Leadership:
 - ▶ Consolidate under one WW-VP
 - ▶ OEM continues to be done by BD

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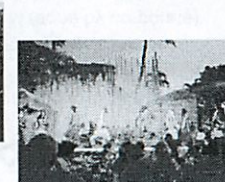
Territory Sales Structure

- 4 - 6 reps per manager
 - ▶ Going above 6 is too many to manage
 - ▶ Key is to get 80% of territories producing regularly
- Rep takes 3-6 months to get up to speed
 - ▶ May have to pay commissions up front or a draw until rep is productive

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Good Things Happen When You Make Quota (even if by \$1)



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And bad things happen if you don't

You're Fired!!!



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Territory Management

- Analyze the prospects and the geography.
 - ▶ Goals/territory needs to be set/reviewed:
 - Long term – one year
 - Short term – each quarter accretes to yearly
- Prioritize
 - ▶ A, B, C ...
 - ▶ Focus on prospects with high degree of high expected value.
 - ▶ Develop a plan for each account.
- Forecasting accuracy is critical
 - ▶ Have a system where a manager can see reps (and channel) forecast and apply 'judgment'
 - ▶ Learn how reps and managers forecast – learn to smell sandbaggers and optimists

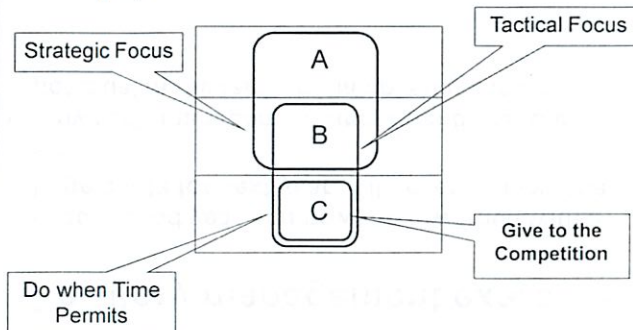


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Territory Management (cont.)

- Prospects need to be categorized.
 - A, B, C ...



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Defining a Territory

- "A" accounts could be ...
 - Potential orders of over >\$10M/Yr.
 - International company
 - Greater than 500 employees
 - Revenues of \$1B/Yr.
- "B" accounts could be ...
 - Potential orders of over \$5-10M/Yr.
 - US company
 - 250 - 500 employees
 - Revenues of \$500M/Yr.
- "C" accounts could be ...
 - Potential orders of over <\$5M/Yr.
 - Regional company
 - 50 - 250 employees
 - Revenues of \$50M/Yr.



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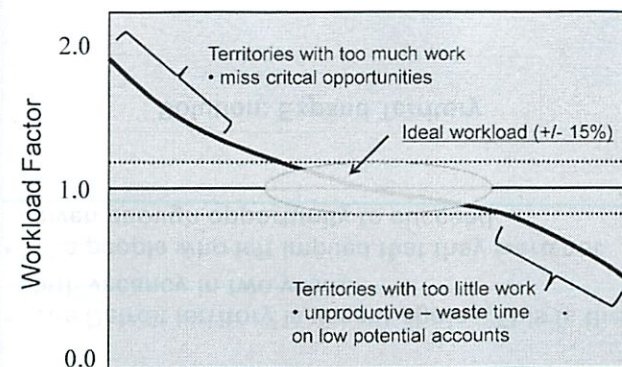
Over time 75% of Quota will come from EXISTING CLIENTS

- IMPORTANCE OF PRODUCT KNOWLEDGE
- Importance of New Products
- Importance of New Applications
- 25% of your quota will come from New Clients, who are now Prospects

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Territory workloads



Territories sorted by workload

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Territory management exercise

- Why can't our sales force target more effectively...the salespeople in Dallas have visited only 10 percent of the good leads. No wonder our market share is so low...
- And in Atlanta, salespeople are spending too much time with low potential prospects that aren't even on the target list

Solution: Re-balance.
Dallas may have an overworked
territory and Atlanta may be
underworked



Territory management exercise

- The Detroit territory is vacant again...This is the fifth vacancy in two years.
- The people who left implied that they were not given enough opportunity to succeed

Solution: Expand Territory



Territory management exercise

- I had a good year and now I'm rewarded with a huge quota for next year. I'll never achieve that quota.
- Why can't management understand that the potential in my territory has been maxed out?

What do you do?



<i>Case</i>	Charles Matrix Greylock
<i>Title</i>	Setting Quota
<i>Session</i>	7
<i>Class Date</i>	February 24, 2011

Overview:

Charles Matrix Greylock, a well-respected Boston venture capital firm, has just funded your company, Catherine Competitive Corporation, where you are the vice president of sales. Your company analyzes advanced computing applications and puts that information into a series of monthly reports. A single subscription to this information is \$25,000 per year. Your job: Sales Manager.

Your sales goal for this upcoming year is \$3.5 Million and you have been authorized to hire seven sales people across the US. You are in the process of hiring these people, all of which will be paid \$100,000 base salary and a \$100,000 bonus if they make quota. You know that your sales target for the second year is going to be \$10 Million and you will be adding another seven salespeople for the second year.

Your product is sellable to the large U.S. manufacturing firms, large financial institutions, as well as vendors of computing hardware and software.

Assignment:

1. Design a sales territory allocation geographically so that the seven sales people will have equal chances to make quota. For the first year, each will have the same quota. Take a map of the U.S. and block out which salespeople have which territories.
2. Assume that you will be adding seven sales people at the end of the first year: design what the territories will be for Year Two and how you are going to organize sales and quotas for your enlarged team.
3. Your initial salespeople will have to hit a significantly higher quota in the second year in order for you to make your target of \$10 million. Describe what incentives you are planning to offer and what you will do / tell them to get their buy-in.

VP Sales

Analyses Computer apps

Goal @ 3.5 million

Territory

- not just geographic

Who would buy?

All big firms

Guessing US only

61 cos per agent

Unless do Industry split

Another 7

- split geo by industry

Tell them in 2nd year this is quota now

- so no surprises

Quota ~~is~~ $\frac{3.5}{7} = .5 \text{ mill}$

$$\frac{10}{14} = \text{the } 774 \text{ mill}$$

② No They tell us

- manu

- fin inst

- PE HD/SW

Microsoft

Oracle

Symantec

EMC

Western Digital

HP

Dell

Apple

Xerox

NCA

BoA

JP. Morgan

Citigroup

Wells Fargo

Goldman Sachs

Morgan Stanley

Amex

US Bancorp

Capital one

Ford

GM

Chrysler

Johnson Controls

Goodyear

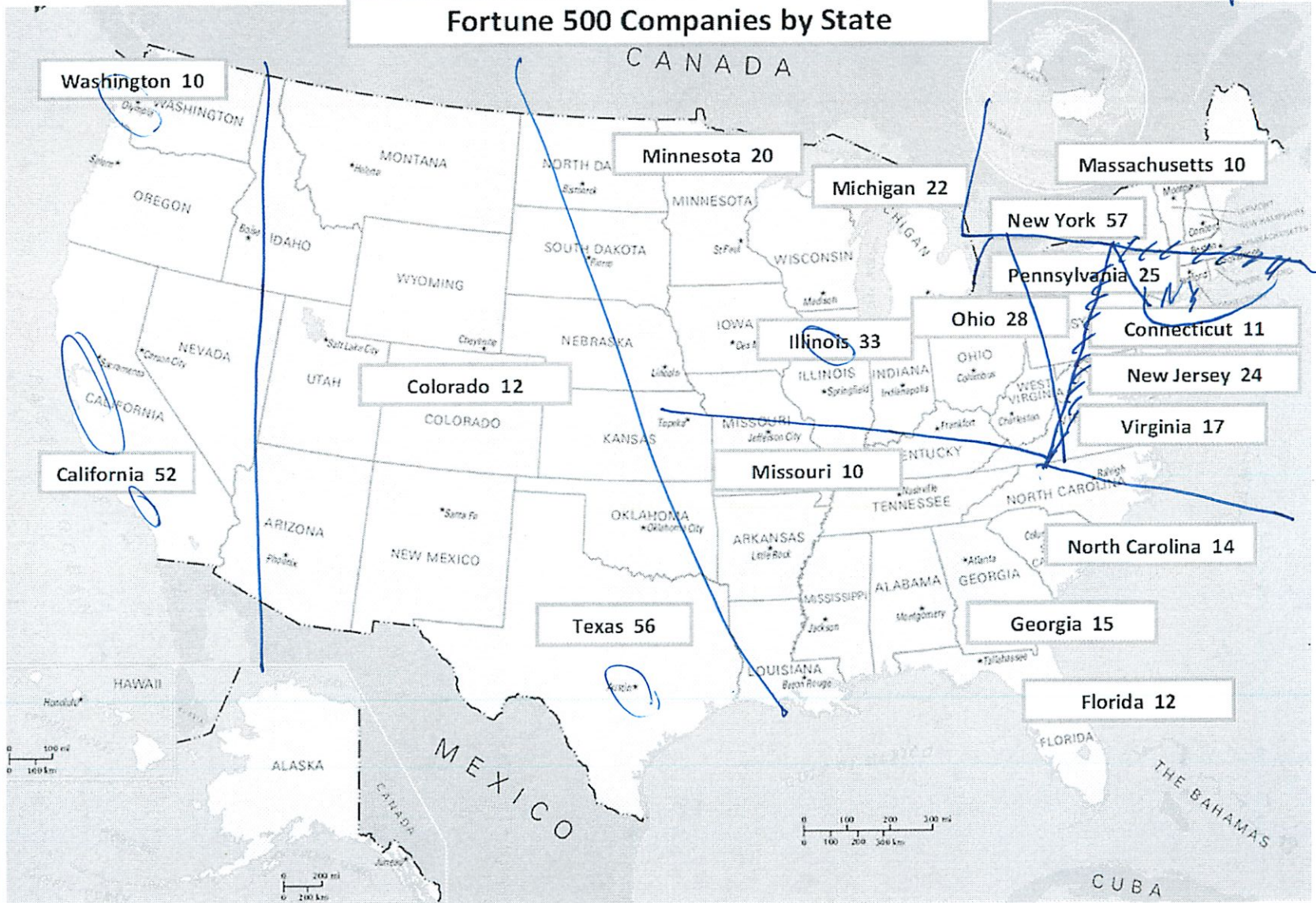
Charles Matrix

Grid Pro: Territory Analysis

$500/70 = \sim 70$ - but not all US

428 = ~61

Fortune 500 Companies by State



SALES & SALESFORCE MANAGEMENT



MIT Sloan
MANAGEMENT

15,387

Sales Management
(Comp + Budgets)

Now presentations: not scenarios

Used Fortune 500 map

- geo
- industry

New reps: less quota

(Do you have to distribute all territories:
- or just roll in)

Year 1 900 k

Year 2 500 k
hires

(I did not write #s)

Did map on PC (I should have)

Convert sales target to # companies need to visit

Other person also smaller quota for new

- since returning have renewals less work

②

Both bumped up compensation in 2nd year

Large quota ↑ is realistic

- get referrals from other cost

- easier

- than year 8 → 9

(should have said)

Prof

Account for discounts?

Sales conversion cycle's
length's

0 → 3.5 million is huge growth

Price - if competitor

are going to have discounting

Price is competly random at startup

- depends on how good best sales people are

③

Do you set salary/comp lower + pay on commission?

Startup don't have much \$

Or levels to quota plan
- hierarchies

Or stock options

- so direct relationship building up co

This is how software industry works

- Base

- Small commission 2-5%

- But hit levels make a lot more

After hit quota get paid a lot more

- 7-10% commission post quota

So pull order into this year

People who do this job are coin operated

Not the case in US

(4)

Other countries

US: Good enterprise sales makes \$1 mill + a year
Japan:
- aggressive
- adjusts w/ flexibility
That's what you do

Vk/Canada: Bit more like US

US: people want \$
if not making quota

Reps vary in quality

~~Always~~ Always over assign quota

- ya assign over what you are graded on

But don't want each level to pad

Try to set the quota so 88% hit

Everyone making \$ is unheard of

5

If got rid of someone - now lost 6 months

Need new guy

Who wants are paid to catch up

Then competitor will get in

- comp + territory need to match competitor

Which markets can you not afford to miss

- NYC for tech firms

~~A~~ - need New York

Like he didn't sell anything in Georgia till
he hired a local

Why set quota? Why not straight commission

If set quota too high - people disappointed

too low - pay too much in commission

How find people? People you worked w/ before

Recruiter \$20-40,000

(6)

Poach competitors - but top sales people

- highly paid
- has good relationship w/ CEO
- they know biggest risk

Q When do you bring in 10 year IBM rep?

People like idea of startup

But it's at co for 10 year bad habit

- no expense acct's

You want hungry people

- never did before

IBM guy will wait for phone to ring

Or not all 7 - maybe 1

Need to create own sales culture

- tomorrow big party

- have to celebrate wins

Very important to know your people

- know the guys

- no bad habits

- don't work well in startups

①

Ambitious vs ~~Experienced~~ Experienced

- want people who have something to prove
- not high priced super star
- need more training

CEO is best sales person

My Q: Move out of "coin op" culture

EMC - harsh sales culture
up + out

Citrix - more marketing driven

Or Engineering Managed - Base

- tech culture, not sales culture

Want balanced

- not all sales
- or not all tech

Q: What # sales rep

3.5 mill - need 5-6

make that person very productive
add inside / telemarketer

⑧

Telemarketer finds people + sets up meetings

If pay \$100,000 don't want them doing

Inside person - tie to ~~entire~~ entire co quota

Big national rep - whose territory is

Need to align incentives

Q: When econ bad - what do you do?

10 yearer - I don't have a pipeline
- So cover commission

Can offer non-cash incentives i stock

Forgive quota

Assuming we are in growth market

Quarter by Quarter depends how investors look at your co

Google: set quota on potential accounts

- based on growth of revenue

- Or have comp plan to sell new products

- like new acquisition

9

Sales people good at finding ~~new~~ ^{new} ~~water~~ ^{water}
easy products

So higher ~~upta~~ Commission on that

Q: Outsourcing telesales to outside

- if people understand space
- you need to do it lot
- Rainmaker

- Benefit on industry focus

- ~~the~~ ~~man~~ ~~the~~ Guys all know each other

- Sell 1 then the others

- Fin services Cos have lots of \$

- If your product ~~seems~~ blows up - word spread

- Pharma have long sales cycle
↑ efficiency

Q: Does territory by industry work?

- understand who your buyer is

- if sales rep really good - market is good

- want to divide territory

⑩

Can break it ~~into~~ by zip

Beating # by a lot - bad

- sales rep

Q How take away territory

- Happens every year

Can play hardball w/ reps

- but they might leave

Really hard to adjust quota \uparrow during year

People feel have agreement

Q: How get sales people to care about retention?

Hard \downarrow

Need to \uparrow salary since selling price is less

Need detailed account planning

- all the places in Boeing we will get

①

Q: How to 'incentive a mentor structure?

- who do you want as sales manager
- or sales rep

People want goal oriented

Want promotions

Put together 5 year plan

- profitability plan for co

- how much can you pay

- so profitable

Mentorship can work if the big gap b/w people

Q Trade Shows and other stuff

- every other budget is based off that quota

Q Do you ask your team what quota should be

- have accounts go after

References by vertical matter most

(12)

Miss Quota: ask for Quota relief
review pipeline

Seasonal problem

- all spent in Sept
- use it all up

All cos Q4 is best quarter

July + Aug - esp in Europe slow

Sales rep can make more than CEO

Good sales people make demands on co

- ~~but~~ ^{want} new features
 - but only good for their industry
-

This was about traditional 4-leg model

Is a new model - very expensive

- just download, no rep
- Solar Winds
- Rapid 7
- VMPro

15.387 - Technology Sales and Sales Management

“Sales Management: Compensation and Budgets”

*Howard Anderson
handerson@yankeetek.com*



Charles Matrix Greylock

- New company – Catherine Competitive Corporation
- Goal for the Year: \$3.5M
 - ▶ 7 new reps: Base Salary: \$100 K
 - ▶ bonus at Quota: \$100K
- Goal for Year Two: \$10 Million
 - ▶ 14 total reps (7 old / 7 new)



Quotas, Budgets + Compensation Plans

Lecture 7

Your Job: Sales Manager

1. Design **EQUAL OPPORTUNITY** territories
2. Design a comp system that is
 - ▶ Understandable
 - ▶ Fair
 - ▶ Gets you the results you need



What must you do?

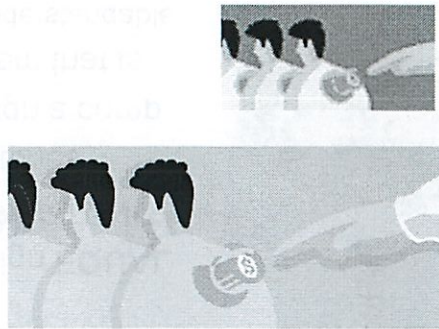
1. Assemble a team of high quality people
2. Develop those people
3. Drive them to produce
4. The numbers



9/29

1

How?



5

To do YOUR job:

1. Healthy market
2. Competitive offering
3. Enough Territory/Potential
4. Good Comp Plans
5. Supportive Management
6. Realistic Goals –makeable without miracles
7. Enough time



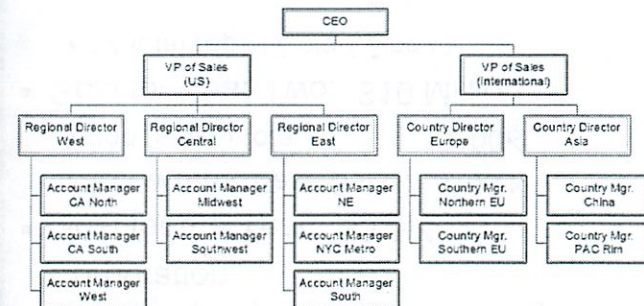
6

Span of Control: 5-6



7

Typical Sales Organization



- A typical start-up requires fewer people.
- Many times North American and International sales regions of reporting are separated.

8



The First Rule of Sales Management: Negotiate your Quota well



Sales Budget

- The sales budget is the financial sales plan.
- These are determined by the company's goals?
 - ▶ Goals can be:
 - Revenues
 - Design wins
 - Profitability
- Company budget and goals determine the sales structure.
 - ▶ How many salespeople
 - ▶ How many support staff
- Sales managers need to operate and understand clearly their goals.



The Second Rule: Assign More Quota than you carry

Example:



- ▶ My quota:
\$3.5M
- ▶ My sales people's total aggregate quota:
\$4.2



Sales Budget

- The sales budget is tied to the fiscal year.
- Quotas and objectives need to be tied to the same timeline.
 - ▶ Annual Quota
 - ▶ Quarterly Quota
 - ▶ Product line Quota



Sales Budget / Multi-Year

	Revenue Target	No. of Sales/Reps.	Quota per Sales/Rep.	Cost of Sales
Year 1	\$10M	4	\$2.5M	25%
Year 2	\$20M	8	\$2.5M	12.5%
Year 3	\$36M	12	\$3.0M	8%



Sales Quota

- Sales quotas are typically measured two ways:
 - Revenues
 - Design Wins
- Quotas are quantitative and not subjective measures.
- Quotas are derived from the Sales Budget.
- Quotas may have defined controls.
 - # of sales calls made
 - Amount of product to be sold by customer
 - # of presentations
 - New vs. existing products
 - Multi-Year sales?

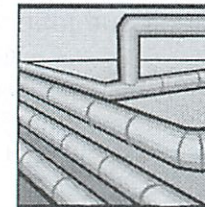


Sales Quota

- Sales quotas exceeded may have been set too low.
- Sales quotas not met may have been set too high.
- Need to evaluate each twice a year to determine if the quotas are right.
- Typically, sales quotas are not changed in a given fiscal year.



Rule 3: Build a good prospect pipeline: harvest the pipeline





Sales Compensation



Ex: Cisco Sales Compensation

- Average salesperson base pay
 - ▶ \$70 - 90K per year
- Average salesperson bonus pay
 - ▶ @ 100% of quota = \$300 - 400K per year
(Modeled at 25% fixed and 75% variable)
- Average Regional Manager base pay
 - ▶ \$140K per year
- Average Regional Manager bonus pay
 - ▶ @ 100% of quota = \$350 - 500K per year
(Modeled at 25% fixed and 75% variable)
- They budget \$10K per year for each sales employee for training (0.04%)



Ex: S/W Sales Compensation

- Average salesperson base pay
 - ▶ \$90K per year
- Average salesperson bonus pay
 - ▶ @ 100% of quota = \$250K per year
(Modeled at 25% fixed and 75% variable)
- Average Regional Manager base pay
 - ▶ \$130K per year.
- Average Regional Manager bonus pay
 - ▶ @ 100% of quota = \$230-300K per year
(Modeled at 25% fixed and 75% variable)
- They budget 5-15 days per year for each sales employee for training.



Sales Compensation

- Straight salary plan
- Straight commission plan
- Combination base + bonus plan
 - ▶ Before quota objective
 - ▶ After quota objective
- Additional bonuses
 - ▶ Product spiffs
 - ▶ Timing spiffs
 - ▶ Marketing spiffs
 - ▶ Success spiffs (People who achieve results)
- Management overrides

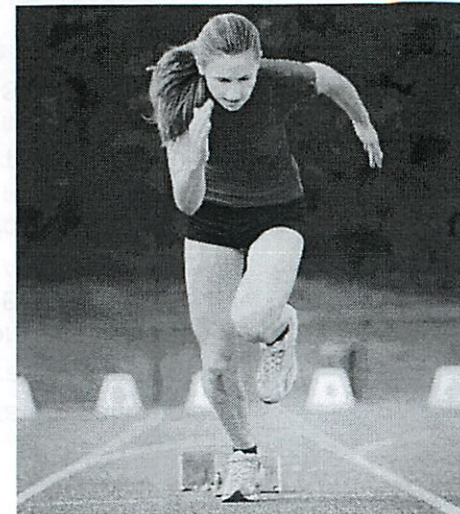


Straight Salary Plan

- Advantages:
 - ▶ Security for salespeople
 - ▶ Allows easier flexibility for sales territories
 - ▶ Easy to administer
- Disadvantages
 - ▶ No financial incentive to increase productivity
 - ▶ Fixed selling costs regardless of sales level
 - ▶ Productive people tend to leave

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Straight Commission Plan

- Advantages:
 - ▶ Income is tied to direct productivity
 - ▶ Poor performers tend to leave on their own
 - ▶ Company expenses are low and tied to results
- Disadvantages
 - ▶ Salespeople are not loyal = high turnover
 - ▶ Products are sold to customers who may not need them
 - ▶ Strong resistance to territory change

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Combination Plan

- Advantages:
 - ▶ Income is tied to productivity
 - ▶ Keeps costs in check for average performers
 - ▶ Keeps Superstars loyal
- Disadvantages
 - ▶ Need to manage results closely
 - ▶ Low performers may hang around too long
 - ▶ Strong resistance to territory change



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Product Compensation

- How do you handle existing vs. new products?
 - ▶ Stay within the annual goals.
 - ▶ It always takes longer for new products to be accepted into the marketplace.
 - ▶ Existing products are easier to sell.
 - ▶ Tie the compensation to the release date and not before.
 - ▶ Most often need higher incentives for newer products to gain traction.
 - ▶ Be careful not to have revenue fall-off on new product introductions or planned obsolesce.



Example:

- Company objective is \$10M in new revenue for next year.
 - ▶ 4 salespeople with \$2.5M Quota
 - ▶ Salary target at quota will be \$100K:
 - \$50K base (.02%)
 - \$50K bonus (.02%)
 - Over quota (.03%)
 - ▶ Each working out of their home.
 - ▶ Costs will be covered for the following:
 - Telephone, Computer, Travel, T&E, etc.



Controls

- Need to monitor expenses monthly.
 - ▶ Salespeople expenses
 - ▶ Revenue to target
 - ▶ Salespeople quota to target
 - ▶ Cost of sales
 - ▶ Operating expenses
- Adjustments and controls need to be made when required.
- Need to monitor competition from time to time.



Rule number five: you will inherit an empty pipeline

Your sales reps:

- A's ... Stars ... remove their impediments
- B's ... Workhorses ... proven producers
- C's ... Dogs ... eliminate them





Rule Number Six: Never Stop Recruiting

*Hunters or Farmers or
Hunter/Farmers?*



	Catherine Competitive Corporation (A&B)
<i>Title</i>	Training and Forecasting
<i>Session</i>	8
<i>Class Date</i>	March 1, 2011

Overview:

The year has ended and you haven't done badly. Catherine Competitive Corporation has finished the year with \$3.4 Million in sales. Three of your sales people did very well with \$900K, \$850K, and \$650K in sales. Two others hit their goal (\$500K) right on the nose. Two of the other hires just didn't work out and had to be terminated. No sales were made in their areas.

You have now hired nine new sales people; two for the ones that you fired and seven additional sales people. You have taken the three outstanding salespeople and made them Regional Vice Presidents. They will continue to sell, and will also supervise the other sales people; two will have four sales people reporting to them and one will have three.

All of the new sales people are slated to start November 15th, right around the ComputerTech trade show. In fact, you have set aside two full days of training over that weekend for the first ever sales training conference which will be at the Bellagio Hotel, Las Vegas, November 16 and 17th.

Assignment:

1. Outline sales training for these two days. You may use any of the people within the company and other experts if you need them. Your budget for the two days is \$20,000. Assume that you will not need pay for transportation and hotel for these 14 sales people because they will be at the Show anyway. This is your one chance to get both existing sales people and new sales employees all together for training.
2. You also need a sales forecasting system that you can use during the year. Design a system that you will present to the sales force at this meeting.

15,387

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People writing sales training session plans

They cost a lot of \$

- want them go be productive

Larger cos have systemized training programs

Oct 18 - Sales competition

- teams of 4

- Sales competition

Breakfast

Team building

- they already know how to sell

Customer Panel

- they really like you if do it

- are good refs

- lifeblood

- they help you build your project

(2)

Plan Do HW and Quick Quiz next day

Need to do constant updates - on what's new

A little steps

Send message focused on work

Good for VPs + existing team to learn

Good + bad times

bad - right after lunch
before cocktail hrs

Try to squeeze a lot

Wins + losses ~~the~~ lessons learned

Start early ~ 7 - 7:30

- never have enough time

Usually standard is CEO let

- Let them know they can call ~~up~~ on CEO

- Recognize value to co

CEO prob knows clients on panel on startup

3

Sales team: Cooperate or Compete

- Still want achieving
- a bit of both

2nd prob not PM - but who closed lot deals

- Competitor silver bullets
- Move to position

Freq ~~objec~~ Objections

- often role play w/ CEO

Its how to describe it right

Teach team to present product correct

No breaks in these

- keep 45 min sessions

Do fun at end of 1st day

Leave 2nd day: make sure they know their quote

- how set budget

9

In big co party

Finding VPs from external

Best to promote from within

Titles in small orgs don't matter

- but don't give to someone who is not ready

Some people should just sell or some people want to move up

- Ask them what they want ~~you~~ to do
in 5 or 10 years

- As move up get more stock

- more aligned w/ co

Forecasting Systems

- 3 people wrote on board

- look at historicals + predict

- ~~the~~ look inward at what our sales resources are

- look at pipeline

5

- This is 2nd most important thing as sales management
- forecast affects product, finance, product lines
 - Other people have higher titles at table
 - but this is critical
 - if you are good at it, people work ~~off~~ off
 - also controls company hiring
 - art form
 - learn how to be confident in people reporting to you
 - Guy said he would buy
 - well at what level approved?
 - is it budgeted?
 - at large co you might get bonus on accuracy in forecasting
 - at small co they don't really care
 - ↳ low to control BS in pipeline
 - need to define better what that is
 - judge sales person plan
 - don't add up lies together

6

80% Science

- Rev
- Close Dates
- Prob of Close
- Sales Rep Performance

20% Art

- know cust, how they can close
- your sales people

Create a close plan to close deal

Some People want to underpromise + overcommit

Do Quarterly Biz Reviews

- in public - internal
- so everyone can see how you did

Measure win-loss ratio

- when lost to competitor record why

As Sales Manager need to call act at high level to track deal

⑦

Hardest thing is getting people to use your product

Pt full value on date expect to close

- not %

Focus on getting quarter done

Pressure from investors

- to show growing

He thinks monthly is better

Costs know to buy at end of quarter

- in software

When manager call - confirm, collect into ideas

"Just want to introduce myself"

Board might understand ~~that~~ that big deal might
come in next qv

But they want to see steady sales

8
No objections from cost bad sign

No great benefit from going off cycle in Fiscal year
- too confusing

If deal 7-100,000 they should want a proof of concept
- need to make sure don't give it to them too long

Learn to read CIO

For experienced people just train them on product

Citrix had readiness dept to make sure sales + support
people ready

Since have many products

Or sales people per product / industry

Buy a Course Pack \$39

New Co $\pm 10\%$
gets better w/ age



Technology Sales and Sales Management

<i>Cases</i>	GlobalView and Mary Mahoney
<i>Title</i>	Sales Management: Hiring and Firing
<i>Session</i>	9
<i>Class Date</i>	March 3, 2011
<i>Assignment</i>	Please prepare both cases below. <u>You only have to submit a solution for one of them</u> ; pick either Global View or Mary Mahoney.

Case 1: Global View

You are the new National Sales Manager for GlobalView Telecommunications. Global View is a wholly owned subsidiary of Bezeq Communications, and you have just been authorized to hire one additional salesperson for the sales region of San Diego. You have worked for GlobalView for five years, rising from Sales to District Manager.

Your headhunter has come up with three resumes and you are flying out tomorrow at 4 PM to interview each of them. The job is to call on government and industry clients in the geographic region and convince them to use your local and long distance service.

Here are the particulars:

Candidate #1

Age: 35
 Experience: 10 years with Sprint Long Distance
 Made 100% club (quota) in 7 of those years
 References: Good. Excellent product knowledge. A little headstrong.
 Education: BA, San Jose State

*how old is co?
 experience or new?*

Candidate #2

Age: 45
 Experience: Sold PBX's for PacBell and GTE in San Diego region. Specialized in government business.
 References: Strong candidate but no experience in selling a service. Knows customer base.
 Education: High School. 20 years with U.S. Navy

Candidate #3

Age: 29
 Experience: Three years experience with Cisco in product management and field service
 References: never sold before but wants field sales job.
 Education: BS, Stanford; MBA Telecommunications, Golden Gate University

ex military

professional school



On the trip out, you have to make up a scoring sheet that you will use in the 1 ½ hour interview you will have with each.

Assignment:

1. Make up that scoring sheet and number each of the criteria that you will use according to importance. Your scoring sheet should have at least ten categories and you will want to judge each of these candidates in each category, awarding them the maximum of ten points per category. Even though much of this is subjective, you want to be able to use this methodology in future hires. You also want to come up with the appropriate ranking system for the categories.
2. What are five questions that you would ask each of the candidates?

but new info as well?

Case 2: Mary Mahoney



Mary Mahoney, Sales Manager of Digital Design Web Pages, went into a meeting with Toni Terrific, President of Digital Design, with a feeling of trepidation. Digital Design was a \$10 Million firm, which had been founded by Toni Terrific in 1999. Its clients were businesses and non profits in the New England area and it was well regarded and considered quite creative. Its specialty was building web sites for electronic commerce and had recently been awarded "Design Firm of The Year".

"Mary, I know you aren't going to like this, but you are going to have to cut one of your sales slots this week. We have seven salespeople but sales are down 20% this year and I have told everyone of the division heads to cut 10% - that means you have to lose one salesperson. So take a look and decide"

Mary responded, "OK, I am a team player – but will our sales goal for the rest of the year go down 1/7th since I have one less sales person?"

"That's pretty funny, Mary. You know the answer to that question, don't you?"

"Yep"



Technology Sales and Sales Management

Mary had the unenviable job of making the decision as to whom to fire. Although she could have claimed that the action she was about to take was a Layoff and not a firing, she wasn't going to go in that direction. Her problem: she didn't know which of three salespeople she was going to let go.

She reviewed the sales records of all her sales people over the past three years.

Sales Person	% of goal 2008	% of goal 2009	% of goal 2010
Albert	105%	96%	97%
Bella	96%	101%	92%
Chuck	87%	110%	98%
Daphne	91%	93%	96%
Euell	88%	94%	97%
Fran	76%	81%	89%
George	86%	87%	79%
Harriett	71%	76%	78%
Iggy	84%	81%	80%

5 year
Avg
84
75
21

← falling
← improving
← falling slightly

Since all seven of the salespeople worked out of the company's Boston office, there was no problem with coverage. Mary noted that two were under 40 years old and one was 57 and none of them had any physical or mental illnesses, other than not making quota had made her own mental health questionable.

Clearly, the decision would be to choose between George, Harriett, and Iggy. Mary wasn't sure that she wouldn't be going through this same exercise again next year, but she knew that hiring and training three salespeople right now would not work because of the amount of disruption.

She decided to interview all three of them and then decide.

She pulled the personnel record of each of them in preparation for the interview. She was trying to find out who had a deficiency in skills and who had a deficiency in a personality trait....this wasn't going to be easy.

George Levine. Age 31.

Previous employment: Ad sales for Forbes Magazine. Graduate of Dartmouth College. Serious triathlete. Married with one child. Problem: appeared willing to work up to a certain level but no harder. Did not seem overly motivated by money. Customers liked George and he had a loyal following. Took training well and always would do whatever was asked but no more. George had been warned that his performance was substandard six months previously and had promised to try harder. 2010 was his worse year in the

Falling



past three, a fact he blamed on the general economy. George had never lived up to his potential and only became excited when he was discussing his workout schedule. Six days a week, George was in serious training, often rising at 4:30 A.M. to ride his bike and then rushing to swim practice at 5:30 PM. Weekends George reserved for long runs, which often were 15 miles or more. His goal was to be invited to the Lake Placid Triathlon and he believed he had a shot.

Harriett O'Malley. Age 39.

Previous employment: Sales for Red Hat, a high tech software company. Graduate of Smith College and had a PhD in art history, a degree she never used. Married, two children. Problem: bad follow-through. Harriett made a great first impression and appeared poised and professional. Her problems dealt with dotting I's and crossing T's. She would identify a lead, pursue vigorously and then fail to deliver the information her customer might need. Somewhat mercurial. Sometimes brilliant, but too often, Harriett felt that the world had it in for her. Blamed the economy, sexism, and "stupid" customers for her lack of success. Harriett was tightly bound and did not take direction well; she was an "individual contributor" and often was in juxtaposition with other people within the company.

Iggy Pepper. Age 48.

Previous employment: sales support and customer service for Herb Chambers Auto Mart. Graduate of Somerville high school. Spent four years in the U.S. Army. Not married. Problem: could not close. Customers liked Iggy and he was diligent in filling out trip reports and was generally a good guy. Despite training and a lot of one on one coaching, Iggy just was not a closer.

Mary has conferred with HR and their advice was to interview all three and then make a choice. HR suggested that all three were close enough in experience and performance, so that any choice that Mary made could be justified and that Mary should not worry about law suits because that was the price of doing business. They did suggest that Mary have a grid and criteria in mind as she went into the interview. Mary also knew that all three wanted to keep their jobs. Mary herself knew that, if things didn't improve, she should start to worry about her own job.

None of the three was so outrageously bad that Mary would have fired them without question and she genuinely liked all three of them. But a decision had to be made.

Assigned: Pick 1 to fire I guess

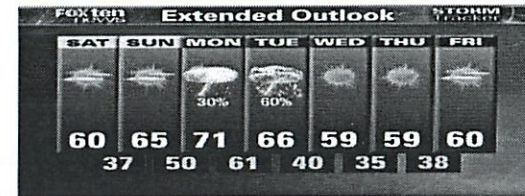


SALES FORECASTING AND TRAINING IN THE REAL WORLD



Forecasting Overview

- Sales forecasting is used for:
 - ▶ Individual sales opportunities (Opportunity forecast)
 - ▶ Quarterly and regional results (Roll-up forecast)
 - ▶ Sales capacity, expenses and territory allocation
- Accurate forecasting is key to the business
 - ▶ Ensure "perfect" accuracy, or be fired



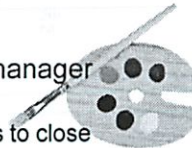
Sales Forecasting + Training

Lecture 8



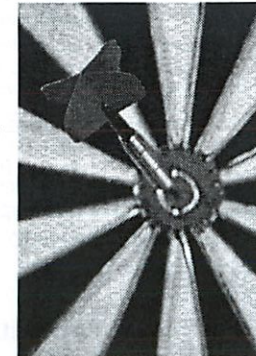
Forecasting is part Art & part Science

- 80% Science
 - ▶ Data to analyze:
 - Revenue
 - Close dates
 - Probability of close
 - Sales rep performance
- 20% Art
 - ▶ Comes with experience as a manager
 - Knowledge of the customer
 - Your ability to move opportunities to close
 - Incentives that can be extended to the customer



Best Practices for Accurate Opportunity Forecasting

- Segment accounts by opportunity size
 - ▶ Example:
 - \$1-\$100,000
 - \$100,000 - \$250,000
 - \$250,000 - \$500,000
 - \$500,000 - \$1,000,000
 - >\$1,000,000
- Determine close date and % complete
- Focus on highest value accounts
 - ▶ Spend 80% of your time here
- Create a "close plan" for each
 - ▶ Enables clear understanding



10/4

1



Step 1: The Opportunity Forecast (Insert Account, Product, Deal Size)

Sales Opportunity Forecast
Date: March 1, 2011
Rep: John Glendenning
Manager: Peter Levine

Account	Product	Deal Size	Close %	Close Date
Morgan Stanley	XenDesktop	\$1,000,000		
Bank of America	XenApp	\$750,000		
Wall Mart	XenApp	\$500,000		
Chevron	XenDesktop	\$200,000		
Ford Motor	XenDesktop	\$100,000		
Amazon	NetScaler	\$100,000		
Wells Fargo	XenDesktop	\$75,000		

Order Accounts, Product, by Deal Size



Opportunity Forecasting Methodology for % Deal Complete

Manager's role: Make sure reps are getting these questions / steps covered

- **10% - Opportunity Qualification**
 - Problem/Need Identified
 - Value Prop Identified
 - Budget Identified
 - Exec. Sponsor Identified

Manager's role: Talk directly with Exec sponsor on top 5 deals. This will give you insight to the rest

- **25% - Opportunity Strategy**
 - Agreement on Exec Sponsor support
 - Documented process for sales cycle
 - (>\$25K) Manager intro to Exec Sponsor
- **40% - Executive Sponsorship**
 - Executive Sponsor attends presentation, reconfirms funding, and allocates resources for the project



Opportunity Forecasting Methodology for % Deal Complete (con't.)

Manager's role: Solidify relationship with exec sponsor & work towards asking for commitment.

- **60% - Solution Development**
 - Outline of decision & buying process
 - Agree on validation process
 - "Draft" financial proposal
 - Possible proof-of-Concept or pilot plan
 - (~\$150K) VP email to most senior-level executive
- **75% - Solution Confirmation**
 - Close date within current quarter
 - Solution validation & approval at executive level
 - Negotiations with agreed-upon completion date
- **90/100% - Solution Closure**
 - Secure agreement signature & purchase order (P.O.)

Manager's role: Stay involved by continuing to communicate with exec sponsor and drive towards close. Validate close date often.



Step 2: The Opportunity Forecast (Insert Close Percentage and Close Date)

Sales Opportunity Forecast
Date: March 1, 2011
Rep: John Glendenning
Manager: Peter Levine

Account	Product	Deal Size	Close %	Close Date
Morgan Stanley	XenDesktop	\$1,000,000	75%	Mar-11
Bank of America	XenApp	\$750,000	60%	April-11
Wall Mart	XenApp	\$500,000	25%	June-11
Chevron	XenDesktop	\$200,000	75%	Mar-11
Ford Motor	XenDesktop	\$100,000	90%	Mar-11
Amazon	NetScaler	\$100,000	40%	June-11
Wells Fargo	XenDesktop	\$75,000	75%	April-11

Add Close Percentage and Close Date

Example Account Close Plan

Opportunity Type: SAR REC MWR Opportunity Value:

Sales Representative:
Manager:

Have you held an internal discussion to explore the prospects of an upgrade? Yes No n/a
Is their an agreement to proceed with an upgrade? Yes No n/a
Provide explanation:

Decision maker name: Title:
Last contact: Topics discussed:
Budget available? Yes No Amount of budget confirmed?

Has the customer agreed to the quote, including pricing and assets? Yes No
Date decision maker has agreed to send the PO? Yes No
Is the end-user prepared to send payment (PO or check) on or before EOQ? Yes No
Is there a partner involved? Yes No Which partner(s)?
What is the partner involvement?
Partner spoke to the customer when?

How many signatures are required? Names of the signatures:
Any vacations, OOO issues identified? Yes No How long is the procurement cycle?
Is there enough time to procure before EOQ? Yes No Potential roadblocks?
What are the solutions to remove the roadblocks?
Have you confirmed with Finance if customer has enough credit? Yes No
If customer does not have enough credit, can Finance extend additional credit? Yes No
If yes, what is required to extend additional credit?



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Best Practices for Accurate Opportunity Forecasting

- Be realistic about timeframes
 - ▶ Forecast close dates based on customer timeframe, not yours
 - ▶ Work diligently to create a compelling event to move the timeframe into your window (quarter)
- Make sure the right people are involved
 - ▶ Get as close to the budget owner as possible
 - ▶ Make sure you have an executive sponsor
- Take Checkpoints after Month's 1,2,3
 - ▶ Use these checkpoints to calibrate your forecasted opportunities – have they been forecasted correctly?



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Step 3: Roll-up Individual Forecasts

Account	Account	Rep	Product	Deal Size	Close %	Close Date
Morgan Stanley	JG	XenDesktop	\$1,000,000	75%	Mar-11	
Walt Disney	RS	XenApp	\$300,000	90%	Mar-11	
Chevron	JG	XenDesktop	\$200,000	75%	Mar-11	
Home Depot	RS	NetScaler	\$200,000	75%	Mar-11	
Ford Motor	JG	XenDesktop	\$100,000	90%	Mar-11	
Boeing	RS	XenApp	\$75,000	75%	Mar-11	
Exelon	RS	XenDesktop	\$50,000	75%	Mar-11	
Wells Fargo	JG	XenDesktop	\$75,000	75%	April-11	
Bank of America	JG	XenApp	\$750,000	60%	April-11	
Pfizer	RS	XenApp	\$700,000	60%	May-11	
IBM	RS	NetScaler	\$400,000	50%	May-11	
Walt Mart	JG	XenApp	\$300,000	25%	June-11	
CVS	RS	XenDesktop	\$300,000	40%	June-11	
Amazon	JG	NetScaler	\$100,000	40%	June-11	

AS a manager, focus here



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Managing the Roll-up Forecast

- Inspect the opportunity level forecast
 - ▶ Are opportunities staged and dated correctly?
- How much time is left in the quarter?
 - ▶ Potential hold-ups are: Legal, political, budget – have all of these been checked off?
 - ▶ Can you achieve necessary steps to close the opportunity before time runs out?
- Analyze historical trends
 - ▶ Quarter-over quarter (QoQ) & year-over-year (YoY)
 - Is your forecast achievable based on history?



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Step 4: Managing the roll-up

Sales Opportunity Forecast
Date: March 1, 2011
Territory: North America
Manager: Peter Levine

Account	Rep	Product	Current			30-day look back		
			Deal Size	Close %	Close Date	Close %	Close Date	
Morgan Stanley	JG	XenDesktop	\$1,000,000	73%	Mar-11	80%	Mar-11	
Walt Disney	BS	XenApp	\$300,000	90%	Mar-11	90%	Feb-11	
Chevron	JG	XenDesktop	\$200,000	73%	Mar-11	75%	Feb-11	
Home Depot	RS	NetScaler	\$200,000	75%	Mar-11	60%	Mar-11	
Ford Motor	JG	XenDesktop	\$100,000	90%	Mar-11	75%	Mar-11	
Bowing	RS	XenApp	\$75,000	75%	Mar-11	80%	Feb-11	
Exelon	BS	XenDesktop	\$50,000	90%	Mar-11	75%	Feb-11	
Wells Fargo	JG	XenDesktop	\$75,000	75%	Apr-11	60%	Apr-11	
Bank of America	JG	XenApp	\$750,000	60%	Apr-11	25%	Apr-11	
Pfizer	RS	XenApp	\$700,000	60%	May-11	25%	May-11	
IBM	RS	NetScaler	\$400,000	40%	May-11	40%	May-11	
Walmart	JG	XenApp	\$500,000	25%	June-11	25%	June-11	
CVS	BS	XenDesktop	\$100,000	40%	June-11	40%	June-11	
Amason	JG	NetScaler	\$100,000	40%	June-11	25%	June-11	

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Forecasting Pitfalls

- Objections
 - No objections from the customer is NOT good
 - When the customer is not being transparent about objections there are other motives at play – i.e. they might be using you to drive price down with another vendor
- Time Frames
 - Be realistic about the process for approval
 - Enterprise companies typically require 10+ signatures
 - Is C-level signature required? Does the C-level know your company/product?



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Forecasting Pitfalls

- Proof of Concept
 - No proof of concept is NOT a buying sign
 - If you are working a deal valued at >\$100K and the customer is not requesting a POC, this is a problem.
- No decision maker involvement
 - Do not get stuck with influencers or recommenders
 - If an executive is not involved, the deal is not going to happen
 - Must be talking to the executive in control of the budget



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Managing the Opportunity Forecast

- What to look for as a manager
 - ▶ Are the opportunities real?
 - What was the source of the opportunity?
 - Does the customer have a buying history?
 - Does the rep know the details off the top?
 - ▶ Is the timeframe realistic?
 - Is there an executive sponsor?
 - Has the POC been completed? Successful?
 - ▶ Is the rep "sand-bagging" deals or not involved?
 - Are deals closing that were forecasted in a future quarter?
 - ▶ Is the Opportunity forecasted at the right stage?
 - Has the rep followed the forecast methodology?

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Training

*"I don't know about you,
but I used to need diapers when I had
to make sales calls."*



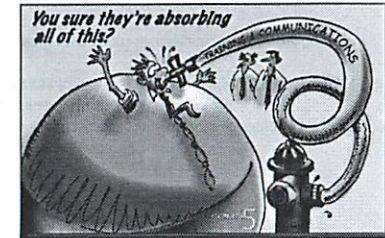
*"Then I got training.
Now, I fill orders and not my pants."*

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Sales Training Overview

- Sales training is taken very seriously
 - ▶ For both large and small companies
 - ▶ On-going effort, year after year
- Training for both process and product
- Training differs for size of company



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Where training matters

	Sales Process Training	Domain Expertise
Inside sales - SMB	XXXX	X
Commercial Sales (250-1k employees)	XXX	XX
Enterprise sales	XX	XXX
Global account sales	X	XXXXX

↓
 Years of Experience

• In general: A sales person with 5+ years of experience cannot be expected to learn new sales processes.

• Process training is most effective with recent college grads

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Training vehicles

- On-line training
 - Works well for product knowledge and updates
 - X hours per quarter
 - Each module < 1 hour
 - On-line test at completion
 - Use employees for content/credibility with sales force
- Quarterly on-site/all-hands training
 - Content provided by product marketing
 - Salesforce breaks into groups to present new content (role play)
 - Sales force presents wins and losses to peers
 - Very expensive
- Make training mandatory as part of org from the start
 - Regularly scheduled
 - Part of compensation plan

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Lessons Learned – small company

- Train a documented sales process
 - Adopted by all sales people and evolved over time
- Gather and iterate field-generated “best practices”
- Develop training “modules” that are re-useable
 - Customers, channel partners and internal employees – including sales



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Lessons learned – small company

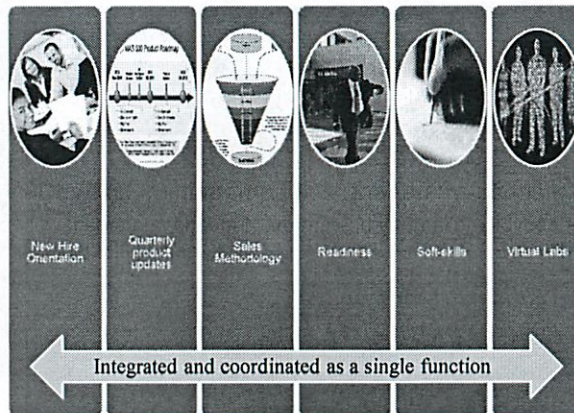
- Fewer, more impactful training tools
 - Cannot build all the tools and training that salespeople, channel partners and sales leaders ask for.
- Nothing beats time invested on multiple sales calls (phone and in-person) by executives – especially the CEO.
 - Helps identify true needs versus reported needs.
- People learn much more online today – from videos, blogs, Twitter, SMS with friends and peers – and broadly from social media



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Large company sales training



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23

Sales Training at Citrix

- New Hire Orientation (NHO)
 - Purpose: On-boarding into sales organization and company
 - One week in-house program – focus on Citrix products, processes and Sales support systems training; participation in person required
 - Includes taking all online courses for Citrix Certified Sales Professional (CCSP) certification
 - Administered by the Sales Readiness team w/instructors from product and functional areas
- Quarterly Product Update training
 - Purpose: Product knowledge
 - Product-specific content administered primarily in a virtual manner
 - Product roadmap, competitive updates
- Sales Methodology Training
 - Purpose: Improve sales processes and efficiency
 - Administered in each geography on a regular basis
 - Support from external sales process consulting company

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Sales Training at Citrix

- Informal Internal Training and Readiness
 - Purpose: Social learning from others in the company
 - CitrixTV, a YouTube-like internet infrastructure for employees to record (with varying degrees of formality and finish) videos with training on technical and sales content
 - This can be viewed by employees at their convenience
- Soft Skills Training
 - Purpose: Better general skills
 - HR-coordinates the delivery of soft-skills training on an ongoing basis. This includes writing, presentation, meeting, new manager and other courses
- Event Training
 - Purpose: In-person communications and learning
 - Citrix has a variety of events and seminars (internal and external) during the year
- Citrix Education
 - Purpose: Virtual learning through developed content
 - A catalog of sales and technical courses (including virtual hands-on labs)

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Citrix product training video



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26



A few things to remember

- Product knowledge without account qualification is useless
- Product is often the same, but reason the customer buys can be very different from account to account-match product attribute and value to need or pain of the particular prospect
- Is in not a contest to show your customer how much you know about your product
 - The finest doctor still asks the patient, "what hurts" or "tell me about your medical history" ...before he/she recommends a solution.

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27



And Finally.... What top performers have

- The ability to orchestrate a sales campaign
 - ▶ Customer Knowledge
 - +
 - ▶ Product Knowledge
 - +
 - ▶ Selling Skills
 - =Making Quota

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28

Video 4 Global or
Marry

10/4

lot which assignment to do:

Firing one has less requirements

But harder

Just pick 1 + make arguments

- all 3 "good"

Josy - less bg/edu

- low #

- tried to help

- but haven't improved

- due to the economy

Should make chart

Or Harriet - PhD - but lowest avg + bad personality

Mary Mahoney

George

Harriet

Igg

Quota

✓

-

✓

Personality

✓

-

+

Education

✓

+

-

Experience

✓

+

-

8

8

7

250

15,387

10/5

Hiring + Firing

(7 min late)

- doing mock interviews for sales

- write comments + scores

- gov + industry clients local + long distance

I am up - 3 year Cisco PM - worked w/ sales people

Stanford

want sales job

(kinda like me)

I was up person # 3
- was like normal interview

1 1 vote

2 most of class $\frac{2}{3}$ ← RA manager picked

me # 3 $\frac{1}{3}$ of class

② ~~the~~ Half people chared vote From resume

#1 ~~charlie~~ - safe choice did sales

each has strenght + weakness

#2 sold product - ~~not~~ now selling service

#2 didn't sell to gov

#3 no sales experience - never sold

#3 strenght

- new world coming in → to date

- where co is going is towards 3

If had 7 #1s - would have gone #3

But it all #2s + #3s

#3s could do management

#2 why did people pick? - usually don't pick
dominated interview
high energy level

③

You are selling when try to get job

Could have asked role playing

Interview Sell your company as well

Add passion

Marry - needs to fire someone

~~MM~~ Asked what will be different in 2011

~~MM~~ No real ans - kinda lame ans

(Are they acting their role or trying their best)

3rd person was trying their best

Want to do an event

- actually pretty good to say

Most picked #1

Each had a pro + con

#1 dedicated to hobby, not job

#2 disorganized

#3 very organized

9

wrote case

Don't want it to be easy

Usually right ans #2

- based on real person who worked for her
- made avota, but bad personization

Don't marry two people w/ each other (lans)

Do mentoring w/ one of the better ones

- follow them for a week

Athletes used to losing

You can ~~control~~ control your team

- 20% leave or fired / year
- + ^{industry / economic standard} you grow 25%

- So hire 45%

You are continually hiring + upgrading your team

5

Some people are super sales people
- don't want to be sales manager

Is a sales team a team?

What are objectives?

What is your distribution network?

- direct?
- reseller?
- tele-sales?

Pick people for that model

- What gets hiring for?

How many in each territory

Building compensation model

- What is On Target Earnings (OTE)

Draw = advances on commission

- waiting on bonus is hard
- or pay it quarterly

②

Good sales people

- empathy - understands tadaps
- ego - wants to win
- resilience - come back - better arguments
- desire - want to make \$, live well beyond means

Like people who know industry, but close

Stock option - help ~~debut~~ correlate w/ @
- and much lower tax

Look for people greedy

Consultative model - ans qv as well

Reference

- ask refs for names
- want refs from people not on names

What if Iggy says I'd be disappointed if ya let
me go b/c not my age

- what do ya do?
- can have a paper trail?

⑦

Drive him to quit
- Jack up quota

Howard: Just fire him
Put best team in
Tell lawyer that is your problem not mine

You can bring your biases in

- does not hire smokers

- not health

- but feels no personal discipline

Fire fast if does not think fit

Always recruit

- even if don't have jobs

- Ask customers who is calling on you

Takes 3-4 people to hire

Hired an internal recruiter

- pay 30% on 1st year salary

- Howard tried to say I will pay $\frac{1}{3}$ to them each month

Job letter

- territory
- what products they sell
- what pay on
- skills
- tasks to do

Interview teams

- ask other sales people²⁻³
- may see things you don't
- person also sells co

Think of innovative qv to ask

Read resume 1st

Write down feelings

Eval Form

- how far how did they know your co

People stay

- Challenged
- making \$
- engaged

9

Qv to ask

- tell me about a sales you lost

Can find things out w/o asking directly

What do you do on weekend?

Hire detective firm to check on people

Like cig

- try offering

Not checking important

- do enough till you know candidate

- side by side

- under

Rude to waitress at lunch

People exaggerate activities

You can ~~see~~ ask to see W2 form
Will get it wrong

Look at patterns in poor performing

10

Quarterly performance management

* - in writing

- Are only as good as making your quota

Biggest mistake: not firing quick enough

keep firing short and to the point

Pay them everything

Have someone else there

want to be able to get up + walk out

- can't do in ^{your} office

Technology Sales and Sales Management

**"Sales Management:
Hiring and Firing"**

Global View
Mary Mahoney

Howard Anderson
handerson@yankeetek.com



1

**To succeed as a sales
manager, you need...**

The right bodies in the right
places at the right time with
the right product.
(But you really don't control
the product)



2

Hiring and Firing..two headed coin.

- 1. assume: that 20% of your sales force will leave/be fired each year.
- 2. assume: that you will want to grow the sales force 25%/year
- 3. Therefore... you will have to find new salespeople = to 45%.



3

Last class...

- The importance of measurement
- The importance of forecasting
- The importance of management



Sales Management!
Hiring + Firing
Lecture 9



4

10/5
1

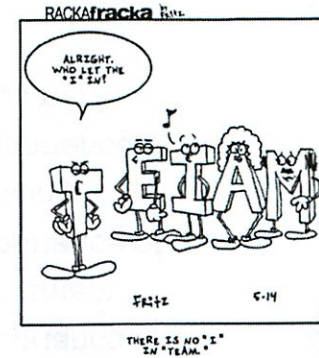
Sales vs. Management

- “Super Salesperson” = Includes adjectives that describe an individual who works best alone, with very little direction (A lone wolf).
- “Super Sales Manager” = Includes adjectives that describe an individual who works best through others.



5

Setting up a sales team



Is “Sales Team” an oxymoron?

6

Setting up a sales team

- First: What are the company objectives?
 - ▶ Revenue, Design wins, OEM deals



7

Setting up a sales team

- Second: What is the distribution model?
 - ▶ Direct
 - ▶ Two-tier through resellers
 - ▶ Tele-sales
 - ▶ Find people who fit your model
 - i.e., don't hire a channel guy if you are going direct and vice versa



8

Setting up a sales team

- Third: What geography are you hiring for?
 - ▶ US/North America
 - ▶ EMEA
 - ▶ APAC
- How many reps/sales teams need to cover each territory?
 - ▶ Put together a plan for what the world looks like
 - ▶ Be clear of how team members work together, ie SE and sales rep



9

Setting up a sales team

- Fourth: How does compensation work?
 - ▶ Quota based on
 - Revenue or deal profitability
 - Design wins
 - Quota size
 - ▶ What is On Target Earnings (OTE)
 - What is the commission structure?
 - Common is 50 base-50 commission
 - ▶ Time to productivity
 - Is there a draw?



10

Hiring

- As a manager, hiring is key
 - ▶ Hire well = few issues
 - ▶ Hire poorly and your life is miserable



"What! Nobody thought to bring a paddle?"



11

Hiring Perceptions

- Perception of a good salesperson
 - ▶ Is Talkative
 - ▶ Has a good handshake
 - ▶ Has a great smile



12

Hiring Reality

- The ideal sales person has:
 - ▶ Empathy.
 - Clearly understand any given situation and adapt.
 - Listens and asks questions
 - ▶ Ego.
 - Likes success and wants to win.
 - ▶ Resilience.
 - Can keep bouncing back after hearing "No".
 - ▶ Desire.
 - Wants to make money



13

There are many 'types' who to succeed in sales

- Relationship
 - ▶ knows everyone, befriends quickly, builds trust
- Technical
 - ▶ sells on expertise
- Ankle biter
 - ▶ never stops, ever
- Be willing to work with more than one 'type' – results matter



14

Steps to hiring right

- Recruiting and preparation
- In-person interview
- Reference checking



15

Sales Recruiting

- ALWAYS recruit
 - ▶ even if you don't have an opening
 - ▶ find out who is good
 - ▶ ask your customers and your own team
- Keep a list of top possible candidates
 - ▶ Keep in touch with them
 - ▶ Let them know when a position opens



16

Sales Recruiting

- Using a recruiter
 - ▶ Ask your team or others for references
 - ▶ Will cost €€€ to hire
- Internal efforts
 - ▶ On-site recruiter
 - ▶ Employee referrals
 - Pay a bonus to employee



17

Job Specification

- Define ...
 - ▶ The market or territory
 - ▶ What product(s) they will sell
 - And do you pay on services & maintenance or just license
 - ▶ What are the skills, responsibilities and/or tasks required of the salesperson?
 - ▶ What measurements will be established by which the salesperson will be judged?



18

The interview team

- Have the candidate meet two/three others
 - ▶ at least two other sales people
 - ▶ HR or marketing/engineering
- Keep the team consistent
- Review the job spec with the team
- Agree on an evaluation form/criteria



19

The Interview

- Review resume before meeting
- Write your questions down and tie to evaluation



20

Evaluation form

Sales Evaluation form	Candidate:	Date:
Criteria	grade	comments
Sales experience (and type of company worked for)		
Sector experience (and type of sales)		
Interest/knowledge in our company		
Stability		
Communication skills		
Career interests aligned		
Hunter or helper		
Ability to sell/adaptability		
Personality (internal/ext)		
Education		
References		
Total Grade		



21

Questions to ask

- Why do I want you on my team?
- Tell me about the sales you have done? Who was involved?
- What mistakes have you made?
- What are your career interests?
- Why is this company right for you?
- What do you like about selling? Why?
- What will customers say about you?
- What will former bosses say?
- What motivates you?



22

Interviewing No, No's

(if it doesn't have anything to do with the job, don't ask it)

- You can not ask the following ...
 - Sex
 - Religion
 - Race
 - Ethnic background
 - National Origin
 - Type of discharge from the military
 - Marital status
 - Plus more...



23

After the Interview

- Do your own reference checks
 - Find references beyond what the candidate has given you
 - Find people you know that know the candidate
 - Build a description of the person
 - Cross check what you heard
- Reference check even if candidate is recommended
- Most candidates exaggerate their achievements.
- Review findings with the interview team
- All salespeople should be hired with an agreement.



24

Lessons Learned

- You will get hiring wrong
- Perfect your style of hiring over time
 - ▶ Use past failures to perfect future selection
- Look around at poor performers
 - ▶ How would you avoid hiring them?
 - ▶ What exactly would you do?



25



Performance Management

- Formally review your sales staff every quarter
 - ▶ Be prepared to make immediate changes
- Set a culture of making quota
 - ▶ You are only as good as your last quarter
- Be happy when sales reps blow out their number and make lots of money
- Appraisals: Should be done in writing. Leaves "No Shocks" when action is required.



26

Performance management

- #1,2,3 (+110% of quota)
 - ▶ Rain makers
 - ▶ Keep them happy, watch #3 closely
- #4,5 (97-105% of quota)
 - ▶ Should be OK, with training;
 - ▶ These are the swing factors
 - ▶ This is where you'll need to spend time
- #6,7 (<100% quota)
 - ▶ Replace immediately



27



"You're Fired"

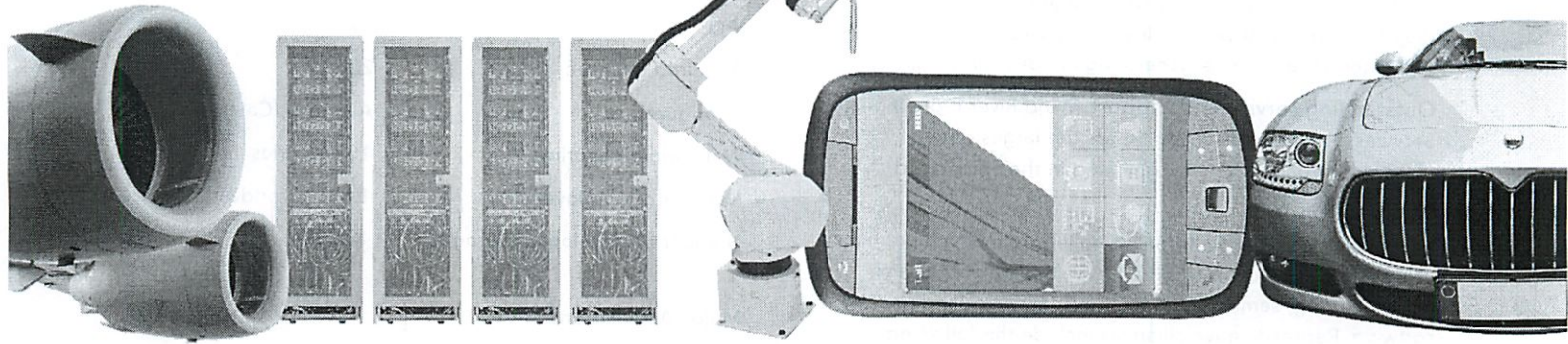


28

Take a Sales Manager to Lunch Assignment - Date due: October 18 before class, Stellar

You are to identify, get an appointment and meet with an experienced sales manager about what it means to be an effective salesman and an effective sales manager. Discuss the differences between a good salesperson and a good sales manager, as well as other relevant matters (territory management, incentives, information systems, etc.). Write the insights that you learned in 2 pages max. Interview can be done with your partner but you must turn in **separate** assignments. Find a different company than the one you profiled in the previous interview. Again, no classmates.

WIND RIVER



Smart. Connected. Wind River.

As devices become smarter, they have more impact on the way we work, play, and live—from mobile phones that have evolved into always-on content delivery platforms, to medical devices that seamlessly integrate with patient management systems, to avionics and defense systems that enable pinpoint control and unparalleled safety. The challenge for developers is to keep the innovation flowing so that devices continue to get faster, more reliable, and more secure, while remaining affordable.

Wind River has the answer. A leader in embedded and mobile software, Wind River offers the industry's most comprehensive device development portfolio. Our solutions are hardware-agnostic, so you can deploy on multiple architectures, including Intel, Freescale, PowerPC, ARM, MIPS, and others. And our products are supported by outstanding professional services and customer support, hardware integration expertise, and a thriving partner ecosystem.

That's why Wind River's technology is found in more than 500 million products. We're uniquely qualified to help you master the challenges of building smart, connected devices.

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We're pressing our advantage with three key initiatives:

1. Multicore software:

Wind River brings a comprehensive approach to multicore enablement—so with Wind River you can get beyond the “promise” of multicore and get to tangible business results right away.

2. Open source: You can leverage our expertise in today's open source platforms to transform open source into a branded user experience.

3. Safety and certification: Wind River will help you protect data and protect lives with software platforms that allow you to build complex systems that conform to stringent safety standards.

Wind River Portfolio

Wind River platforms, development tools, and market-specific solutions significantly reduce development time, cost, and risk at all phases of the device software development process—from concept to deployed product. Backed by 24/7 global technical support, customer education, professional services, and the market's most comprehensive ecosystem, each Wind River platform offers the complete solution necessary for developing today's innovative devices:

Linux platforms: Our commercial-grade Linux platforms include a fully tested and validated Linux 2.6-based distribution, Wind River Workbench, 24/7 global technical support, customer education, and professional services. Wind River Real-Time Core for Linux enables microsecond response times for mission-critical applications, and Wind River Advanced Networking Technologies supports networking, security, wireless, and mobility requirements.

VxWorks platforms: Wind River VxWorks run-time platforms include the industry-leading VxWorks real-time operating system (RTOS), with connectivity solutions for every facet of embedded systems communications, from device to device via USB and core to core in multicore systems to our industry-leading advanced networking stack.

Industry solutions: Wind River has tailored its solutions to help customers meet the specific needs of the aerospace and defense, automotive, consumer electronics, network infrastructure, and industrial markets.

Wind River Workbench: Our Eclipse-based development environment accelerates time-to-market for developers building devices with VxWorks and Wind River Linux and includes visual configuration and analysis tools that streamline design, development, debugging, testing, and management.

On-chip debugging: Wind River delivers advanced, standards-based on-chip debugging tools that simplify the hardware development process and seamlessly integrate hardware, firmware, and software debugging.

Test management: Wind River test management tools enable device manufacturers to standardize on an integrated development, run-time, and management platform, so they can improve device quality, minimize support costs, and extend the revenue-generating life of their products.

Outstanding service and support: Wind River Professional Services and Customer Support are the largest, most respected organizations of their kind in the embedded industry.

Comprehensive ecosystem: We collaborate with more than 250 world-class technology leaders in the areas of board manufacturing, semiconductors, tools, services, and run-time software. Representative alliances include the following:

- **Semiconductor:** Broadcom, Freescale, Intel
- **Board:** Emerson, Kontron, RadiSys
- **Software:** IBM Rational, LVL7, Solid, Trolltech

Technology Leadership

- First connected RTOS
- First integrated development environment (IDE)
- First device software develop-and-run platforms
- First industry-specific services practices

Market Leadership

The breadth and depth of Wind River's software portfolio, world-class professional services and customer support, and broad partner ecosystem is unrivaled, accounting for one-third of the global commercial market for embedded and real-time operating systems and services in 2008.*

Industry Recognition

- 11/08 Service Capability and Performance (SCP) Certification for North America and Europe Services
- 03/08 Best Commercial Eclipse-Based Developer Tool
- 09/07 Service Capability and Performance (SCP) Certification for North America Services
- 10/06 Capability Maturity Model Integration (CMMI) Level 3 Certification
- 08/06 Service Capability and Performance (SCP) Certification for North America Services
- 08/04 Recognized by Nortel Networks for Outstanding Technology Innovation
- 04/04 Best of Show Award at Electronica USA Embedded Systems Conference
- 07/03 Design Solution of the Year at Electronics Industry Design Awards
- 04/03 Best Product of Show Award at RTS Embedded Systems

Wind River Facts

Founded:	1981
IPO:	1993
Acquired by Intel:	2009
Headquarters:	Alameda, California
Worldwide footprint:	15 countries
Number of employees:	1,600+ worldwide
Number of developer customers:	42,000+

Major Acquisitions

- 02/09 Tilcon Software Limited
- 10/08 MIZI Research
- 08/07 Comsys
- 02/07 FSMLabs
- 03/06 Interpeak
- 01/05 ScopeTools Business Unit from RTI
- 10/00 RapidLogic
- 03/00 Embedded Support Tools (EST)
- 02/00 Integrated Systems

About Wind River

Wind River, a wholly owned subsidiary of Intel Corporation (NASDAQ: INTC), is a world leader in embedded and mobile software. Wind River has been pioneering computing inside embedded devices since 1981, and its technology is found in more than 500 million products. Wind River is headquartered in Alameda, California, with offices in more than 15 countries.

To learn more, visit Wind River at www.windriver.com or blogs.windriver.com.

**VDC's "2009 Service Year Track 1: Embedded Software Engineering Market Technologies; Volume 1: Embedded/Real-Time & Mobile Application Operating Systems"*

WIND RIVER

Wind River is a world leader in embedded and mobile software. We enable companies to develop, run, and manage device software faster, better, at lower cost, and more reliably. www.windriver.com

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Jim Hirsch Interview

10/5

- security in big co
- public
- 1000
- 100 sales people
- geograph
 - EMEA
 - Asia
 - Japan
 - North America
- € split up
 - switched to verticals
- Networking East Mississippi
- focus more
- 8 ~~th~~ on team
 - 5 account managers
 - 3 support
 - services
 - software
 - a bit h/d

② Bring those people in on tech

↳ insides sales people

Services

- longer sales process
- larger

Don't want sales people to really do software

Support runs POCs

Niche market

Is leader

Quota - he is given \$

- knows regions, did it before
- hard work
- renewals is 20%

4.5 mill per person

③

High value things

Android tablets

Worked w/ Google on Android

One of 5 partners that ~~did~~ do Google Android install

Where need expertise

4/5 made Quota last year

- One made 400%

200%

150%

68%

Aptitude - how they did job

Arg at

As region care that beat #

Picking team

- had team 2 years ago

- revamped it

9

Bad people left themselves

25 years experienced

Self motivated folks

- have to want to do well

Find what motivates people

2 original 3 new
- previous co

Does not matter how tech

Goal at calling

- don't let people intimidate

No reason to be intimidated

Look at biz issues

- How failing

- Why product der failing

24 months hard

15-18 target

5

Look at Annual Reports
Analysts

CEO dropping into analyst

- QnA
- what are analyst asking
- finding stuff ~~at~~ not direct

Press release

Talk w/ others - social

- bar
- skating

Nov 1 training for his team

Value selling

+ ~~the~~ one other
- 60

~~at~~ - 1 or 2 review

bring in pros

What qu to ask people

6

Mostly refresher

Kickoff

— whole cos

— new product

— pump up

— cross polination ideas

Arguments over splits

Thick comp plan

Handle disputes

Incentives from boss

Cost of sales is high

Read comp plan - it really blow # out

Sell subscription

— invoice annually

Very popular

— now need to pay up front

①

Or cap people

Base + Car + Commission
↑ quarterly

Can go to accelerators

- 2x

- 3x

- 4x 120%

Max at 2x annually commission

VP sales - 7 million over

Must balance it good people

All benefit

Hit margins to do deal

⑧

Big cos less sales people than biz dev

~~know~~ use 3rd party distributors

Such establish brands - don't need sales force

Last year - it was plan

240% make quote that is goal

10% review for replacement

- defend people

Every week 30 min lil

Every week extended team - 35 people

- tech people

- field marketing

~~then work~~

Most of day is building spreadsheets

Planning

Always chaining

9

Q2 Cas

Nortel fell apart last year

- bunch of cos bought up

- must rebuy

- assignment

- paid more than Nortel

- 2.5x

- 300,000 is top target

Projection lowball - ~~low~~

Then do low + high

Easy to measure people

Subtly let people realize jobs not for them

Eng complain about diff things

- want right pasteries

⑩ secrets

Talk to people - what do you need

Help when complain

Need to understand cust benefits

Guidance + help - not just \$

Ask probing issue then shut up + listen

Not just needs

Build trust

Cust edu him

know he will have his bath

More ~~del~~ deals afterwards



<i>Case</i>	AvaMac Corporation
<i>Title</i>	Sales Management: <u>Team Selling</u>
<i>Session</i>	11
<i>Class Date</i>	March 10, 2011

Overview:

SHIT

Barb Bellhead, a recent MBA graduate of the MIT Sloan School of Management, was ready to kill someone, but she wasn't sure who. Bellhead ran a sales group for SandHill International Technologies (no abbreviations please) which was pitching 2.5 Ghz WiMax solutions to telephone carriers around the world. Her division, WiMax, was in the hunt for a major contract with a wireless carrier, SouthLand Eastern Airphone. The contract, potentially \$75 Million over four years, was more than just an equipment purchase, as Southland Eastern wanted engineering help, wanted software to do billing and wanted financing.

Potentially this was all possible, because SouthLand had divisions that did all of them. Engineering Advisors could do the route analysis, Billing Systems could provide the billing software and SandHill Finance was set up for just this sort of thing. In reality, when fully costing each of the parts of the proposal, the total came to \$97 Million and Barb Bellhead knew that would never fly. In true MBA style, she called a meeting of her counterparts. Morse Kencode represented Engineering (MBA INSEAD, BS Oxford, How Weird represented Software (Indian Institute of Technology BA Engineering, MS Cal Tech), and Rob Edwards was the firm's CFO and represented SoundHill Finance (University of Berlin, BS, Wharton MBA)

The Proposal to SouthLand was as follows:

Equipment	\$42 Million
Engineering	\$12 Million
Software & Implementation	\$13 Million
Financing Int. (\$75 Million x 10% x 4 years)	\$30 Million

"Look," said Barb, "This is a deal killer. I know Clearview is going to come in at \$75 and so is Qualcomm. Morse, you have billed your people out at \$400/hour.... And that is how you got to \$12 Million.... Is it really going to take you 30,000 hours to do this project? And since when did you get \$400/hour for your professionals?"

"I'm running a profit center" said Morse. "It is going to take 15 person years to do this project and they want it done within a year. I am doing them a favor at \$12 Million. And since you are making a 60% profit margin, why don't you cut your costs down a much more reasonable price, say \$30 Million, and then we can get this deal done."



“Easy for you to say,” answered Barb, “but we have signed an agreement with the Israeli Government that guaranteed them most favored nation pricing. If I were to drop our price here, then we would have to lower our price to the Federal Government and we can’t have that. Let’s look at software. Can’t we cut down that \$13 Million price?”

↓ every one 'is israel'!

Howard Weird, replied, “Sure, I can take 10% off but this is a highly complex billing system and it has to dovetail to what they already have or we are sunk. The real key is knowing which bundle of services their customers are using. They want a full implementation and they need to work with their antiquated mainframe billing solutions. But that only gets us \$1.2 Million.... Any more than that and we are cutting muscle. Rob, what’s this \$30 Million “interest” charge that you are charging. Weren’t you guys set up to finance our equipment and services?”

“Yes we were” answered Rob, “but remember we are a profit center too. Our balanced cost of money is 5% so when we charge 10%, we are making money for the corporation. And, like you guys, our bonus is also predicated on making goal”

“Well no one is going to make diddly if we can’t come to some agreement here. You are making 100% profit here and I know that Clearwire and Qualcomm will come in at their cost of funds or even below. If we can reduce this \$30 Million to \$15 then we are close to being where we have to be to compete?”

So you are caught between a rock and a hard place. Your profit centers want to make their numbers and your company wants to win the business. You work with the other three, but they don’t report to you. And you know that the CEO, Adam Joseph, hates confrontation and prefers that his direct reports solve problems at their level.

Questions:

Oh darn

1. How should this multi-division team solve problems like this? What would you do? How should the team sell together?
2. Since this is a problem that will most likely reoccur, what suggestions do you have that can make this team selling a non controversial subject and help the corporation reach its goals?

hmm

split profits among all divisions when team

Doing AvalMac Corp

10/11

Mmm - I don't know either

Bonus on whole company profit on team deals

Should each division markup

- generally yes

It should add together for a solid piece

- but offer quantity discount given

Some markup is better than none!

(Read some online)

Diff divisions must get along better

But how change incentive structure themselves

Ultimately they have to give in if want a shot

(I like what I put together)

Start w/ pure cost

Actually with this method should not have to change bonuses

Can do other stuff here so does not happen again ~~bonus~~

② Like manager for process

15:387

10/13

(3 min late) Scenario in progress

- Use internal transfer to settle afterwards
 - Bill hrs internally
 - Can't change equipment
 - Profit #s here are not ~~not~~ specific
 - (They are going about badly - each grp are ~~set~~
mans fighting over margin)
 - Equipment full price then ~~ship~~ slip transfer internally #
-

La: This stuff happens all the time

Transfer pricing - someone has to figure out comp

A big mess

Each grp wants to make their #

Comp ~~group~~ plan not in best interest in co

Sales ~~are~~ inside your org

- sell by persuasion

②

Laurence of Ariba video

Corp wants to profit maximize

The equipment is all about same

Corp should recognize Corp goal

Use CEO just as referee

~~Comp~~ Comp should reflect corp & healthy

Corp will make up difference " "

Of course not

Your key

	Division Profit	Corp Profit
Perhaps	50% Division goal	
	50% Corp	"

Never change comp plan in middle of year

- Hard to administer

- Incentives wrong behavior

Understand everyone's agenda

- are behind in plan
- owe other people favors

Legal constraints

- can't pay people to be on your advisor board

Look for ways around system

Sell by persuasion

Internal sales is as important as outside sales

Could go to CEO and ask him to bless meeting

- I like when people make their own agreements
- Sets stage for meeting

Can go around pre-selling before meeting

Share the honor of working together

- team effort

Give comparables / industry arg

Don't get into financing biz

- Almost brought GE down

9

As sales manager protect your sales force

· Control your budget

· Not other stuff

Make your ~~its~~ as well

People asking to move stuff up to make quota

~~can~~^{will} ya make an exception?

Lai: No don't make exceptions

And also corp legal decision - no.

You are in charge

- don't say I need to ask my boss

- works boss

Can give quota credit

People pay on shipment

Can pay sales rep on bookings or collections

5

Same w/ territory

- Go back to pipeline report
- Audit trail

Be clear on upfront territory or strategic accounts

- Have a strong rule on who gets paid

Or assign prospects to someone

Ask client:

They don't want to do

Took cheaper airfare to spend another night in hotel

- Most people saying have to be up for team

La: depends on how good person is

- Small co more can do
- get a favor
- tell them next time ~~no~~ no

Small co can do this stuff

6

One buyer asked sales rep - what's your quota?

I'll guarantee you make it

Now sales rep is working for us

Email: Partner state deal

~ depends how you are structured

- talk to people at medtronic

- rules of the road

Contracts had to write for everything

And gives other party wet feet

Email: Your sales force is not selling my product

- Special bonus: SPIFF

- Special training

- Lai Sales team sells easiest products

- tough one

These are the issues sales managers deal with

⑦

Post qu to low
Charity Commission

- Pretty good idea
- Best is quota credit
 - helps them get into accelerator

Build up from margin

Pretty good way
But each dept wants his #

15.387 - Technology Sales and Sales Force Management

“Team Selling and Sales Management”

Module 10



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1

Sand Hill International Technologies

- 2.5 GHz WiMax for telephone carriers
- WiMax Division focus on India's Airtel
- \$75M over 4 years – equip, eng help, billing SW & financing
- First internal rollup price = \$97M
- Team
 - ▶ Barb Bellhead (Sales Director)
 - ▶ Morse Kencode (Engineering)
 - ▶ How Weird (Software)
 - ▶ Rob Edwards (CFO & Financing)
- Deal
 - ▶ Equipment - \$42M
 - ▶ Engineering - \$12M
 - ▶ Software & Implementation - \$13M
 - ▶ Financing - \$30M



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Team Selling
Lecture 10

How Do We Resolve?

- Understand everyone's incentives – real well
- Understand the hard (e.g., legal) constraints
- Build an atmosphere of cooperation – shared pain
- Look to find ways to work around the system
- Internal sales is as important as outside sales in many corporations
- Concept of internal “chits”
- Even with all of this, get creative
- Sell at the top



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3

What Would I Do?

- Go to CEO & Sell Him on Importance of This Contract
- Get CEO to Kick Off, emphasizing values of company
- Then go to each party **before** the meeting & understand issues and build rapport & framework for an agreement
- Have all of the parties look good and get credit for the solution in front of CEO
- Try to get additional recognition
- This all sets the right tone



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4

10/13

1

Specifics

- GSA Pricing is a hard constraint – have to bury in – credits to other departments or bundled pricing
- Engineering – What else are you measured on? Absolute profit or %? Utilization rates? What other issues can I help you with? Committed pipeline?
- Software & Implementation – Is this leveragable? What can we do to bring the price down? What else are you measured on? More leverage here b/c he depends on you
- Financing – What are you measured on – absolute or %? How do we make the numbers work? Less leverage here
- Just like getting a bill passed – be careful of IOUs
- There will be more so relationship are very important



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5

Sales Manager

- Model: Buffer between Management and Field Force.
- Takes blame, protects the Field
- Most Important Single Person in Organization
- Resources: Head Count/Budget
- Rule Number One: Make the Numbers
- Great First Management Job: Completely visible



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6

Typical emails

- To: Tom Terrific
- Fr: Joe Jones, Field Salesman
- Tom:
- GE wants to break their order into two parts, one to be delivered June 5th, the other July 10th... if we do this, I will miss my quota and my trip to Hawaii... for which Jones SO has been dieting for two months and which will make my life a living hell. Can't we count this as 2nd Quarter?



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Email #1

- To: Tom Terrific
- Fr: Mary Jones, Field Person
- Pepsico, which I have been working on for a year... now wants to buy... but have the order is coming out of Frito Lay, which is in Texas and not my Territory.. But I, goddamn it, made the sale. I want credit for all of it. They only did part of it at Frito Lay because of internal budgetary reasons. Why should our Texas rep get this bluebird when they did nothing? I am tired of getting screwed.



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Email #2

- To: Tom Terrific
- Re: Wendy Bendy,
- Tom, those idiots in Accounting rejected my expenses to the W. Coast. I went Saturday morning so we could save \$3000 in Air fare... and it cost us one damn night at a hotel (\$245)..would you keep those A holes off my back



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Email #3

- To: Tom Terrific
- Fr: Micky Midwest
- We have a problem at Medtronic... They are supposed to be our Partner, but they are going around us to Methodist Hospital. I worked on this for three months. So I need that commission although it falls outside our plan



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Email #4

- To: Tom Terrific
- Re: Barry Bondstreet, Product Manager
- Tom, your sales force is selling everything but my product! The company put a lot of money into development but your guys have no quota for my product. Can we institute a separate bonus for them? I am willing to kick in \$50 K from my budget. Not that this should make a difference, but let's not forget I introduced you to your wife, gave blood when your kid was sick and countersigned your mortgage.



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Sales Manager

- How do you manage these beasts?



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12

Star Wars



"All right, I'll give it a try."



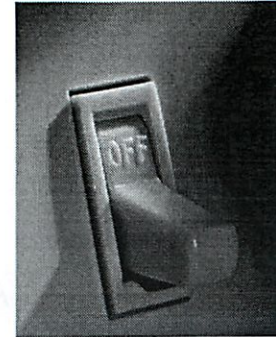
"No. Try not. Do ... or do not.
There is no try."



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Sales = Binary/Numbers



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15



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Sales Manager

1. Negotiates sales plan for team. What is possible? What is a stretch? Where do the numbers come from? What should be the bonus pool? Headcount?
2. Should there be product quotas? Why?
3. What should territories be the following year? Compensation Plan?
4. What training needs to be done?
5. What kinds of team selling works? How will sales work with R&D, Production, Finance?



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Sales Manager

- How much time in the field?
- How much time in the office?
- Spend time with Winners? Losers?
- Who can help?
- Send sales plan back up to finance? Production? What is selling? What is not?
- What to do with a territory that is losing?
- How to protect the long development cycles?



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What kind of role?

- Bobby Knight? Mike K? Joe Torre?
- How do I reward team players? Do I want to? Isn't this really an "individual sport"?



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Bigger Question: How do we measure?

- Sales? Sales/Territory? Market Share?
- New Clients? New Products?
- Profitability? Sales cost as a % of Sales?
- Measure the team?
- Confidence in team?
- Is he trusted? Is he supportive?
- Is our goal and his plan in harmony?



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Summary

- Team Selling
- Internal Sales
- Sales Management
- Need Both Skills to Succeed and Make MIT Sloan Proud



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21

Bonus



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22

Lawrence of Arabia



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23

Lawrence of Arabia

- No fear
- Demeanor
- Carefully watching the entire situation
- Does homework
- At the right time, plays card
- Empathetic but tough – strikes right balance – not overly emotional and always logical
- Channeled into Vision using their own words: "It is your pleasure to attack Akaba"
- Appeal to head, heart & wallet



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The Tech Sales Bold Sell Challenge (A)

You are a team of four sales clerks at a local Best Buy. It's October 18th and in walk two silver-haired, absent-minded professors who start to clumsily touch the new cell phones.

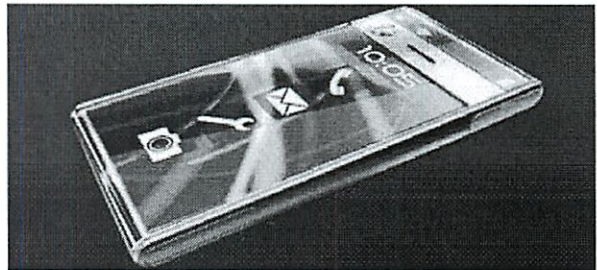
Your team looks at each other giddily – they are licking their chops. This has to be the easiest sale of the day! Unfortunately for you, these deer with bulls-eyes for birthmarks happen to be sales management gurus from the Massachusetts Institute of TECHNOLOGY.

Your team must sell the latest product to them: the Android Infitum. This cell phone has some incredible features:

- It never needs recharging. It recharges thanks to the momentum generated by the user walking with the cell phone in his / her pocket.
- It works on every network – Verizon, T-Mobile, Sprint and AT&T. It syncs up to the most powerful network wherever you are making a call from.
- If you lose the cell-phone, you can call a special number and the phone will send its precise GPS coordinates to a preferred email account for you to find it.
- It is a SUPER-smart phone. It updates email automatically, syncs e-mails with signatures into your contact list, it automatically prompts you to update your address book when you call a new number and it has the most sophisticated voice-recognition technology available.

But, of course, quality comes at a premium:

- Price: \$400
- Contract:
 - \$70 / month and you can break the contract at any time.
 - \$50 / month for one year.
 - \$40 / month for two years.



You have **2 minutes** to make the sale. Every team member must participate. You may not use Powerpoint or any other AV. You are encouraged to look the part. The professors have every right to blow up your pitch with questions and comments, so be prepared!

Your final assessment will be judged on a variety of factors and the winning team will receive a secret prize. In making your sale, be sure to implement the ideas and concepts that you have learned over the course of the semester. Be Prepared...Head – Heart – Wallet...Prepare for Objections...Know Thy Product...Build Trust Quickly...Always Be Closing. Good luck!



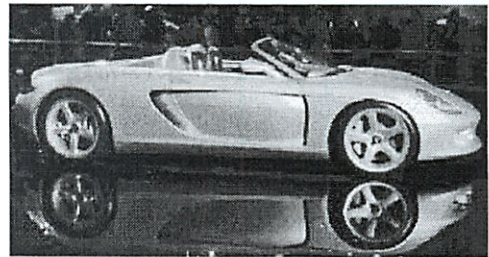
The Tech Sales Bold Sell Challenge (B)

You are a team of four sales clerks at a local Pep Boys. It's October 18th and in walk two silver-haired professors with Weekend Warrior tendencies who start to clumsily touch everything on the shelves.

Your team looks at each other giddily – they are licking their chops. This has to be the easiest sale of the day! Unfortunately for you, these deer with bulls-eyes for birthmarks happen to be sales management gurus from the Massachusetts Institute of TECHNOLOGY.

Your team must sell the latest product to them: the Killa' Cah Wax. This product has several incredible features:

- **When applied on the whole car, the car cannot be picked up by radar guns. You can hit the open highways at whatever speed you please.** The chemical composition is a trade secret and you don't know what the "special sauce" is.
- The wax also features a technologically advanced formula that produces a vibrant color and a stunning wet-look shine.
- The wax is a completely synthetic car wash concentrate that loosens and emulsifies even the toughest dirt and road grime.
- The wax last for one year and then another coat needs applying.



But of course, cutting-edge quality comes at a premium:

- 1 coat of wax costs \$600 and takes 1 day to apply
- 2 coats – one for now, and one for a year from now – costs \$1000
- 3 coats – one for now, one for a year from now, and one for two years from now – costs \$1200

You have **2 minutes** to make the sale. Every team member must participate. You may not use Powerpoint or any other AV. You are encouraged to look the part. The professors have every right to blow up your pitch with questions and comments, so be prepared!

Your final assessment will be judged on a variety of factors and the winning team will receive a secret prize. In making your sale, be sure to implement the ideas and concepts that you have learned over the course of the semester. Be Prepared...Head – Heart – Wallet...Prepare for Objections...Know Thy Product...Build Trust Quickly...Always Be Closing. Good luck!

Bold Sell
Mtg

10/16

We were assigned A: the phone
Android Infinium

- recharges w/ momentum automatically
- 4 ~~band~~ networks
- if get lost can get its coordinates
- voice recognition
- app auto adds phone # in email sigs to list

\$ 400 upfront

\$ 70 / month to month

\$ 50 / month 1 year agreement

\$ 40 / month 2 year agreement ← 'just promote this'

- 2 min
- everyone participates
- look the part
- Need Best Buy shirts

②

Cassandra: Be Different

- talk to each individually

^{Plaz} Song + Dance

What's wrong w/ your current phone?

Infomercial

- no trust

- but what ^{else could} do

- do it

- we're all on the same team here

- each of us does a line



15.387 Technology Sales & Sales Management

<i>Title</i>	Morgan Care –Selling Services
<i>Session</i>	10
<i>Class Date</i>	March 8, 2011
<i>Subject:</i>	Prepare a proposal for William Goodman and prepare to give it to him orally at the upcoming meeting. Figure out how you will compete with Goldman Sachs.

Background:

On December 30th, William Goodman decided that he was a fool. Having sold his company for \$60 million at age 48, paid \$10 million in capital gains, and thought he was set for life, Goodman had seen his net worth drop to just over \$30 million in just four years.

On the advice of his existing stock broker, John Delaney, William had invested primarily in high flying technology companies and gotten slaughtered. John had been Goodman's friend since college and had done fairly well for him through the 1990's with the small amount of money given him prior to the sales of Goodman's company. Since then, disaster.

Goodman had also made a few other investments over the years as acquaintances approached him with opportunities after his large liquidity event. He had put a small amount in an international equity fund that had fluctuated wildly, but broke even. His brother-in-law had run an equity long-short hedge fund which started out well, but performance had recently tapered leaving him slightly under water when he cashed out. His other hedge fund investment was actually mired in an accounting scandal and the manager had disappeared, so he questioned seeing any of those funds again. Goodman had invested in two venture capital partnerships, one of which broke even and the other lost 10% of capital. At the end of the day, he had squandered 40% of his net worth by being his own investment advisor.

While he enjoyed talking stocks with John and liked playing golf with him most weekends, Goodman had decided that picking stocks and whimsically investing in opportunistic investments as they appear was not the proper way for someone of his wealth to invest... He decided it was time for a change.

And so, on the afternoon of December 30th, he called you to his home on Louisburg Square in Boston. This was your first year in the Private Client group of Morgan Care, a well known and respected global investment bank, which had recently put a big push into private wealth management. You were part of a team of four professionals which worked with wealthy families in the Northeast. You had invited Goodman to a client luncheon the previous month to hear your firm's investment strategist recap the prior quarter and discuss the economic outlook for the upcoming year. You were surprised when he accepted because you had only known him slightly, as both of you rowed out of the Union Boat Club of Boston.



15.387 Technology Sales & Sales Management

The Meeting:

"I am 52, with a wife and three teenage kids" said Goodman. "It's time I started thinking more about the future. I was so focused on growing my business that I never took the time to focus on my personal investment needs. Once the deal was completed, I continued to invest as I always had. I now recognize that managing this much wealth – considering risk, taxes, and estate planning – is complicated and I need a plan."

Goodman continued: "I plan on working for three more years, as part of my agreement when I sold the company. My salary and bonus will be about \$500,000 a year, which I thought would cover out current living expenses, but I see that we are spending about \$750,000 a year. I made some commitments to charities that have been running about \$100,000 per year but that ends next year and I would like to retire in three years. Right now things look pretty good, but I anticipate some major expenses on the horizon. My parents are nearing their 80s' and are getting close to wanting to move to an assisted living facility that will cost about \$50,000 per year for each of them. Our kids need college, of course, and there is little chance that they will get any kind of scholarship, so I am guessing that will cost about \$45,000 per year for each of them. Right now all my kids are in private prep schools which still cost a small fortune. I would also like to make annual gifts to my universities – Duke, Dartmouth, and MIT – as well as leave each of them a fairly respectable sum as part of our estate. I would also like to donate an equal amount to Technion."

"My wife went to Texas and as far as I am concerned, the U of T can go pound sand, but I suppose that we should do something for them... maybe buy them a new tackling dummy or give some money so their football coach can buy "Hooked on Phonics" for the whole team. But I suppose for the good of my marriage, I should do for them what I do for the other colleges, although if I never hear, "Hook'em Horns!" again that would be just fine. Most of all, I want to make sure that the money I still have left takes care of not only my kids but my eventual grandkids. I know that if I repeat my own performance again, we will be back to eating beans and my kids would have to exist on their brains – truly a scary thought. And there is this boat I saw at Osterville that looks great. 80feet, sleeps six, carries a captain and a crew of two – I think I can get it for \$2 million, maybe \$2.5..."

Um no.

You thought it prudent not to pursue the issue that Goodman had with his wife and children. There seemed to be some not so pent up anger here. And your knowledge of sailing began and ended with "red, Right, Returning" so you chose just to nod thoughtfully and wonder what the ongoing expenses of such a boat plus captain and crew would cost.

In addition to his \$4.5M home which had no mortgage, he owned "The Last Starfighter", a boat worth approximately \$1.2mm. His other assets are currently all in cash and cash equivalents with the exception of 10,000 shares of Nortel that he bought for \$80 per share which currently trades for \$0.01 per share as the company is in bankruptcy. He has no debt.

has a boat opps



15.387 Technology Sales & Sales Management

"I sold all my turkeys a few years ago. I kept Nortel just to remind me how dumb I was. It is now bankrupt. I would have kept some of the dotcoms too but they are all DOA – Dead on Arrival. I still have a hand puppet from PetStore.com, a company that went from IPO to bankruptcy in twelve months, which must be some sort of record." said Goodman. "I think I have been too concentrated, and I just want to preserve what I created and grow it at a reasonable rate... I am not sure the best way to go about this and obviously need the assistance of an expert."

"I would like to meet again in two weeks to hear your proposal. There are a lot of firms out there that have been after me for years and they all sound the same to me. I am having my long-time lawyer, Stanley Fishnet, help me make this decision so he will be with me in the meeting. Stan's been my personal attorney for ten years and I trust his judgment," said Goodman. "I need some firm to help me. I got to tell you that I am talking to Goldman because Stan's in love with them. They were in yesterday. I know they are good but they made me feel that they would be doing me a favor; they estimated that \$25 Million was their minimum – and they wanted 1% of my assets each year just to handle my account. Plus, I wasn't sure where the conflicts were – they kept suggesting their Fund of Funds, their private equity pools. Seems to me that they are going to charge me money to invest in their products – and charge me more. But Stan says that they are experienced, what do you think?"

You replied, "They are a fine firm. What would you like from us?"

"Come give us a proposal in two weeks," said Goodman.

Preparation:

t should guide more

That afternoon, you went back to your team, who was excited with the opportunity to work with Goodman, who would be a great client and is well-known and respected in the community. Your partners were all leaving for the Holidays and while they would return for the meeting in mid-January, they would be unable to help in preparing the initial plan for Goodman. Your manager, Tom Terrific, sat you down and said "Great work! I like the way you used our conference last month to attract some first class leads. Goodman is a player. Now, unfortunately I am off to ~~Bail~~ for two weeks of skiing – I will be with you at your meeting, but you are on your own until then. Take a look at our model portfolio for individuals in his age bracket and wealth and realize who you are up against – Goldman. Give him some geographic diversity, some equity... and keep some of that money in venture or private equity. The man has been snake bit. He needs security, he needs a minimal amount of risk and he needs a mix of large and small company exposure."

As your team all hastily scurried out of the office for vacation, their words echoed down the hall, "You have been here for six months, so you know how we think – we trust your recommendations!"

So you were left alone to come up with a plan for Goodman that takes into account his experience as an investor, his income requirements, his liquidity needs, and his risk profile.

Goodman and Goldman?



15.387 Technology Sales & Sales Management

Your firm had created a proprietary modeling technique that is used for strategic allocation. The recommended allocation for a US moderate investor with greater than \$25mm in investable assets is shown below. The model allocation below also is adjusted for tactical shifts that have been made given the current market conditions. The combined allocation for a moderate-risked investor looks like the following:

Fixed Income
Investment Grade 27%
High Yield 5%
Equities
US Large Cap Growth 13%
US Large Cap Value 13%
US Small Cap 2%
Non US 11%
Emerging Markets 2%
Hedge Funds 14%
Private Equity 5%
Private Real Estate 4%
Asian Currencies 2%

From the first day with the firm, you have been made aware of its approach to investing for high net worth families. This approach, which combined a focus on a specific type of client with the highest level of customer service, has been a primary reason why wealthy families had chosen to work with Morgan Care. The firm recognized the importance of objectivity and accessing the best external managers. Although Morgan Care recognized the value that can be added by providing its clients with exclusive opportunities to invest alongside the firm itself (which had a storied history of unique investment opportunities) your firm had decided to go in a different direction. As policy, Morgan Care did not recommend its own vehicles because of potential conflicts of interests.

Goldman *← silly*

Due diligence calls on Goldman:

Because you believed that talking to existing customers of Goldman Sachs would be excellent help in understanding your approach to William Goldman, you called your two uncles – both of whom were longtime Goldman clients. You hoped to get their perspective.

Your Uncle Moses had turned over this money to Goldman a few years ago and has given Goldman complete discretion. Their returns for the past three years had been an enviable 12% return per year – until the past three months where the worth of his portfolio had fallen 23%.

enabled broker investment



15.387 Technology Sales & Sales Management

Uncle Moses: "Look, everyone is down. I am not happy with Goldman but what are you going to do? And no one is happy with them about the AIG fiasco. I was in their big hedge fund that was a loser and they did put me in auction rate securities so I got burned there. But so did everyone. My problem was that the auction rate securities that they did put me into had substantially different terms than any other – terms much more favorable to the issuer than all the others. Did I mention that Goldman was the underwriter on this issue also?

Conflict of interest

"I am a big boy – but understand that the documentation for all this is voluminous – if there were unusual and special terms – you would have thought that Goldman – or Goldman's people might have at least pointed this out. I am a little pissed – but I am not moving my account – yet."

Your Uncle Mac was more sophisticated than his brother – and much angrier.

Uncle Mac: "The old model was that a client had a "customer man" and that customer man would make recommendations which I would wither take or reject. The Goldman model was supposed to be different. Goldman had a layer of supposedly true experts – who were supposed to find "the best" financial advisors and managers in each area – such as Small Cap International or Oil and Gas etc. These managers didn't want to deal with lots of individuals but Goldman could and did make the case that their clients were different – and be able to deliver \$500 Million or even \$1 Billion. Goldman's experts were supposed to monitor these advisors and managers and let us know if there was any material change in their performance or in the economy.

"The advantage for a money manager was that they were on the "Goldman Platform." The advantage for the Goldman client was that the expert was monitoring them all the time and measuring them against standard industry benchmarks.

"In reality, Goldman does not seem to have the "best" in each category – either the best managers or even their own product which fell below the industry benchmark. I had one manager through Goldman who was severely overweight in Financial Institutions – a year ago. But Goldman never raised the red flag. I don't expect Goldman to tell me to sell or redeem – but I do expect them to tell me when they are concerned. Where does Goldman's loyalty lie? To their customers like me - or to Goldman Corporate – to sell their products or just their platform?"

"Now the customer people I deal with at Goldman are great. But they are actively discouraged from selling anything that is not a Goldman product or an advisor who is not on their platform."

"In short, I am mad as hell."

Making reasonable assumptions about Goodman's spending, figure out his cash position over the next five years. If he changed nothing, what would his net worth be? Prepare a proposal for William Goodman and prepare to give it to him orally at the upcoming meeting. Figure out how you will compete with the unseen but powerful Goldman Sachs.

*all kinds
the
same*

*- depends
on people*

Rest of class: Heavy Lifting
You are sales manager
How will you solve the problem

- Tom Thumb - channel
- Bay Net A - Merge
- B - Territory
- Pandora - Freemium
- Outer Bay - Comp
- Spider - ent
- Veritas - integrating
- Mercado - 's
- Net app's

Talk for 20 min

- a) Real problem?
- b) Key facts?
- c) What are the viable options

2

D) what methodology to solve which option?

E) Better situation

Ya. are selling intangibles

- your competence to solve problem

Bold Sel

lots of people standard

Lots of #s

us I think we did really good

high energy

On a high now since high energy

But prof derailed in beginning

Didn't even make it to last min

One group good at standard

Someone
aboard
- not as planned
- but went
good

③

But we were not selected as finalists

- surprised

- other product

Made up new things

Winning team did shit

Intangibles

Morgan Case

- difficult
 - competing w/ Goldman
 - natural enemy i lawyer w/ bias
 - sell their own products
 - how does it do vs the benchmark
 - can't promise return
 - could lay traps for competitors
 - give us half - give Goldman other half
 - they wouldn't take it
 - That's insulting
- (this stuff I am not good at)

④

Upset the status quo

↳ competitor blunders into an area

Is selling intangibles harder or easier?

- can't measure / explain performance

Try to make intangible product tangible

Like consulting + investment banking

Intangibles - higher margins

- So gets better sales people

Pro. Services are bought more than sold

Sales cycle is much longer

Price is non factor or less of factor

Outcome is series of reccs.

Hiring expertise - ~~am~~ don't want cheapest

5

Bill Goodman

- thinks hes good

- but bad

- he ~~he~~ does not like Earl'ing

Tell him hes running out of \$

- ~~one~~ can the \$

Can't do risk adverse w/ high returns

bet him to conclusion

"How would you like to lose half your \$?"

Cognitive dissonance

Wants to spend \$ like before

Consulting

MBA's want to pay back loans

intellectual thrill of new problem each time

why not[^] travel

introduce new people since you broke your ass for me

quickly they will see you have expertise

- do some selling

⑥ Individuals buy, not companies

Similarities
Past performance is most often criteria

Reputation is paramount

Lots of competition

Personal recommendations big

Differences

Can't sell same work to competing firms

Consultants are given proprietary info

Consulting done at partner level

Continual process

work supervised by ~~consultant~~ sales person

results is difficult to explain

Write White Papers

- free trial

- awaken needs

Continual relationships better

- not introducing self

② McKinsey said take your classmates to lunch
if you are in town

Similarities

Same roles apply - just longer

Stream of sales

no reliance on single clients
predicting future biz is hard

Alliances build + fracture

Do a lot of PE deals

#1 thing to look at to see if make partner
- is it growing?

Partners make \$1-2 mill a year

How sell?

1. Area of expertise

2. Build reputation w/ publications

3. Speak / be smart at meetings

4. Calling on companies to arrive some
general conclusions

- 8
1. Get the engagement
 2. Do the engagement
 3. Get another one

Firms ask for RFP

Put together a report/proposal
↳ with qv on front page

How picked:

- worked for us before
↳ find right partner

- domain expert

- good reputation / have confidence in

Now firms being asked to implement

Suggestions of future projects

Partners \$ 500 - 800 / hr

VP \$ 400 - 500 / hr

Associates \$ 300 / hr

typical engagement \$ 2-3 mill

①
2 Partners looking for biz and working on project
1000 hrs

2 VP oversees team
1000 hrs

Associates - 8 or so

Problems:

- biz dries up.

- expertise changes

- they are always looking for next hot area

Develop relationships w/ other people your age

- they will be bosses someday

People generally talk to people of same age

For cases: common sense

No # 11
slides

Channel Conflict

15.396 Complex Sales Organizations



Face it: Channel Conflict is a fact of life



Why?

- 1. You will have both Internal Channel Conflict and External.
- 2. You put your direct salespeople into certain areas....
- 3. you deploy Channel either in an industry segment.... Or a geography where there is not enough business to justify direct.



Strengths of the Channel.

- 1. They often already know the Customers.
- 2. They are selling products That complement yours.
- 3. They only get paid when they make a sale.
- 4. They may or may not have inventory.
- 5. They are a form of leverage



Lecture 12
Channel Problems

What are the downsides of Channel?



Downsides

- 1. they usually **ONLY** call on existing accounts.
- 2. they are very protective of their channel
- 3. they may switch suppliers at any time.
- 4. they cover certain industries and certain geographies... but not necessarily where you need them.
- 5. their attention is split with multiple suppliers



What else?

- They sometimes get purchased
- They have little true loyalty
- They are a barrier between you and the customer
- Eventually, you will have to adjudicate like King Solomon.
- They are less profitable than direct ... or are they?



OEM's

- Are another form of channel conflict.
- Advantages:
 - large order, allows you to get economy of scale
 - financially strong
 - gives you credibility



Disadvantages

- 1. they want/demand customer control
- 2. they get/demand huge discounts – 40 50%
- 3. They require lots of support, especially in the beginning
- 4. Sooner or later, they will either build their own or find a different supplier or force you to lower your price

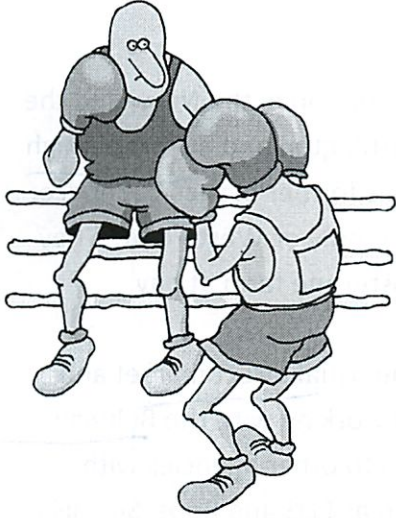


What else...

- They themselves may have channel issues...
- Their indirect channel may be competing with your direct/indirect channel
- They cannot necessarily police their channel



TomThumbDrives



“Tom, come quick” said my executive assistant, Manly Dancer.

“What’s wrong?” I answered.

↙ what is this a use a vocab word in a sentence
“Our incorrigible Vice President, Sales, Mary Maloney, is fighting with our intrepid Vice President, Channel, Sydney Lowe, in the hallway!”

“You mean they are screaming and yelling at each other, like they do every week?”

“No, I mean ACTUALLY FIGHTING! Throwing punches, throwing insults, throwing names I had no idea that they even knew”

“Do you want me to break it up?”

“Are you crazy, I have \$10 bucks on Maloney!”

TomThumb Drives was a firm I had started back in 2005 and we made thumb drives for laptop computers. While the market was dominated by firms such as Franklin, we had identified a unique market – the military. The armed forces of the United States were paranoid about secure information sneaking out through these devices and for awhile had soldered shut some

↓ Starting to do this now

of the ports on certain computers. We had come up with a hardened and secure device that we sold to the military for about \$150/drive and which incorporated a special algorithm which the military found acceptable. We were fast tracked to a bunch of government research agencies and had been on the market with the product for just under a year. The product cost us about \$15 to manufacture so our margins were excellent.

The past year we had sold \$4 million dollars of these devices to the Air Force, the Navy, and the Army. We used a team of three direct salespeople, all based in Washington and all former high ranking military officers. As you could imagine, each was assigned his former branch of service. Each was a graduate of either the Air Force Academy, the Naval Academy or West Point. They all worked for Mary Mahoney. And she managed to keep this testosterone farm at bay.

About eight months ago, I felt that we needed to look outside of the usual direct market and hired Sydney Lowe to build a Channel team for us. Sydney started working with the Beltway Bandits – distributors who sold to the systems integration firms and to other agencies with need inside the government. So her indirect clients were firms such as EDS and Booz. She also called on firms who supplied technology solutions to NSA, CIA, FBI, IRS and State Department. Her sales had taken off and we were poised to close about \$1.5 Million in this business. We sold these drives for \$75 to the channel who then either built them into systems or sold them for the same \$150.

We had also begun to license the technology to Dell, who would be coming out with a line of hardened and secure personal computers with our technology built in. Dell was acceptable to the cyber people because it was a U.S. company, unlike Lenovo which was Chinese. Our price to Dell was \$15/unit and they anticipated that they would place 100,000 units starting next year.

↑ at cost!!!

A year ago, the nuclear capability of Iran had been compromised by someone who infected their system via a non secure drive – from Germany. That put the entire military on the alert that they needed a better system.

I had begun to believe that the military was just the first market; I believed that the financial industry would follow and then perhaps the health care industry. I wasn't sure that the price would stay at \$150 or that they had the same need, but I felt that we were onto something.

I brought the two combatants into my office.

"We simply can't have this fighting! You people have to learn how to get along with each other! Now what's the problem?" I pontificated.

Mary Mahoney, "There was this RFP from the Joint Chiefs for a secure solution for the NATO powers. My guys thought we had it wrapped up, but, out of Left Field, Sydney's channel UNDERBIDS us by 20%! This is taking money right out of my pocket! My direct guys are livid! They are calling for an Air Strike on EDS, who put the proposal in. Even worse, the contract was for Big Bucks - \$2 Million for secure drives. That would have made their year and would have made their bonus!

That's our market! We built it! We demo'd it! We did all the missionary selling! And now we are going to lose it! To whom? To EDS who took the RFP that we actually help write? I don't think so!"

Sydney replied, "Eat dirt and die! We worked long and hard with EDS. This isn't the U.S. Army! This isn't the U.S. Navy! This isn't even the Coast Guard – it's NATO – and NATO is ours!"

Mary, "Listen you dumb Bimbo – who do you think NATO is? IT'S THE U.S. ARMY!!"

I tried to mollify them. I really did. Then I did a very stupid thing – I somehow let out that Dell was going to be OEM'ing our product, incorporating our technology in their specialized secure ruggedized computers next year.

"You mean....they are going to sell to the military and the spook agencies DIRECTLY!! Who is getting credit for that?" screamed Mary.

"Do you, once again, have your head up your ass?" Sydney asked me.

Do I have a problem?

Yes. Channel overlap

We covered this in class before

Not internally - so can't work it out

or split sales commission

Channel might have been a mistake

But it adds to sales

Just have to live with it

Overall rev ↑

? Give bonus on whole company sales

? Can you legally disallow discounting?

- We're the only game in town?
So we have pricing power

Was absent for

Cassandra filled me in

half hr shorter

~~less~~ • one of the worse lectures

talked about channel before

— give people who are about to leave stock options

- w/ 3 year vesting period

- if sign a non-compete

he has a friend who buys GOS at low of biz cycle

<i>Case</i>	Bay Networks A
<i>Title</i>	Complex Sales
<i>Lecturer Name</i>	Howard Anderson
<i>Session</i>	8
<i>Class Date</i>	October 4, 2011
<i>Subject</i>	Module Eight

Overview:

Paul Severino, CEO of Wellfleet Communications, called Gary Beach, his Senior Vice President of Sales into his office.

“Well, Big Guy, it’s done – we finished the merger agreement with Synoptics last night. That’s the Good News.”

“Any time you start off telling me good news, I know that there is another shoe to drop – what is it?” said Beach.

“Ah... we have been together for a long time and you know me so well...so...you have the job of integrated the sales forces...and we have to do it quickly, we have to do it fairly, we have to have as little disruption with our customers as possible and we have to do it worldwide. And we have to do it in 100 days – what’s your first inclination?” said Severino.

“Quit!” smiled Beach.

“Not an option!” said Severino...”And by the way, you have to make sure that sales for both companies continues during this transition. Remember we have been the number one company in the stock exchange the past two years... so everyone is expecting the stock price will stay up there.”

“Does our new company have a name?” asked Beach.

“How does ‘Bay Networks’ hit you? We are in Billerica, Mass and they are in Santa Clara – and we each have a bay – of course they are 3000 miles apart... and we haven’t decided on where the headquarters should be. But I have more good news – American Airlines now has three non-stops a day from Boston to the San Jose airport! And three non-stops the other way!”

“Why don’t we just make our headquarters in the air at 30,000 feet?” said Beach.

“Great idea... I will take it up with the Board... by the way, the new Board is equally divided between their holdovers and ours. Remember this is a Merger of Equals – whatever that means!”

Beach went back to his office and closed the door. He then took a pad of yellow lined paper and began to write down issues that he would have to address. Next to each, he put a “done by ___” column but didn’t fill that out quite yet. He knew this would be a tricky timing problem.

The two companies had complementary product lines. Synoptics was an important early innovator of Ethernet, a technology first developed by Digital Equipment and Xerox. Its primary architect was Bob Metcalfe, a graduate of MIT and an early inhabitant of Xerox Park and the founder of 3COM. Synoptics had developed twisted pair 10 MBPS solutions as well as a modular Ethernet hub which had been quickly adopted by enterprise users; the Wellfleet product line was also sold to the enterprise market for network routers.

Things to Do:

1. Both companies have been growing rapidly; both companies have a common enemy – Cisco. Wellfleet is their strongest competitor with 20% of the market. Synoptics owns the Ethernet Hub Market for now. How can we keep both companies humming while doing this integration?
2. They have a sales force of 200; we have a salesforce of 300 and we have amazing overlap. Do we really need competing teams going into the same account? I have to get the sales force combined to 400 – that is the headcount I have to deal with. How do I decide which is the better salesperson? Look at who made quota? Do I try to find the best salesperson in each region? Or is that going to take too long?
3. Cisco is going to be recruiting my salesforce starting today. My guys are going to be concerned with the transition and worried about their jobs and their quotas. Cisco might try/will try to pick off my best people – leaving me with the second best player in each territory. How do I handle that? *decide fast*
4. If we are a merged sales force, how and when do I crosstrain each on the other’s product? Or do I not do that now?
5. I have to come up with a budget for next year and a compensation scheme. Should it be just numbers based? Or should we have a quota for each product?
6. How do I handle customer support? They have a support center in Santa Clara and we have one in Billerica? Merge them? How? When? *seperate*
7. What do we do internationally? I surely don’t need two country managers in Australia.

8. I am going to need 4 regional sales managers. Do I take two from each company? Try and figure the best?
9. What is going to happen to morale? If I pick too many of my people, what message does that send? If I try and split the baby, am I undermining the organization by trying to be fair.
10. Advertising? Do I split the advertising? Marketing? Who runs this? And from where?
11. The price of this deal is \$2.7 Billion – which means that key sales management of each company has made a lot of money – including me. How do I keep the team intact? How do I keep the people I want?
12. We are going to issue stock options to employees in the new company – how do I decide who gets what. One of our companies believed that salespeople didn't get options – they got bonuses. The other believed in options. Is this going to be a problem?
13. We both were going after a new product – Asynchronous Transfer Mode Switch/Router/Hub – so both companies also have to combine R & D – is this merger going to slow product development?
14. Some of our customers have VPA's – volume pricing arrangements – which give them as much as 48% off list. They don't have anything that aggressive. What happens when our customers want 48% off their products? *Complex*
15. What do I do about the product managers? We have 10; they have 5 – each of these wants to fight for sales attention from the salesforce; I really only need 12 product managers.
16. What do I do about the layoff. Do I worry about being 'Politically correct'? If I believe that "last hired, first hired" should be my solution – then I will be dismissing a fair number of women and minorities. Should this even figure in my decisions? Should I just assume that I am going to be sued by somebody and build the best salesforce.
17. How can I build "one salesforce" – and get both of these salesforces to stop introducing themselves as either "I'm from Wellfleet" or "I'm from Synoptics".... Or else this will be a civil war.
18. Paul is the CEO but the other guy is the COO – and it is anticipated that Paul will kick himself upstairs in a year to Chairman and the other guy will be CEO – so it looks like there is going to be a "sharing of power" – which sucks. And neither one of these bozos wants to move so we will have bicoastal turf wars. Our guy is the CFO but what does that mean?

19. Those idiots from Yankee Group are suggesting that the integration effort is going to handicap us for three years. How can I shut them up? If I don't, the customers may actually decide that Cisco is the safer choice.
20. Each customer is going to want to know what products we are really behind and which we are going to either discontinue or cut support for – if a communications manager doesn't get this right – he stands in danger of losing his job or, at best, being seen as someone who doesn't understand what is going on. How do I handle that?

At this point, Gary realized that he was out of paper – and maybe he had enough questions for Day One.

15,6387

10/1

Merger case

- a lot of questions
- what would you do?
- is a real life case
 - issues you deal with

mergers hardest thing to do

100 days is fast
big egos

leading through it is key

One student visit other VP sales

meet the other sales people
reassure team nothing will change ~~in~~ 1-2 months
work w/ other CFO

Other

1. Leadership shows unity

(his plan seems to have no substance)

- don't fire people since growing, will hire more
- keep client relationships
 - is it allowed to not fire people

②

Third student

focus on communication

customer - social meeting

Discussion

- political & mac - how would it look
- mergers are big + risky
 - if stock good - you have been hitting their t/s
- what will costs say?
- sales people i job, territory, or comp
 - sales people think they might get screwed
- ~~stock~~
 - communication important
 - make plan → announce → execute

People will leave on own

- uncertainty
- people ^{who} want to be in high growth qvs

Lots of people leaving

↳ opens floodgate

Recruiter → call into sales team day after merger

(3)

Why lose 100 people?

- efficiencies

Pressure on earnings in 1st place

- Merge synergies

↑
mean laying people off

His experience

First quarter - nothing happens

- sales people think about leaving

Synergies never happen

- perhaps over time

Howard: Guarantee everyone last year's comp

- \$ amt so small based on purchase price

Second: Qw better be good

- in place in 100 days

Must appear and be fair

Do it quickly - so back to biz in 100 days

Goals

1. keep as many good people as possible

2. keep sales ↑, also stock price

④
Go through big accounts

- they will just tell you ~~with~~ good things
- split to person who brought in more \$
- but also who is growing/shrinking
- need to decide on 1000 clients in 10 days
- start w/ most important clients and max down
- can put guy in other market
- but can be a lot worse

Then meet w/ top customers w/ CEO

- reassure them
- companies like the small cos - can talk to right person directly

Customers sometimes say no assignment either

- costs can cancel contract if acquired

How pick people

- can trust sales managers
- delegate

How counter party may be best ally

- bring into tent
- he knows his sales people

⑤

Use whatever to make cash order

But also emotional issues must be considered

- are they sour on merger

You don't know their guys - just have their #s

Another layer of complexity - other team members

- Engineers
- insiders

Check ranking for keeping territory etc

Day 30

Cross train sales people on other products

- the merger story as well

Small markets are small - people know each other

people will do well regardless w/ guaranteed quota

- reputation matters

Non compete deals

- questionable in some states

Start w/ notation of fairness

Plus some people just made a lot of \$

- may want to coast

6

Stock options may drive people at
- make too much \$!

Options on territory

- slightly different
 - can promote people to new products or cross selling experts
 - think where products will sell best
-

Org Chart

everyone wants to know

take all middle managers on a trip

helps a lot

away from daily lives

lots of people fixate on org chart

plus how it actually works may be different

Cost Support

keep both?

COO task?

7

Sometimes this falls under field ops
↳ all cust facing roles

is it important?

↳ not really
do it over time

keep as invisible to student

hard to do from product knowledge PCV

↳ don't want to screw up cust support

* be effective at everything, not efficient perhaps

Job 7: International

Look at it

Channels

- 2 competing distributors

Must come up w/ some answers

Trade Shows

⑧ Howard
Speed is friend
delay is enemy
[~~got~~ will make unpopular decisions
- make em, move on

In real life: they screwed this up royally
egos got in the way

Real enemy is the investment banker who made 7% on it
- left it a mess

There's what to do w/ NJ

- management - making decisions w/o proper
info - not do it

Howard: bought 7 cos in 14 months

- screwed them all up

- saying we're both in charge: disaster

Cisco tells ya - you are now a Cisco employee

- new sign on door

- clear at start

- change to Cisco culture

④

phone books + biz cards + PCs done on day 1

Strategic

Could take products from 20 to 2000 sales people

had teams that were good at this

Also acquisitions for senior management

- move people up in Co

Think about this before acquisition

Companies don't go public - they are sold

Bay Networks Part 2: Forecasting, Quota, Commission



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New Jersey Territory

- What is the biggest problem?
 - Problem: Sales force inefficiency
 - Objective: Gain "sales leverage"
- What's your healthiest region?
- 2012 Objectives:
 - ▶ 50% top-line revenue growth
 - ▶ 50% channel growth, (to 40% target)
 - ▶ 20% expense growth



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Merge + Territory Problems
Lecture B/14

Let's look at some numbers

- 2011
 - ▶ Revenue: \$12.10M
 - Direct: \$9.05M (75%)
 - Channel: \$3.05M (25%)
 - ▶ Expense: \$3.23M
 - Base: \$1.5M
 - Commission: \$1.73M
- 2012
 - ▶ Revenue: \$18M
 - Channel: \$4.58M (+50%), target \$7.2M (40%)
 - Direct: \$13.42M (75%)
 - ▶ Expense: \$3.87 (+20%, \$640k additional)



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- Do you see any issues?

Northern region observations

Like	Don't like
Covered 1/2 F1000	Region did not make quota
One rep (AI) was 2 nd highest in all of New Jersey	75% of reps did not make plan
Largest average deal size	Channel hardly exists
Wellfleet reps appear to be able to sell Synoptics product	Synoptics reps not able to sell Wellfleet
	Dan seems problematic

Key Take-aways:

- Channel and training appear to be the biggest issues
- Too much focus on direct, based on legacy



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1/1/1
1

Central region observations

Like	Don't like
High productivity channel	Did not make quota
Synoptics and new rep can do well	F1000 coverage (25%)
Channel partner training and selection	Temp agency to call accounts
Channel in region on "auto-pilot"	
Optimism into next year	

Key Take-aways:

- Channel and training are great
- Telesales model working, though ad-hoc
- Limited F1000 coverage



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Southern region observations

Like	Don't like
Exceeded their number	Two blew away the number and the others did not make quota
F1000 touch (almost 50%)	Not a team
Joe and Maria model and blended revenue	Welfleet products difficult to sell by Synoptics rep
Highest earning rep (Maria) in NJ	Lack of training
Channel attempt by Joe and Maria	Reseller effectiveness (\$5k)

Key Take-aways:

- Model works really well for two reps
- Not a team
- Difficult to scale



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What were some channel models you envisioned?

- Add more reps, keep model the same
 - ▶ What's the problem with this?
- Add telesales for all of New Jersey
 - ▶ Comp telesales team on channel revenue
 - ▶ Comp other reps on all revenue



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7

The "ah-ha" moment : channel leverage

- Goal channel = 40%; means direct "only" needs to grow by \$1.75M
 - ▶ 2011: \$12.1M total
 - \$3.1 channel, \$9.05 direct
 - ▶ 2012: \$18M total
 - \$7.2 channel, \$10.8 direct
- Is it possible to grow the channel by over 2x (236%)?



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Let's take a look

- Assume:
 - ▶ Low productivity channel is \$15k/partner
 - ▶ Medium productivity is \$26k/partner
 - ▶ High productivity is \$48k/partner
- By region:
 - ▶ North (low): \$305k -> 20 channel partners
 - ▶ Central (high): \$1270k -> 26 partners
 - ▶ South (medium and low):
 - \$1040k (Joe, Maria) -> 40 partners
 - \$440k (Pete, Igor) -> 29 partners



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From the case

- North (low productivity channel)
 - ▶ 20 north @ 15k = \$300k
- Plan
 - ▶ Increase existing to \$48k (medium)
 - ▶ Recruit another 30 @ 26k
 - ▶ 20 * 48k = \$960k
 - ▶ 30 * 26k = \$780k
 - ▶ Total \$1.74M



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From the case

- Central (High productivity channel)
 - ▶ 26 @ 48k = ~\$1270k
- Plan
 - ▶ Existing resellers go to \$100k, new at 26k
 - ▶ Recruit 15 more resellers
 - 26 * 100k = \$2.6M
 - 15 * 26k = \$0.39M
 - Total = \$3.0M



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From the case

- South (medium and low productivity)
 - ▶ 40 @ 26k = \$1040k (medium)
 - ▶ 29 @ 15k = ~\$440k (low)
- Plan
 - ▶ Increase medium to \$48k (like central)
 - ▶ Increase low to \$26k
 - ▶ 40 * 48k = \$1920k
 - ▶ 29 * 26k = 754k
 - ▶ Total = \$2.7M



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12

Channel leverage is possible

- \$1.7 + \$3.0 + \$2.7 = \$7.4M (“only” need \$7.2M)

But can we afford it???



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Can we afford it?

- Create telesales for the entire state
- Capacity model for telesales
 - ▶ 1 person/10 resellers
 - ▶ # Resellers: 50 + 41 + 69 = 160
 - ▶ 16 people @ 60k each = \$960k
 - ▶ Split 50-50 with channel = \$480k expense



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The 2012 numbers

2012 objectives					
Increase sales by 50% to \$18,000,000		Create new telesales team			
Budget increase of 20% to \$3,870,000		Combine south and central			
Quota	\$1,800,000				
cost/rep	\$150,000 base	\$3,870,000 expense			
	plan	resps	base salary	commission	2011 comp
North	\$7,200,000	4	\$600,000	\$600,000	\$1,200,000
South + Central	\$10,800,000	7	\$1,050,000	\$1,050,000	\$2,100,000
Extra channel	\$200,000				
Total NJ	\$18,200,000	11	\$1,650,000	\$1,650,000	\$3,300,000
channel	\$7,200,000				
direct	\$11,100,000				
			Cost	Cost	
Telesales plan	resps	salary	commission	total	50-50 reseller
\$7,500,000	16	\$60,000	\$960,000	\$960,000	\$480,000
	Susan	\$150,000	\$150,000	\$300,000	\$300,000
426 resellers					
		Total Expenses	\$4,080,000		
		Target	\$3,870,000		
		Over/Under	\$210,000		
		Add revenue	\$300,000		
		Adj. exp.	\$3,880,000		



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By Territory (combined south + central)

	plan	%channel	channel revenue	resellers	productivity
North				50	(blended)
Al	\$1,800,000	24%	\$435,000	12.5	\$34,800
Matt	\$1,800,000	24%	\$435,000	12.5	\$34,800
Ed	\$1,800,000	24%	\$435,000	12.5	\$34,800
Dan	\$1,800,000	24%	\$435,000	12.5	\$34,800
	\$7,200,000		\$1,740,000		
	Actuals	%channel	channel revenue	resellers	productivity
South + central				69	
Joe (mgr)	\$900,000	107%	\$960,000	20	\$48,000
Maria	\$1,800,000	53%	\$960,000	20	\$48,000
Pete	\$1,800,000	22%	\$390,000	15	\$26,000
Igor	\$1,800,000	20%	\$364,000	14	\$26,000
	\$6,300,000		\$2,674,000		
(Old Central)				41	
New (Susan)	\$1,800,000	72%	\$1,300,000	13	\$100,000
New (Joe)	\$900,000	43%	\$390,000	15	\$26,000
Fred	\$1,800,000	72%	\$1,300,000	13	\$100,000
	\$4,500,000		\$2,990,000		



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16

Case	Bay Networks B
Title	Complex Sales
Lecturer Name	Howard Anderson
Session	8
Class Date	October 4, 2011
Subject	Module Eight (B)

Overview:

The merger between Wellfleet and Synoptics is a year into the "new" Bay Networks. Over the past year you have been promoted to a Regional Sales Director for the state of New Jersey. The company performed quite well against the merger plans and now sales management is starting to plan for next year. They are asking you to help develop a detailed sales plan, forecast, quota and compensation plan, which will be used as a template for North America. Management has indicated that New Jersey is the best example of a territory that can be used as a proxy for all other regions in North America. New Jersey tends to be a "barbell" state with most of the business activity occurring in the north and south and little in the middle. For its size, New Jersey has a substantial concentration of Fortune 1000 companies. There are 41 Fortune 1000 companies headquartered in the state, giving it seventh place on the list of Fortune 1000 companies by state.

The New Jersey territory has ten sales reps, four from Wellfleet, four from Synoptics and two new team members since the merger. The target quota per rep is \$1.2M/year, of which 40% of the team made or exceeded quota. For the past year, the team came in at \$12,100,000 (against a plan of \$12,000,000), which is 101% of the regional target. The New Jersey territory is split into three geographies, north, central, south, with the rep allocation being 4, 2, and 4, respectively. See Exhibit 1 for a state map and territory allocation.

The base salary for each rep is \$150,000/year with a leveraged commission plan provided above this base. At 100% quota, a rep would earn \$300,000/year (OTE), with ½ coming from base pay and ½ coming from commission. Above 100%, reps earn accelerated compensation (see Exhibit 2 for commission structure).

Most of the Bay Networks product line is sold directly to large corporations, but increasingly there is the need to expand to the next tier of companies via a value-added reseller channel. Growth in key direct accounts around the world have reached a maturity point and growing at double-digit rates will be very difficult given the current course and speed. Further, the company has had limited success delivering through a VAR channel, mostly due to the sales force composition and focus over the past several years.

There appears to be substantial demand for the Bay Networks product line at both the Fortune 1000 and smaller companies.

Over the past year, there was no mandate from corporate on how products were to be sold, so it was largely left up to each rep to decide whether to go direct or use a channel. The result was that the channel was slow to develop, since the company's heritage (on both sides) was direct selling.

In response to a lagging and random channel program, management has asked you to follow the following forecasting goals for the next year:

- Increase sales by 50% *↑ how*
- Increase channel sales by at least 50%, with a target of 40% overall sales through the channel *to channel?*
- Increase overall budget by 20% or less

Your initial reaction is that this is impossible. You mumble to yourself: "Just as we settle in from the merger, those bozos in corporate want to create havoc once again. The idea of increasing quota by 50%, but only increasing the budget by 20% seems freaking ridiculous. How are we going to continue to reward our heavy hitters? I'm going to have a damn mutiny on my hands and I'm really not sure if we can keep the team in-place. From what I can tell, they are all going to have real issues with the proposed changes."

And adding a channel model on top of our direct sales seems like insanity. Most of my team is selling direct to large companies and the VAR channel we currently have is not really ready for prime time."

You go out and grab a cup of coffee and come back to assess the current situation. You first take a snapshot of your overall revenue and expenses for the past year.

	<u>actual</u>	<u>plan</u>	<u>reps</u>	<u>base salary</u>	<u>commision</u>	<u>2011 comp</u>
North	\$4,600,000	\$4,800,000	4	\$600,000*	\$609,375	\$1,209,375
Central	\$2,300,000	\$2,400,000	2	\$300,000*	\$271,875	\$571,875
South	\$5,200,000	\$4,800,000	4	\$600,000*	\$843,750	\$1,443,750
Total NJ	\$12,100,000	\$12,000,000	10	\$1,500,000	\$1,725,000	\$3,225,000

* Total base salary paid for all reps; Base salary is \$150,000/rep/year

Here's your overview by geography:

Northern New Jersey

With four reps in northern New Jersey, this region's quota for the past year was \$4.8M. However, the region came in at only \$4.6M, which was a disappointment to the sales team. They had been expecting better results and lost a few large deals in Q4. This team has been selling 90%-100% direct to the 21 Fortune 1000 companies located in this part of the state. Over the past year, the team had been encouraged to expand its channel capability, but the team was always reluctant to move away from the direct concentration that had served them so well in year's past. The result, however, has been a very lumpy revenue line, with Q4 deals not materializing.

how hard is VAR selling?

You detail the performance of the Northern New Jersey team and reveal the following:

	<u>Actuals</u>	<u>#deals</u>	<u>deal size</u>	<u>% channel</u>	<u>channel revenue</u>	<u>commission</u>	<u>from</u>	<u>F1000</u>	<u>Touch</u>
North									
Al	\$1,500,000	14	\$107,143	10%	\$150,000	\$300,000	WF*	5	2
Matt	\$1,100,000	10	\$110,000	5%	\$55,000	\$121,875	S*	5	3
Ed	\$1,000,000	5	\$200,000	5%	\$50,000	\$93,750	WF	6	3
Dan	\$1,000,000	10	\$100,000	5%	\$50,000	\$93,750	S	5	2
	\$4,600,000					\$609,375		21	10

*WF – Wellfleet background *S – Synoptics background

In looking at the numbers, you see that deal sizes were quite lumpy across the region and that the channel revenue was quite small, as expected. In addition you see that only 10 of the Fortune 1000 companies were touched, indicating that reps were also spending time selling to smaller accounts. The productivity in for the channel was \$15k/partner per year.

Finally, you schedule a phone call with each of your reps to get their opinion of next year and the kinds of details occurring in their "patch of dirt". Their reports follow:

Al tells you: "It has been a phenominal year. I absolutely crushed my number and feel that all the planning I did over the past few years has culminated in a great year. The merger has been great for my career and the accounts love the combined portfolio. My larger deals have been with the F1000, but I also sold to several smaller accounts. The channel in my region is building, but not where we want it to be. I'd love to see a telesales group help with smaller deals and channel recruitment. Our products are in demand and I'd like to spend more time with the larger accounts. Oh yeah, the Synoptics products are a piece of cake to sell."

From your conversation with Matt: "I'm kind of disappointed in my year, given that in all my years at Synoptics I never missed my number. Coming in \$100k under quota, is just lousy. I did not do a great job forecasting but my most difficult problems are around getting traction in the channel and selling the Wellfleet products. I had expected to sell

much more of the Wellfleet product portfolio, but infrastructure systems take a great deal of technical knowledge."

Ed: "On the one hand, my year sucked. On the other hand, I had some of the largest deals in the entire State of New Jersey and deeply penetrated a handful of large accounts. These accounts have massive opportunity next year. I missed my number because I spent too much time at too few accounts, thinking that I'd bag a few elephants and blow away the number. The channel was simply ineffective do to no marketing and no channel programs. My wife is going to kill me, now that we won't be going to club in the spring. Maybe next year (if I'm alive)."

(channel means var or channel building)
(pipeline)
think VAR

Dan: "I worked myself to the bone this year and nothing seemed to work. The deals to the large F1000 did not pan out the way I thought, because I only got to two of the big five in my region, the smaller accounts wasted my time, and the channel was largely ineffective. And on top of it all, I just can't seem to find my way around selling the Wellfleet products. I spent the early part of the year trying to learn everything I could, but that too seemed to be a waste of time. I hope they don't raise the quota next year, otherwise I'm toast."

Central New Jersey

With two reps in central Jersey, the region's quota for the past year was \$2.4M. The region came in at \$2.3M, which was not entirely bad, given that one rep was new and a large portion of the overall business came through the VAR channel. With only four F1000 accounts in this geography, the sales team here must sell to smaller companies and rely on the channel to cover the territory. They mostly proved that selling through the channel could be done, though they still missed their overall number.

You detail the central Jersey numbers:

Can this be centralized - Re telemarketing?

What is pattern here?

use he emailed structure

	<u>Actuals</u>	<u>#deals</u>	<u>deal size</u>	<u>% channel</u>	<u>channel revenue</u>	<u>commission</u>	<u>from</u>	<u>F1000</u>	<u>Touch</u>
Central									
Susan	\$1,200,000	35	\$34,286	60%	\$720,000	\$150,000	S	2	1
Fred	\$1,100,000	37	\$29,730	50%	\$550,000	\$121,875	new	2	0
	\$2,300,000					\$271,875		4	1

You see that the channel % is substantially higher and notice that the per deal size is much lower. You also see that the F1000 touch is very thin. Fred has been with the company for about nine months and he has come up to speed nicely. Both reps have leveraged the channel to where this region is producing \$48k/partner through the channel. You want to understand a bit more detail to understand exactly how this team has worked and if it can become more effective. Your report:

In your conversation with Susan, she says: "I'm really happy to have made quota this year. I really struggled at the beginning of the year, but things sort of built on themselves

How do you want to divide up channel versus direct for the new year? Any rules or keep things the same?

What is your assessment of the reps in each geography? Keep/fire? Who? How do you manage the hiring-to-productivity ramp in a year when revenue needs to grow by 50%?

How are you going to gain channel leverage?

Your territory made its number, but only 40% of the reps did? Is that a problem? What % reps should make quota?

Do you want a telesales group? How would you set this up?

How are you going to allocate your 20% budget increase?

What will the new commission plan be?

I think good

State by state

telesales

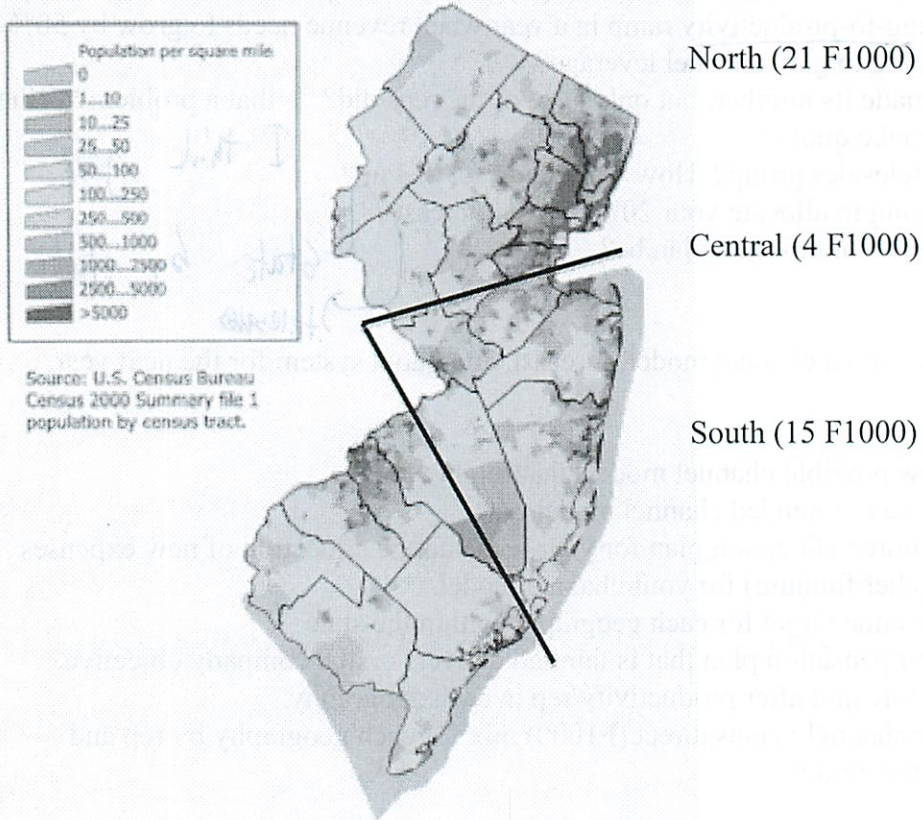
Assignment: Design a channel model, forecast, and quota system for the next year, specifically:

1. Develop a few possible channel models that might work.
2. Choose your recommended channel model.
3. Specify a resource allocation plan for your reps and the allocation of new expenses (new hires, other funding) for your channel model.
4. Develop a revenue target for each geography within the state.
5. Develop a compensation plan that is fair and delivers on the company objective.
6. Show the before and after productivity/rep in each geography.
7. Illustrate the channel versus direct (F1000) mix for each geography by rep and substantiate the model.

Questions are getting hard!

do we need to answer all of these +
model given vs - or pick + choose?
can't do this in 2 pgs
So I think its ok best for that

Exhibit 1: New Jersey Territory Map and F1000 distribution



Handwritten notes:

What is the average of these 21 F1000?

21 F1000 + 4 F1000 + 15 F1000 = 40 F1000

but we need to know all of these

to be able to move all of these

to the south of the state

to be able to move all of these

to the south of the state

Exhibit 2: Commission Plan Detail

Commission plan

Quota \$1,200,000
 Commission \$150,000



<u>up to...</u>	<u>commission</u>	<u>payout</u>	<u>per dollar</u>
\$600,000	0.5	\$37,500	0.0625
\$900,000	0.75	\$28,125	0.09375
\$1,200,000	2.25	\$84,375	0.28125
		\$150,000	
<i>Just the → accelerators</i>			
\$1,300,000	3	\$37,500	0.375
\$1,400,000	4	\$50,000	0.5
\$1,500,000+	5	\$62,500	0.625
		\$150,000	

name of levels
above ~~quota~~ quota?

15.387 announcement: Assignments going forward

Michael Shafrir [mshafrir@MIT.EDU]

Sent: Thursday, October 20, 2011 12:36 PM

To: Michael Shafrir

Note: This mail was sent to all students in the stellar class Tech Sales and Management

Assignments going forward

Hello --

i've gotten this question a bunch, so please note that for all assignments going forward, we are looking for your answers to the following questions:

- 1) Real problem
- 2) Key Facts
- 3) What are viable options?
- 4) What methodology to solve which options?
- 5) What will it take to get to a better situation?

Also, there are no more videos. Videos are done.

Thank you!

Michael

This announcement was made in Stellar on 2011 October 20 by Michael Shafrir

The announcement is also posted on the class website:

<https://stellar.mit.edu/S/course/15/fall/15.387/index.html>

What is the objective here?

The channel?

That is only part

What is our budget?

3.25 mil - well more

Should work at #s

25%

Focus on channel objective?

10 ceps → 12 after 20% budget hike

Make a decision!

Need a methodology section

I really focused on 2 decisions

as the year grew. I've been in this region for a few years with Synoptics and we've always had a channel focus, by necessity. I'd say that we're probably one of the most successful channel regions on the entire east coast, if not in the nation. Our model is one of training, training, training to the channel partners. We've implemented a temp agency to call accounts and then the channel fulfills. I have 15 channel partners in my geography and we are averaging \$48k of business/partner per year. We've not had a major problem cross-selling products, because the channel is carefully selected and well-trained. My area is ramping nicely and is almost on auto-pilot for next year. I would expect the channel number to be able to grow by at least 50% next year. I'd like to see our channel partners get to \$100k of business each, on average."

that's the work
smaller than a big deal
but where is the growth?

doing channel right

From Fred: "Given that I've only been at the company for nine months, I'm reasonably happy with my results. No quota, but a good start. I'd say my success was largely driven on the back of a channel that was well-trained and ready to deliver. I probably spent too much time worrying about the existing channel partners and not paying any attention to recruiting new players or spending any time at the F1000. Next year, I see my initial goal of signing at least 50% more channel partners in the first 6 months. From there, I expect to spend more time at the larger accounts and helping all partners become more successful."

Southern New Jersey

With four reps in southern New Jersey, this region's quota for the past year was \$4.8M. The territory did quite well coming in at \$5.2M. Two members of the team really blew away the number. This team has been selling 60-80% direct to the 15 Fortune 1000 companies located in this part of the state. The channel performed better here, though still was not performing at the ideal 40% level that corporate has targeted for next year. You are also a bit concerned that only two of the four reps made their number and you also learn that Joe and Maria generated \$26k/partner by working together and Pete and Igor averaged only \$15k/partner, similar to the North.

From the south:

	<u>Actuals</u>	<u>#deals</u>	<u>deal size</u>	<u>% channel</u>	<u>channel revenue</u>	<u>commission</u>	<u>from</u>	<u>F1000</u>	<u>Touch</u>
South									
Joe	\$1,400,000	35	\$40,000	40%	\$560,000	\$237,500	WF	4	2
Maria	\$1,600,000	25	\$64,000	30%	\$480,000	\$362,500	WF	4	1
Pete	\$1,100,000	9	\$122,222	20%	\$220,000	\$121,875	S	4	3
Igor	\$1,100,000	25	\$44,000	20%	\$220,000	\$121,875	new	3	1
	\$5,200,000					\$843,750		15	

You take a more detailed look and see that the reps that blew away their numbers were both from Wellfleet and had a relatively high deal count. The new rep, Igor, has been on-board for almost a year and seems to be doing reasonably well. He probably needs to

touch a few more F1000 accounts. From the numbers, Pete spent a great deal of time with the F1000 and his numbers reflect this situation.

You get the details from each team member:

From Joe: "This year was awesome! Not only did I make club, but I also managed to exactly hit the new company targets for VAR attainment. We had a great year. My model was to leverage the heck out of the VARs and bring in our marketing and SEs to train them. We also copied Susan's model from central by hiring (paid for 50-50 by the channel and us) a small telesales team that could call into the smaller accounts. It would be great to have this as a centralized function, since we get tremendous leverage from this team. Next year, we should have no problem expanding both the channel and direct business, if we have a leveraged model."

telesales

Maria: "It feels great to be the highest achieving rep in the entire state. Everything worked out exactly as planned. Joe and I worked together to leverage our resources to build out a telesales group. It cost us \$20k/month for four telesales people who recruited and supported our 40 resellers, who generated about \$26k/partner. As with Susan, we've also gotten the resellers to pay 1/2 the cost of telesales, so our real cost was only \$10k/month for the four telesales reps. Even though we use the exact same telesales rep ratios as Susan, I suspect our lack of productivity was due to our channel program being started only this year."

takes fine - extend deadline

Pete: "It was a bit of a tough year for me. I struggled with my channel number and spent too much of my time at the F1000. While we definitely closed some big deals, I did not have the benefit of knowing Joe and Maria from Wellfleet, so they kind of did their own channel thing and I was left to myself. I had always assumed that selling direct would work really well, given my background at Synoptics and the new product portfolio. However, the Wellfleet products are tough as shit to sell, especially when taking them direct. I had no idea of the close cycles or what it would take. Next year I'm going to do my own telesales team, just like Maria and Joe did this year."

everyone says that

Igor: "I'm the new guy in the south and I'm bummed I just missed my quota. My feeling is that my channel business is not where I want it to be and I just spent too much time at the smaller accounts. In reality, I should have done more with the channel, let them take the smaller deals, and I go after the larger accounts. I suppose we can grow my area, but I'll need training help and leverage to make it all go. Both Pete and I tried to build out channel, but we only did about 15k/partner, which was not very productive."

Questions:

- What is not working in the New Jersey region?
- What is working?
- Where were most of the successful reps from? What do you do about this?
- What does a lumpy deal size in a territory mean? How did you adjust for this?

so ind rep w/ a budget
it's hard to get this Assignment w/o knowing questions

(4 min late)

Bay Networks B

Problem ↑ Sales 50%

(I didn't really focus on this objective)

w/ 20% ↑ cost

↑ Channel growth 50%

Problem: sales force inefficiency

↑ should have used that word

Your bosses don't really care how you do it

Want leverage

(I still don't know what he means force multiplier :)

Issues: Crossselling \sum_{synops} → Wellfleet

Look at each territory

2

Observations by region

North

Dan bad

Region didn't make quota

But covered $\frac{1}{2}$ F1000

Central

25% of F1000

← I didn't focus on much

Good channel

South

Work well as a team

do both

exceeded #

Minia is a star

but feast or famine

lack of training

resellers not selling much

each region has diff problem

one North: get rid of channel

other centralized channel manager ← I said

③ Make ^{an} existing channel better or add more

- but VARs might get angry
- could have non competing initiatives etc

Centralized telesales

- how comp?
- channel rev only
- all rev?

Do we want to change incentives?

No one said problems

Prab don't want to make big changes

trying for stability this year

Team quota?

- harder to measure
- some people don't like

Need channel lev

- if channel \uparrow then direct won't grow as much

- make a model

- make assumption about model



(W)

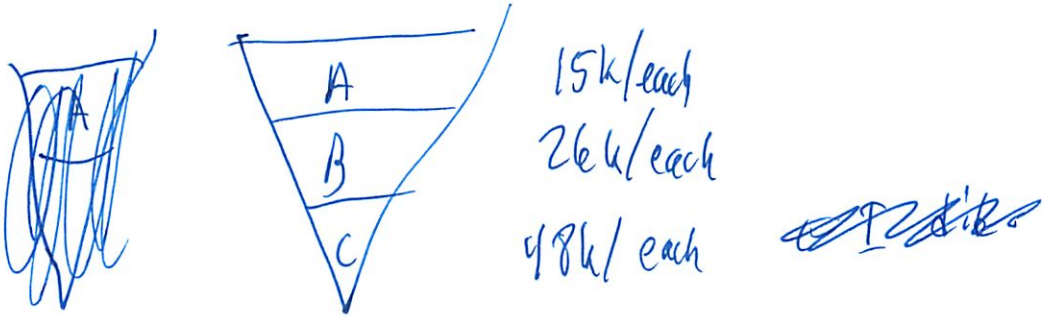
30% ~~margin~~ margin is very different

Is it possible

people are working hard

its not a group of rookies

Say we divide channel into thirds \leftarrow I did something like this



Can split out into thirds

how many A, B, Cs do we need

Put it in FF

Get a goal!

MBA, analysis skills

This is forecasting

But how can we afford it?

Add 1 person for every 10 resellers

\leftarrow Need to know to advance how many do we need

5

Pay them 60k each
again - how

Could combine regions

He went over in expenses

More people around to build efficiencies

You need to work out a plan

- pick best parts from each

Train channel on both sales line

If you can do it here, you get promoted

Hard to fire people

- since takes time to hire people + get things up + running

90% quota = 80% bonus

80

50

70

30

He prob would not replace 80%

⑥ Are we making incremental rev per person

Same thing w/ sales as w/ programmers

Or is it ~~the~~ ~~the~~ different since its distributive

Top people want to work w/ top people

Steve Jobs's philosophy

Nokia spent 10x as Apple on R+D

B people attract B people

- infected org

- people who think 60-70% of quota is ok

Dynamic Co wants to grow 50%

- need top people

Are we over or under paying As?

Want all people to be A players

Perception of make/miss As on wall of
Last little bit that gets over it

⑦

A player innovated sales model

Prof: says he doesn't even fully believe this stuff

~~---~~

Costs aren't ~~set~~ set by you

If you make your quota - people put up w/ you

Have a bit overlap early
- make assistant

Think strategically + tactically

Talking to competition + customers

Always have list of top people

Freemium: Making money from free

Lou Shiple



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Pandora Choices

Advertising Pros	Advertising Cons
40% space available	Get to revenue break even?
Relatively high CPM rate	Requires massive base
Precision targeting	Music royalties not explicitly covered
Continue viral/word of mouth	Does not fix leaky faucet
16M users and growing	Intrusive?

Subscription for all users - Pros	Subscription for all users - Cons
Profitable users only	Niche player
Fix leaky faucet (pay for what you use)	Reduce viral uptake
Predictable model	Unsuccessful before
Only need small base	



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2

Freemium
Lecture 15

Pandora Choices

Premium package - Pro	Premium Package - Con
Target power users with value	Limit up-take of free
Easy to try?	Concern about any subscription model
Additional revenue stream	Feature balance (free versus pay)

Cap hours - pro	Cap hours - negative
Fix leaky faucet	Piss off influential users
Revenue from the most expensive users	Concern about subscription model overall
Easy to try?	



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3

Pandora - Is Advertising Possible?

- Fixed cost = \$22M
- Advertising gross profit = \$0.0037 per listener hour
- Break even = 5.94 billion hours/year
 - ▶ 16.29 million user hours/day
- 16M registered users
 - ▶ Currently 1.8M users/day @ 2.5 hours/day = 4.5M user hours/day = \$6M/year
- Increase ad content, increase to 6.5M users/day, and increase time with the system



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4

1/3
1

A new world order

New distribution models and advances in technology have changed the world of software as we know it.

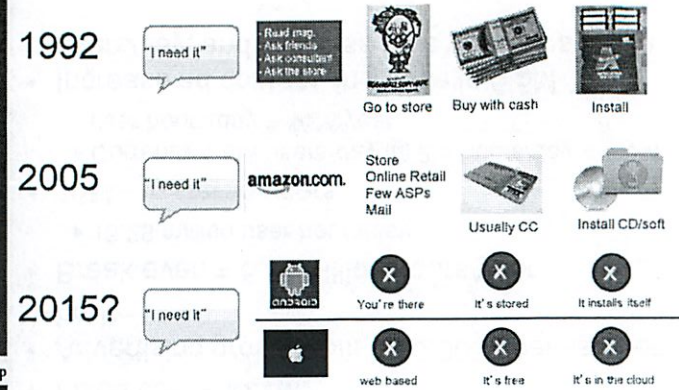
Let's discuss the emergence of a new price - \$0.00



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5

The History of Buying Software



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6

Changing consumer behavior



Apple App Store Tops 10 Billion Downloads

App Store

Apple to Eliminate Retail Box Software Inventory

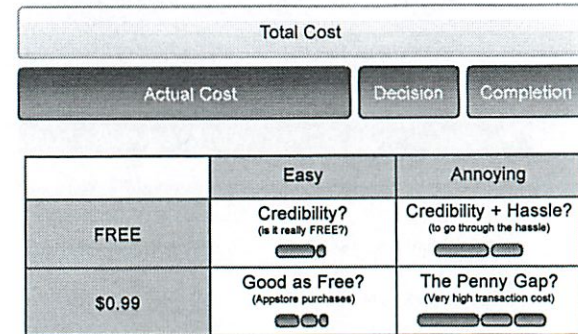
Monday February 07, 2011 11:35 AM EST
Written by Arnold Kim



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7

The transaction of buying software

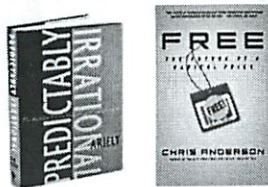


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8

The Psychology of Free

- “Zero as emotional hot button - source of irrational excitement” - the Lindt/Kisses experiment
- Free removes the psychological barrier of the downside (automatically make us think that there's no risk involved also there might be)
- The Penny Gap - it is much harder to get someone to pay the first penny than to upgrade them from a penny to 20 cents.



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9

The Economics of Free

A software product is an experience good -

A product or service where characteristics such as quality or price are difficult to observe in advance, but can be ascertained upon consumption.

FREE reduces barriers and accelerates trial and adoption

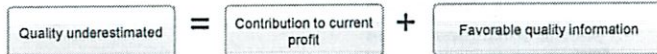
“The fact was that Dropbox was offering a product that people didn't know they needed until they tried”



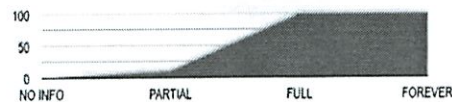
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10

Carl Shapiro - “Optimal Pricing of Experience Goods”



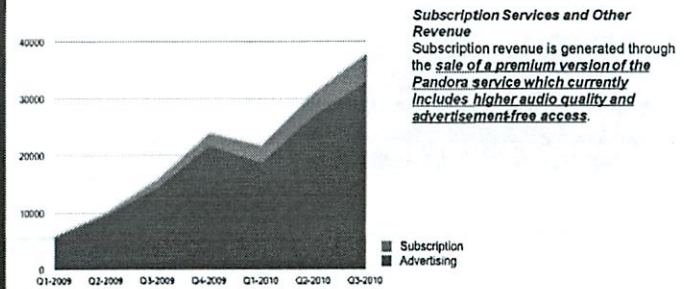
“The seller can mitigate the problems of skeptical consumers by using a low introductory price, and it is optimal to do so. The seller's optimal policy consists of a low introductory price followed by a higher price which is maintained forever.”



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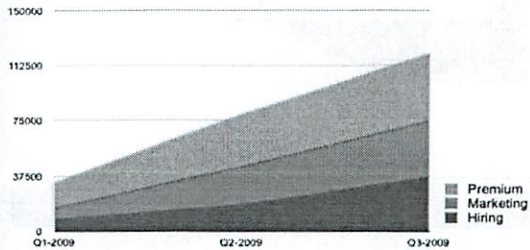
How Freemium works for Pandora



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How Freemium works for LinkedIn



Upgrade Your Account

Account Type	Messages	Profile Views	Organize Profile
Business (\$30 per month)	2	300	Organize Profile
Executive Pick (\$10 per month)	10	500	Organize Profile
Pro (\$5 per month)	50	700	Organize Profile

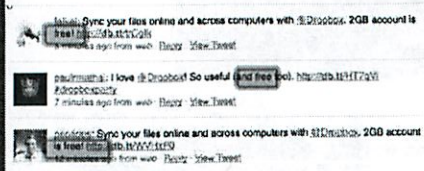
Premium Subscriptions:
 These products provide our members, with access to more tools and features than our free membership, including enhanced search results, enhanced communication capability, improved organizational functionality and priority customer support.



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How Freemium works for Dropbox



Current Account Type

Account Type	Price
Basic	Free
Pro 50	\$5.99/month or \$59.99/year
Pro 100	\$19.99/month or \$199.99/year

September 2008: 100,000 registered users
 January 2010 (15 mos later): 4,000,000
 Mostly from word-of-mouth and viral:
 - 35% of daily signups from referral program
 - 20% from shared folders, other viral features



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Models to think about

	Direct Revenue from free users (Advertising, sell data)	Promotion value of free users (Up-sell added-value product)
Inherent value to other users		
No value added to other users	 	

BETTER BE AWESOME PRODUCT
 NEED GREAT VALUE FOR ADD-ON
 NEED MASS AUDIENCE



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The value of a free user

- 10,000,000 visitors
- 5% sign up = 500,000 users
- 5% move to premium
 - ▶ 25,000 paying
 - ▶ 475,000 free
 - ▶ \$100 for premium = \$2,500,000
- 50% of free users recommend
 - ▶ 237,500 additional users
 - ▶ 5% upgrade = 11,875 * \$100 = \$1.2M
- and the cycle goes on...
 - ▶ Approx \$600k + \$300k + \$150k + \$75k...
 - ▶ Free sers approx 250k + 120k + 50k + 20k
 - ▶ 350k users generate +\$2M = \$5/user



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When Freemium is not working

It is not surprising though that companies that used the Freemium model without considering the necessary elements for success Failed.



Xdrive - exactly the same market as DropBox, using the Freemium model but failing. Why?

- Not making money of free users
- The product is not good enough



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For freemium to work, you must have:

A phenomenal product (usefulness, value, quality)

A very large user base

A way to make money from free users

Simple, logical pricing and experience



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Enterprise Software



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Four legged sales call



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Sales guy



Sales Engineer



The take



Problems with the model

- Expensive
 - ▶ Salaries
 - ▶ Commissions
 - ▶ Travel and entertainment
- Large deals take time
 - ▶ Lumpy, hard to forecast
- Can only cover small portion of market
- Little cold calling

There is another way



Inside sales model

- Download free version
- Drive usage
 - ▶ Helps with product quality & testing
 - ▶ Feedback on product
- Remote presentations
- Sell over the phone
- Upgrade users to paid edition

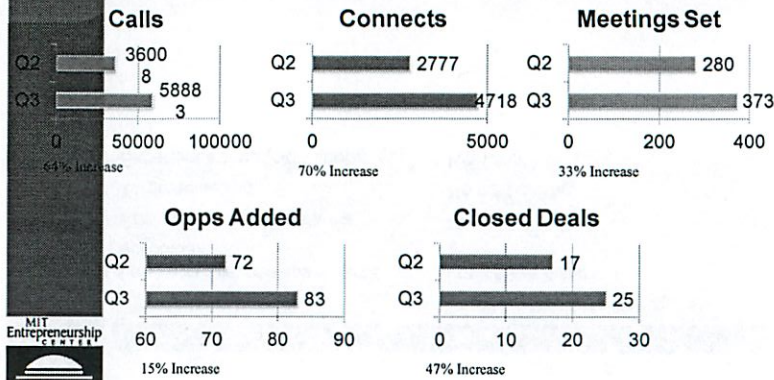
Four Legged Enterprise Model

Pros	Cons
High ASP	Small number of transactions
Leverage relationships in large accounts	Long sales cycle
Easily assignable territories	Few 'at bats'
Targeted selling	No cold calling
Experienced rep (high quota)	High cost

Pure inside model

Pros	Cons
Many 'at bats'	Little personal contact
High transaction volume	Low asp
Large volume of product feedback	
Easy to repurpose targets	Constant training needed

“At bats – inside model”



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“At bats – four legged model”

- One senior rep
 - ▶ Calls on past customers
 - ▶ May make an occasional call
 - ▶ Regionally focused
- One SE (does not make calls)



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Pandora case (packet)

If you hear ads - you turn it off
 But is far less than regular radio
 - w/ no DJ

Potential for future profits in internet

Howard's like idea for growth

Best model is ads and ads

Not much stickiness

Not profitable even w/ 1%

New services: library import

Half users that are mobile

- furthest out

Competitors: Last fm

↳ scans music what you listen to

Spotify

②

Spotify once you stop subscribing - lib disappears

Nobody here pays for Pandora pro

Software buying changed

1st buy CDs

2nd buy download

Software problem is getting users to try

Everyone uses Dropbox

- 5-6 people pay

A few use Evernote

So people make software easy to install use

Starting to see in enterprise market

- a cross fertilization

We've been talking about Enterprise Sales Model

- expensive

- large salaries

- travel

(3)

- lumpy
- million dollars when ya get it

Free download model

- can see usage
 - testing
- feedback
- VM Turbo 500 new costs / month
 - free support for 30 days
 - try to upgrade to new model
- No sending people on road
- Hope they use it
- If product good enough, they'll buy
- Prof: thinks will work in any co
- still do traditional for large complex problem
- easy to configure
- want to be standardized - useable in lots of co

④ - Howard: How are ya going to become a strategic vendor?

Levi: This is how to start

Big guys may try to start

This gives you more "at bats"

- lots of opportunities

So do 25000 calls

~ 24000 connects

~ 300 mtgs

- 83 opps

- 25 deals

get better as CO gets better

60% closed deals from inband requests

∴ Need large cust base

- which is what you want

Levi: Have done \$250,000 deals over the phone

Levi: Half the investment for break even

2,500 deal learn where users are

↳ budget investment to that on ~~rate~~ rate

5

\$ 17-20 cashflow to break even old

\$ 7-10 " " new

Difference in valuation if both break even

La: depends on strategic fit

Lo: Read Startup Nation

↳ Israeli startup market

This model is more teamwork (control)

{ Old way is individuals working on own

- you need to run it more

pay \$ 10-15/day

Freemium: get lower level party

- not the people who pay \$

Google Docs model: can it work

Ms high Quantity low price

Most startups flipped

Marketing Still traditional issues

Go to trade show

Track web analytics

↳ look at their email address domain

Call them when on site

Spend on clever analytic tools

Cost of cust acq is still high

Same stuff is still going on
Share their data after 30 days

But no customization help

- sell him more over time

Can point pals at certain industry

there not customized yet

- can they sell it over + over

Q How to get more sales in org:

Same as before

- champion

- piece together org

Overbay vs EMC (packet)

- Very important to OverBay
- Tech Investment Strategist - good MBA - job
- Storage important
 - boss wants ↓ cost of transactions
- EMC wants to ↑ biz besides storage
 - getting commoditized
 - co ↓ use of storage
- 11 sales people
 - 6 sales men
 - 5 sales engineer
 - \$1.5 m quota
 - \$200k deal size
- typical for small co
- Good: grow a lot
- But contract very 1 sided

②

But how to get attention of sales people?

Board Member

- currently VC 1, VC 2, etc
- ~~exit~~ want exit

EMC - can find someone else to buy

- likes buying cos
- ^{internal} R+D slow

- so could partner / buy

- time advantage

- expertise add

- R+D dept does not have now

- if buy co - does not touch income statement

- no hit to earnings

- but if do yourself it would

- if pay - income ↓

- or investment - does not affect income st

- "suggest" the write for OS/2

3

Royalty

- EMC 10% offer

- Osterby wants 5%

They can copy in 5 years

May be better product in 3 years

EMC can quit

Negotiate alone

Don't kill acquisition

- Or else why would they buy it?

Investment negotiation strategist needs approval

- lawyer does not like

Hire separate EMC sales support team

How much work is it?

Each rep maybe only head 45 min talk

Need guys that know ins + outs

Essentially a constructive acquisition

(4)

Case said merger ~~then~~ thought about - but no
- guy had liquidation preference

If bought co - could do what want

If did deal - only exit an IPO?
- but lower \uparrow w/ deal

- no one wants to buy co controlled by IPO

Look at comparables

- have other cos done it?

Could do better - but it'll take vs a lot better

VC + EMC

- ceding on potential

- since terms

Round 1



Round 2



~ \$25 mill / 4 management = 8

Sell for \$100 mill

5

Or w/o it

\$ 75 mill valuation

have $\frac{75}{4} = 18$ mill

Can they survive w/ big Co behind them

Will you work for more time for \$ 18

- risk preference

People often take quick exit
Can apply probabilities ^{need to pay for college}

90% 8 mil

60% 18 mill

Emotional

Ego?

Offer to sell shares in beer package

- control

- vs other shareholders

- ⑥ Advantage of selling co - get cash
If have stock - must sell slowly
Overview - not clear which option is better
-

If sell EMC may do earn-out

- \$6 mill now
- \$6 mill if hit goals in 3 years
- They only pay if afford
- want to retain people
- ? they'll leave + start new co
- VCs will want to back

Howard's co needed 3 of 5 people in co
very complex grid

Guy tried to cut price 90% at last min

This is \neq sales case
- very diff than last week

⑦

Shadow org

- for EMC sales support

The bigger the co - the more pressure they have

- than at standard contract

Can walk - but no guarantee will do better

Think about at Sales Manager

- can they do it?

Outerbay-EMC



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What does Outerbay do?

- Application Data Management
 - ▶ Prunes a database, removes inactive transactions
 - ▶ Benefit is faster transactions, lower storage cost, transparent usage
- Why is this interesting to EMC?



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Lecture 16
Sales Comp

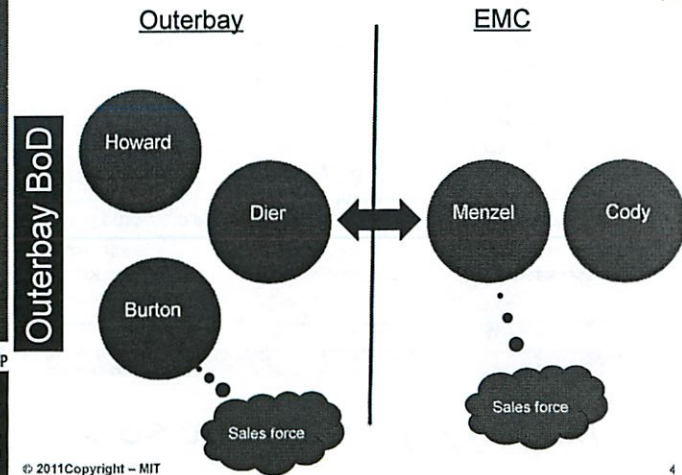
Overview of Outerbay sales

- VP Sales – Mark Burton
 - ▶ Six reps, 5 SEs
 - ▶ \$1.5M quota/rep - \$9M total productivity
 - ▶ Deal size \$200k
- Questions
 - ▶ What kind of sales organization is this?
 - ▶ Was it working?



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Negotiating teams



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1/1/10
1

Pros and cons: OB view

Pros to Outerbay	Cons to Outerbay	Sales Items
Credibility	Concentrated distribution	Account assignment
Massive channel	Captive to EMC requirements and channel	Sales re-organization
Increase in revenue	Exclusivity prevents other deals	Talent retention?
Block out competitor (Princeton)	EMC as board member	
Awareness	Terms – in general	
Engineering resources		
Leads to other deals		
Go public/raise money		



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Pros and Cons: EMC view

Pros to EMC	Cons to EMC	Sales Items
Access to software	Small company	More stuff to sell
Important in ILM business	Concerned about termination	Perhaps less hardware sales
More product to sell	Concerned about CoC, competitor buying OB	Too much to learn
		Channel conflict with OB sales
		OB getting involved with EMC sales process



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Why big companies do strategic deals with start-ups?

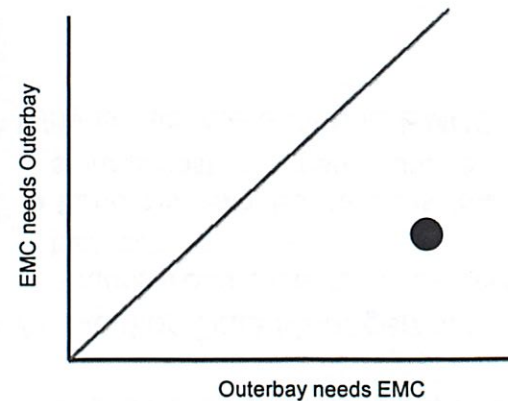
- Time-to-market
- Expertise
- “Off balance sheet” development
- Control



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Asymmetrical Dependence



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Example terms

Term	Outerbay	EMC
Products included	Segmentation of current products	All current products
Future products	No Position	All future products
License rights	>\$1B accounts, except for OB named accounts. OBT resellers and OEMS may sell into EMC accounts	Work through EMC in existing global and enterprise accounts
Branding	Joint branding	No branding
Public Relations	Jointly issued press release	Joint press release
Royalty rates	50% of net declining to 25% at \$40MM net license revenue	Declining rate, milestone based
Royalty floor	No more than 50% of list	Only for "key products"
Pre-paid royalties	Use or lose pre-paid	Use or lose by March 2005
Term	2 years	5 years from product general availability
Warrants	none	requested
Change of control	None	May terminate agreement and use source code
Board observer	None	Yes
Notice of intent to sell	No	Notice of intent to sell



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Negotiated outcome

Term	Outcome	Comments
Products included	Only products that are required	Never allow all products.
Future products	New royalties/ agreement, with caveat	Negotiate for new products. Maybe offer existing terms if current products hit a certain bar.
License rights	Limited exclusivity (6 months) to get started	Exclusivity can kill the company. Six months is acceptable, during which time you can sign up another partner.
Branding	Jointly branded	
Public Relations	Press release when deal signed, either issued jointly or by company	Insist on a press release, but not critical
Royalty rates	Consistent with channel • 40% discount, with accelerators	Avoid channel conflict. Can do steep discounts if products is embedded.
Floor	No more than 50% of list.	Prevent giving product away. Yrly review
Pre-paid royalties	Use or lose pre-paid by certain date	Pre-pay not critical. Creates a revenue "hole". Negotiate for better royalties
Term	2 years	Shorter terms are better
Warrants	OK, based on objectives	If OEM hits key milestones
Change of control	May terminate agreement, but cannot use IP	Critical term. Can kill an acquisition if not structured correctly.
Board observer	OK	Doesn't really matter. Board observer will be recruited for all competitive issues.
Notice of intent to sell	Give notice, with fast response. No price or company name required	Fast response is key...



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Sales Considerations

OB sales rep view	Burton/corporate view
No access to best customers	Is the company now an "OEM" company?
Do I support EMC or leave OB?	Do we have a dedicated EMC team?
Compensation is only 1/4. Do I get 4x the volume?	Do all reps sell all products?
Conflict with existing customers/resellers?	How involved do our reps need to be in helping EMC?
If EMC steals a deal, should I steal from EMC (I get paid more on my deals)?	Require certain EMC revenue by territory?
	Change revenue goals?
	Pay same/more/less?



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Summary

- Pros and cons to doing a big deal
 - Leverage with big company
- Doing it outweighs not doing it
 - High risk in doing the wrong deal
- Collection of bad terms can equal constructive acquisition
- Identify terms that really matter
- Will impact sales organization
 - Deal with channel conflict
 - Sales force composition and focus



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Selling to the Enterprise: Key Decisions

Here's the background:

You are the world-wide SVP of Sales for a company called SpiderWeb, based in Palo Alto, California. The company produces software that helps enterprise customers (Fortune 2000) collect, index and harness fast moving data from the systems that run the business. The SpiderWeb software delivers new levels of visibility and intelligence for IT and the business.

The company has been in business for four years and you have been their SVP Sales for the past two. You have built out a sales organization that spans the globe and the company is planning to deliver \$50M in revenue for fiscal 2011. The company is growing at 50% per year and is expected to go public at some point in 2012, provided that the growth rates and revenue expectations come in as planned.

You've divided your sales organization into three geographies: Americas, EMEA (Europe, Middle East, Africa), and AsiaPac. Each geography has a functional Vice President. The company revenue plan for the current quarter is \$10M, with the Americas plan at \$5M, EMEA at \$3M, and AsiaPac at \$2M.

At your last staff meeting and forecast review there are some troubling reports. With a month to go before the end of the quarter, the overall forecast is rolling up to only 90% of plan at \$9M. Second, and perhaps more troubling, is that the Americas forecast is only 80% of plan, coming in at \$4M. The other geographies are each forecasting slightly over plan. You had been assured by the Americas VP, Matt Picolo, that everything looked great for the quarter and that he would likely be over his plan.

Your first priority following your staff meeting is to sit down with Matt and get a lay of the land to really figure out what's going on and what deals you have that can get the company over the \$10M number.

In your meeting with Matt, he reports the following:

"The good news is that many of the deals that moved out from Q4 all closed in Q1. However, the IT spending environment is just not what we expected. The global turmoil has shut off almost all spending by the financial and insurance sectors. This represents about 25% of my Q1 forecast. All the sales teams are functioning well, it's just that a few of our key deals are at risk of slipping out a quarter. Budgets are frozen in many of the larger accounts."

You ask him where we can possibly make up the difference and Matt proposes the following:

"There are a few deals that we can bring in this quarter, but we are going to need to get creative. The ones that I think we should focus on are General Electric, Goldman, and The News Corporation. I don't know exactly what we can do with these, but we can certainly use your advice and help to push these deals through."

General Electric Deal

The GE deal has been in the pipeline for two quarters and was forecast to close this month. The rep on the account, Shawn McWilliams (mid-west based), is a trusted rep who has always made quota and continues to have a great relationship with the management team at GE.

The GE situation can be summarized as the following:

The SpiderWeb product strategy for large enterprises is to give away a free version of the product and then sell added-value features on top of the free base. The free version is useful for small companies and individual departmental usage inside a larger enterprise. For-fee features are simple license key extension to the base software, so upgrading to a particular feature is seamless – provided a customer pays for it.

Shawn was visiting corporate IT at General Electric in Columbus, Ohio, with the intention of securing a world-wide distribution deal. This was the elephant that Shawn had been hunting for the past year. GE was very interested in the SpiderWeb product line and their interest was to do a global roll-out. At GE, this meant that corporate would negotiate a world-wide contract, roll-out the technology, and enable each division to easily decide on what added-value features they wanted to purchase. Since each Division at GE ran its own P&L, it was ultimately the division's decision on what to run in their IT organization. However, in most cases, divisions would follow the guidance of corporate IT, since divisional presidents and CIOs were rewarded for keeping to corporate standards. In addition, each division could easily leverage the contract work done by corporate. For the most part, it was a win-win. In the deal proposal, GE would make an initial corporate purchase of \$1M, 80% recognizable this quarter as product revenue and the other 20% deferred over the next three years as support revenue.

Shawn met with the corporate CIO, Jeff Saunders, and a few members of Jeff's team. Jeff and Shawn knew each other well and they trusted each other to do the right thing.

Jeff told Shawn:

"We love your overall product, Shawn, but we are struggling to understand how your free version is going to help our divisions become interested in buying your for-revenue upgrades. We understand your model and have no problem with SpiderWeb charging for added-value features. Our concern is that the free version actually detracts from your overall value proposition. In our tests, we have only been able to run the free version in very small deployments and my fear is that we will not get the viral exposure and customer satisfaction that we are all hoping for.

We've asked several of our divisional CIOs and their conclusion is that it would be much better to add a few key features to the free version, such that it has real production value. By getting all of our divisions to use the free product, we believe that the take-rate and upsell to the added value product will be much greater. In fact, without having more capability in the free product, we do not believe we can move forward with the deal. Since we know that each feature is simply a license key switch, we would like to license-enable a few features currently found only in the add-on product and put those into the

15. 396 (H2) - Enterprise Selling: Key Decisions

free product. We believe that this will generate the maximum revenue for you and keep our divisional customers very happy.”

You think about the proposal. On the negative side, the base feature set might be completely adequate, leaving little reason for users to upgrade. On the positive side, the GE proposal might be a huge win in that everyone at GE would use the product, possibly resulting in massive adoption and a large base of upgrade “sockets”. At the end of the day, you really don’t know what will ultimately work. Additionally, if you do this deal for GE, what will you have to do for all your other customers?

How might you think about negotiating such a deal to get to a positive outcome this quarter?

Goldman Sachs

The good news about the Goldman Sachs deal is that they are going to purchase product this quarter. The problem is that you have a channel conflict issue that is preventing SpiderWeb from recognizing maximum revenue from the deal.

The Goldman situation can be described as follows:

Since the early days of the company, the distribution strategy has been for each sales rep to own their own territory and harmonize direct and channel sales. Through a carefully selected set of value added resellers, the company has gained very effective, horizontal account coverage. The model has been quite successful in helping to create customer demand and buzz, while at the same time being able to cover many more customers in any given territory.

The company has no absolute rule regarding its channel policy. SpiderWeb’s policy is let the customer decide how they want to purchase product, whether directly from the company or through the value added reseller (VAR) channel. Typically, smaller deals were directed to the VAR channel and larger deals went direct.

Each sales person at SpiderWeb has a yearly quota of \$2.5M, which could be achieved through any combination of direct or channel sales. It is up to each sales rep to manage his territory and whatever is sold— regardless of the delivery channel – is counted toward quota relief.

At SpiderWeb, sales reps are paid on net revenue (revenue after all discounts, promotions, and channel incentives).

The typical discount structure is:

- End user discount: 20% of list
- Channel/Reseller discount: 50% of list

This means that a product sold directly to a customer by a SpiderWeb sales rep yields \$0.80 on the dollar and when sold through the channel yields \$0.50 on the dollar. Resellers have greater reach and, as such, the dual model (and associated discount) is a viable approach for the company.

15. 396 (H2) - Enterprise Selling: Key Decisions

Ryan Thomas runs the New York region for SpiderWeb and has been working on a very large two million dollar product sale to Goldman Sachs. The forecast has been that this would be a \$1.6M “net deal” (80% of \$2M) to SpiderWeb and it has always been forecasted to close this quarter.

Ryan was quite excited about the deal because the recognized revenue would put him at nearly 65% of his yearly quota in the first quarter. Ryan met with the customer to review the final contracts and begin legal work. At that meeting, Ryan got the news that Goldman had approved the deal and they were going to complete a contract and purchase order this quarter. However, Goldman also informed Ryan that the customer was going to put the order through InfoGuard, a trusted VAR to the financial sector, because of the support and service InfoGuard could offer.

Since Goldman was going to buy from the channel, it meant that SpiderWeb was going to leave \$600,000 on the table. The net revenue to SpiderWeb on this deal was now going to be 50% of \$2M, instead of 80%.

The \$600,000 “channel tax” will measurably close the gap for the quarter, but you have a long-standing relationship with InfoGuard as they have consistently brought in deals for the company.

What do you do? What are the pros and cons of taking the deal direct versus going through the channel?

News Corp.

News Corp has been an account that SpiderWeb has been courting for a several years. You have personally been involved in the account and they have been looking to do something very strategic with the company. You were never exactly sure what that meant, but you always felt that there was real potential to have a unique and enduring relationship with them. The “halo” effect of a closed deal with them could be huge.

The problem with News Corp is that they need SpiderWeb to commit to build special features into the product in order to finalize a deal and there are no extra people to do the work. As a result, doing the work will result in a slip of the next product release, scheduled for Q4 of this year.

The situation is as follows:

Your east coast sales team, headed by Al Rusnick, North East District Manager, recently returned from a great meeting in New York with News Corp, one of the largest and most influential media companies in the country. SpiderWeb has been working with this company for some time and they have been evaluating your product, with positive results. There’s clearly a deal to be done with the company, though the product they need is not exactly what SpiderWeb offers. The sales team is convinced that if SpiderWeb customizes the technology for News Corp, there is an immediate \$500,000 contract for the current product and a longer-term \$5M deal at hand. News Corp. requests that SpiderWeb deliver the modified product within six months. The sales team is convinced that if SpiderWeb does not deliver, the deal will go to your competitor.

15. 396 (H2) - Enterprise Selling: Key Decisions

You've discussed this situation with Jeff Van Boch, the SVP of engineering, and he is quite ambivalent – one might say negative – regarding the request.

Jeff reports back the following:

“The changes requested for News Corp are not minor changes. They will require five additional engineers immediately and the only people capable of working on the changes are existing engineers. We can certainly hire five additional people as backfill, but the only way to get this project done in six months is with the current team. Additionally, because these changes are core to the product, the five people required are some of our top people. Doing this deal will most likely result in the next release slipping by at least three to six months, well into next year, missing our Q4 target. Finally, the engineering team is highly against creating a “one off” product that will result in added support and maintenance. “

You've presented the engineering update back to the sales team and they are all shocked that the minor change requests to the product will result in a six month slip to the overall product delivery. Al can't believe we might not do this deal, given its strategic importance, that we'd get to book \$500k this quarter, and block the competition.

Al has his opinion:

“As usual, the engineering group is sandbagging for more resources and has no sense of urgency. Freaking ridiculous...We are out here every day busting our necks trying to sell a half-baked product and when a key customer comes back with a minor request, engineering says “no”. This place is starting to feel like IBM. If the company doesn't step-up to do the deal, I'm likely to put my resume out on the street. I just can't deal with this crap anymore.”

News Corp agrees that they will issue a product Purchase Order for \$500k this quarter, but will not commit to any additional form of payment for the new product until they see it and can evaluate the results. However, they have verbally told you and Al that if SpiderWeb does the work they will do the bigger (\$5M) deal by the end of the year.

What do you do? What are the pros and cons of doing this deal? What would a deal look like that you and the company can agree to do?

Sales Management

It is clear that SpiderWeb has a Sales Management issue with Matt Picolo. The forecast for this quarter is 80% of plan, while other geographies are doing just fine. And this is not the first time this has happened. You find it hard to believe that this is a US-only problem. You need to decide what to do with Matt.

Here's some additional detail into the situation:

15. 396 (H2) - Enterprise Selling: Key Decisions

Matt Picolo has been at the company for a little over two years. He started with the company as an individual contributor and very quickly rose up the ranks to become the VP of the Americas. Matt was a true sales animal and was instrumental in closing several early deals for the company. In addition, he had proven himself very well as a first line manager of the west last year. When you promoted him into the bigger role, you were certain he was going to continue to work his magic. Things have not been that simple.

At the beginning of last quarter (Q4), Matt's pipeline was 2x the Americas revenue target of \$4M. In October, based on Matt's pipeline and level of confidence, it seemed as if the \$4M number would be easily met – even exceeded.

At the October board meeting you gave a detailed overview of the World-Wide sales forecast and you reported that the Americas number was very achievable and that there was a good chance you would exceed the number. Matt was a great guy and you had regularly scrubbed the forecast with him.

In December, however, Matt re-adjusted his pipeline and moved several deals into Q1. The likelihood of making the plan was no longer certain.

His update at the time:

“Unfortunately, budgets are moving out on several key deals. The good news is that we’ve not lost one single deal to our competition. They are just slower to close.”

The Q4 Americas actual was 94% of plan to the dismay of the board and the CEO. You had fallen on your sword and told your CEO that you would personally make sure that next quarter is more accurate.

Matt and you met early in January and you read him the riot act and told him that you only want deals in the forecast that Matt can “sign in blood.” You agree on a new quarterly forecast and take down the Q1 plan by \$500k, from \$5.5M to \$5M. Since budgets and detailed expenses were not yet set for the current year, modifying the quarter and the year was a prudent exercise. Matt felt confident that he would achieve the updated quarterly and yearly number.

Now, in the last month of the current quarter, you find yourself in the same position again, with Matt forecasting only 80% of his (revised) plan.

The entire company has been hiring on your revised plan and the Q1 number now looks very difficult. With three weeks to go in the quarter, what do you do? What do you tell the board? What do you do with Matt?

15,387 ~~Spider web~~ Spider web

Which way to do quarter?

GE, Goldman, etc

Turn on features for 3 weeks

- hope they see value + close

? Or too short

Goldman - low hanging fruit?

News Corp - good long term strategy?

? delay development by 6 months

Have to make quarter for Wall st

- another discussion if right way to run co

Give in to GM - 30 day trial of everything

Companies will try to get in writing that it will be free

Very hard to take it out from free

2

If take rev away from channel on Goldman then
Channel will disappear

- Cause rumors to other channels as well

- compensating regional manager for normal + channel

GOOK now not worth reputation

Or complex - ~~take~~ ask Goldman to deal correct
- ^{you} pay your VAR GOOK w/ support
- then they provide to Goldman

Info Guard may not do

- have their #s

- want recurring revenue

Who makes final call?

- Vendor can do it

- but P.O. customer

Or trade 1 deal off

Howard: Its either brilliant or your gang to Jail

3

- VARs are big deal - powerful
- need big deals
 - they make a lot of \$

News Corp

Cassandra - ~~Engineer~~ sales needs to go to engineering to bust their ass to sell the software you promised

Other partners may use

Has to do w/ scale

- as small co can do
- but as large co you need to sell your standard software

News Corp could still not like the deal

Ask what features they want you can roll into main release

ex-PM says he hears this all the time

(9)

Steps to release products

- 5 D's

- define scope

- design

- develop

- debug

- deploy

Very hard to add staff midstream

Sometimes need to get it out the door

Need to make this decision outside of make this quarter

Hard to manage - ~~spaghetti~~ spaghetti code

Still don't make quarter

Could ask for NRE - non recurring engineering

Could have network of preferred contractors

VAR could do

5

Goldman

Useful to sell to other cos

~~Or other division~~

Then Goldman will try to sell their investment banker service

Beer Steaks They buy 1 of everything - put in warehouse

Just want to sell investment banker

When go public need to do every quarter

Manoel: If want to go public - get it done next qv

then go public!

1998 Webline - collaborative branding

"going public is a marketing event"

Very hard to make # when public

- need revenue recognition in line

When private can play games

- passes audit - not SEC

6

Need to build "repeatability"

↳ can't go public unless you know next 2-3 yrs

Bear Stearns: go on advisory bd

25,000 - 50,000 shares

All 3 are posterchild

Nice in prospectus

Goldman - has special cache

- it can get paid

- they all talk to each other

If take deal direct - your channel is dead

⊗ All VARs know each other

Have consortium

One of std qv - Who do you like?

- just do deal w/ VAR

- talking direct lose potential biz

- too large of trade off

⑦

News Corp

Slipping release date is risky!

Unless want to be acquired

↳ then maybe

Guarantee that be maintained?

Lai Rule: No selling to fidelity

- 10 special features
- takes a while
- just forget it

But lots of cos made by fidelity

Bestell - call center rating

Hard to scale/repeat

Important to know cost of sales

↳ VAR could be less

- no direct folks

8

Flawed! Have to carry quota to make commission

Sales guy always wants it

"Strategic" = lose \$

Engineering will say no

You as boss needs to know what other people want

- can be good

Low: Sales rep's commission on deal

Engineers' equity

VP sales' equity
+ key performer

Low: Best companies have good PMs

PMs Need to understand, allocate, prioritize

Not carrying from 1 cust to another

Tradeoff ^{what} not doing

"Valuable traits" - know ^{your} industry + why

9

Q: Do you look at competition in making decision?

Need to track win/loss vs competitors

Sometimes do something differently

Can go back and say only if I know you are a real customer

People still ask when product is free

~~IT want~~

Want engineers to hear from cust

will discount sales rep

Need PM as ref

Q: Assuming customer knows what want?

ex - IT consultant - many times people do not know what want

Often can work around

(10)

Q: What is right size to go public?

today 100M rev / year

2 quarters booked ~~out~~ out

Lai Did in 1999 Fairmarket

- small

- did not know biz model

- too small i no analysts

- can't sell share

Post SarOx - min 50+ mill

Lots of hassles

Can get good PE shops / VPs

Before badge of honor going public

Now - why do it? headaches?

(16)

Sales Management: Matt Piccolo.

- fire or "demote" to sales manager
- might like it better
- but very hard to demote
- last thing to hear when going public is guy fired
- create new title
- or hard holding

Low: dangerous - value call

when get to be VP must be good

have to be ready for job

Other dpts have to cover

ruins CO

better to have a Director who is very good
then promote later

Sends bad message to have deadwood

(12)

Hand was easier in lot cases; base level people

Now harder

Is he doing job or not?

How fast can you replace him/her?

Might be better to do job ~~him~~ yourself

Lo: Ya might know him personally

Lo: ~~He~~ Does not like moving VPs

Startup 10 for 10

35[↓] for 35

best cos are good at this

"top leveling"

Continue to upgrade

Not doing any good transferring

— You already warned him

But still did poorly

(13)

Q: What's wrong w/ demoting him

You've given 2% of company to him

If ~~he~~ move still vest

Can't give it to other employees,

Can fire them 1 week before options vest

Q: Can people sue?

1st rule of biz: don't be afraid of lawsuit

You're no one till someone sues

if time comes don't listen to MR people

Zynga IPO

Now Cos have Options Buyback at fair market

^{employee}
- could leave w/ some gain

Need to incent people to perform

- Not to be investor when you hired them for a job

Howard: Don't give at all your titles

Save them to give to top people you bring in

~~Not~~

VC / PE merging

Founders stock diff than stock options

Tell founder
you want to be VP of \$5 mill co
Or be worth \$25 mill of \$200 mill co

As co grows roles changes

Why managing fast growing tech co is hard

Sends good message demoting (when guys wants to)
Says merocratic
Guy could not bring to next level

Can't Managing option budget is critical

want to build a very good board
Save % for new hires
And performance grants

(15)

Howard: If can't fire people - don't be CEO

Selling to the enterprise: SpiderWeb



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GE (do the deal/don't do it)

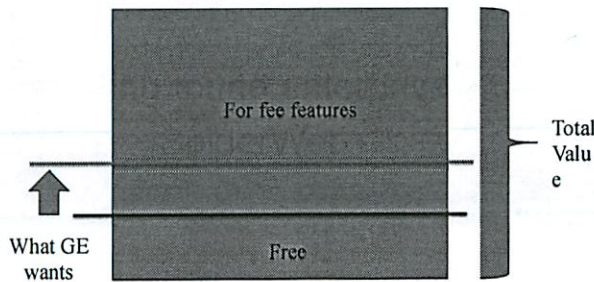
Pro (doing deal)	Con (doing deal)	Pro (not doing)	Con (not doing)
<ul style="list-style-type: none"> • Get \$800k now • Seed users/viral • Possible upsell • Happy customer • Happy Sales team 	<ul style="list-style-type: none"> • Give away too much • Future customers • Bad Deal? • Unknown upsell 	<ul style="list-style-type: none"> • Hold the line • Don't risk doing a bad deal • Wait till next quarter and start again 	<ul style="list-style-type: none"> • Customer delay/competition • No \$\$\$ • No closed deal • Unhappy sales



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Selling to the Enterprise
Lecture 17

The GE Picture



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GE compromise

- The uncertainty of the deal and its downstream ramifications makes it difficult to do, even if the company misses the number
- What if:
 - ▶ Assign value for the product and features going into the base
 - ▶ Charge for the base at "value", but allow GE to get the base for free if they meet a certain threshold on the upsell



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1/18

Goldman (channel or direct)

Pro of doing through channel	Con of doing it through channel	Pro of taking direct	Con of taking direct
<ul style="list-style-type: none"> Happy Customer Happy channel partner Preserve current policy 	<ul style="list-style-type: none"> Lower revenue Sales rep is not as happy Limited customer visibility for a large account 	<ul style="list-style-type: none"> Maximize revenue Happy sales rep (for now) Direct company relationship with Goldman 	<ul style="list-style-type: none"> Pisses of channel partner Customer maybe not as happy Channel learns of poaching a deal direct and turns off



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5

Goldman Compromise

- Unless you get both the customer and channel to agree, you can't take direct
- Talk with the customer and see if they will change their mind. Why?
 - ▶ Support
 - ▶ New product releases
 - ▶ Close to SiderWeb
- Understand the work that went into the deal
 - ▶ Was the channel really involved
 - ▶ Did your rep do the work or did the channel
 - ▶ Possibly split the fees along these lines
 - ▶ Is it fair?



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6

News Corp (do the deal/don't do it)

Pro of doing	Con of doing	Pro of not	Con of not
<ul style="list-style-type: none"> Get Revenue (now and future) Happy sales Happy customer Future opportunity Block competition 	<ul style="list-style-type: none"> Product slip – Q4 revenue Minimal Commit Pissed off engineering 	<ul style="list-style-type: none"> No product delay – Q4 revenue bump Engineering happy Sell what you have 	<ul style="list-style-type: none"> Competition Pissed of Sales No revenue



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7

News Corp compromise

- In this case, the risk of not doing the deal is very high, even "as-is"
- Shift the risk a bit by:
 - ▶ Getting more \$\$\$ upfront to pay for the engineering expense
 - ▶ Get a guaranteed on the back-end for completion of new features
 - ▶ Really understand from engineering the risk
 - ▶ Can you split the feature request to phase 1 and phase 2?



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8

Matt (Fire/Don't Fire)

Pro of Firing	Con of firing	Pro of not firing	Con of not firing
<ul style="list-style-type: none"> • Sets example (two Q misses and you're out) • Uplevel the role with a new person 	<ul style="list-style-type: none"> • Matt's a good, loyal person (does the company have compassion?) • No longer available to the company 	<ul style="list-style-type: none"> • Maybe he can learn • Put him in another role • Keep stability and some productivity 	<ul style="list-style-type: none"> • Setting an example that missing numbers is OK • Risk future Qs



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9

Matt Resolution

- Matt has to go (either fire or new job at company)
- When do you fire/move to new job?
 - ▶ Not until after the quarter
 - ▶ Pump him up to finish the quarter
- What do you tell the CEO/board?
 - ▶ We have an issue with Matt and here's my plan to take care of it...
 - ▶ Either you resolve Matt or the company will resolve you...



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10

Veritas/Segate

11/16

Merger

w/ Veritas brand name

Veritas issue shares

= in size

Or are like 2 separate cos

So different!

Being very populist in my writing

Post

looking for real life for 1st time

now owned by Semantic

↳ they bought veritas - so veritas kept it 6 years

Prob out of fashion - free stuff
- or clad

Have a place

Sells to small biz via vars

15,387

12/17
11/17

(10 min late)

Vertias growing tremendously fast 60-70%
— no one does that sustainably

P/E multiple of 12

Price 3 x sales

low!

Very hot time — should have larger #'s

Buying Seagate — rich asset

— paying 6x sales

$$\frac{P}{E} = \frac{100}{100}$$

$$\begin{aligned} \text{price} &= 1.6 \text{ billion} \\ \text{earnings} &= 17 \end{aligned}$$

Worth

Worth 12 multiple — paying 100

"Holy shit — are you guys nuts"

"Strategic" = lose \$!

Pressure for sales integration!!

②

- Veritas bought OpenVision
- better solution
 - ex Oracle people
 - ↳ very high end systems
 - sales DNA

Innovators Dilemma

- get disrupted by Win NT software
- get in business yourself

Veritas is paying more for acq than its worth

↳ worth 600m
 value paid 1.6b

Manage of = Risky?

- hard to do
- Always Jealousness for position
- Enemy is fighting self

3

kumbaya period at 1st

Then tough stuff

- comp system
- who gets what deal
- sales people leaving

You'd like to think this over 1st

But you can't exchange non-public info until merger

Letting confidential info cp, ~~but~~ ↑ hikes price

Investment bankers trying to push deal

- get 3-7% of deal
- 3% of 1.6 b = 50 million

Why do companies do M&A?

- Growth is slowing
- See best company in market
- Need to pay ~40% premium on stock price

4

Board thinks synergies will work

Hopes analysts bless it

But end w/ 2 very different cultures

Winner's ~~the~~ ~~usually~~ name usually taken

But not ~~always~~ always

Veritas has 150 sales people

Enterprise VARs very diff than SMB VARs

Like ~~the~~ security division of GE

"here's what we'll do for you for airport security solution"

- sell backup software along w/

- we'll take care of whole system

Also selling to OEMs

- Dell, HP, IBM

- package w/ equipment

- but here our solution

⑤ Execute w/o ~~the~~ missing #'s

↳ Could perhaps miss quarter 1st quarter

Where are Veritas' stock options?

Much lower

bad for current customers

Reduce field ops 40%?

↳ Need to cut costs eventually as promised

Every year need big effort

↳ Start at 0

- want to meet growth #'s

- "we eat what we kill"

Segate folks vegetarians

↳ they don't sell - customers buy

Different mentality

6

Seagate = 21,000 resellers

500 / state

100-200 in Boston

Selling to small depts + small cos

Have product available

70% of biz is "gimme"

Reps selling to VARs

Might not even know who's costs are

- don't even know get feedback

How does Seagate know what next product should be?

- You have new master → Veritas

- Can talk to VARs

- get PMs to talk

Get in strange middle area

7

Both cos want middle

Where is industry going?

(IO) wants fewer vendors and more from them

Hates ^{being} system integrators

Your stuff should at least work together

- all the stuff ya bought

Customers don't want 2 sales rep

Wants a VPA - Volume purchase agreement

Choices

Efficiency vs effectiveness

L1 system

L2 systems

What's realistic?

L harder to change in future!

Everyone has 2 jobs

- maintain

- integrate

8)

Create barriers to entry?

Have competitors already integrated system?

Does cross sell / up sell synergy ever work?

Not usually

Usually on cost side

Well done merges know what they are doing

Team quotas at Seagate

Yearly org change should reflect where ya want to be
- otherwise no change

1	1
2	9
3	12 ← Me
4	2

9

Howard : First I

Then has to do something

Look at #

Seagate reps making more rev per rep

by slight amt

↳ can only count sale price to VAA as rev

But profitability very different perhaps

#s on sales (see slide)

Expenses vs 18% - rev up more

Timing

When do it

Competitors will try to hire away from you

10 if do it right

20 if do poorly

He knows when people leave

- when people close door as coming in office

- could sometimes keep them

⑩

But ~~if they are~~ then immediately try to ~~the~~ hire new
- if they took recruiter call we do another

People leaving like a cancer

Veritas

Peter Levine
5/2/02



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Some considerations

- “Merger of Equals” are always considered risky? Why?
 - ▶ Rarely able to make it seem “equal afterwards”
 - ▶ Always jockeying for positions
 - ▶ As the organization settles out, the unequalness becomes visible
 - ▶ “A collision of two garbage trucks.”
- Has anyone experience a big merger of equals similar to this?
- How will competitors view this deal?
 - ▶ Competitors at high end (LegatoCA, HP, IBM) and low end (Cheyenne) will try to convince market this is bad for their segment – loss of focus, channel conflict, etc.
 - ▶ Competitors will try to poach best people (sales, engineers, etc.)
 - ▶ Competitors may try to combine to create competitive end-to-end offering



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Setting

- Prior to the merger, Veritas was growing at approximately 60 - 70 percent per year and making 25% operating margins, and Seagate was growing less than 30 percent per year and making 16% operating margins. In addition, during the 12 months prior to the merger, Seagate had lost market share to Computer Associates. At the announcement Veritas stock plummeted by 42%.



1

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Sales Execution

- Execute without missing numbers
- Stop the market share loss at Seagate
- Maintain Seagate operational efficiency
- Completely reorganize WW field ops – reduce field management by 40%

Integrating Sales Force
Lecture 18



3

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W/17
W/17

Veritas Sales Force

- Composition
 - ▶ 125 sales execs direct
 - ▶ 12 channel sales reps
- Market – have to earn it all over every year
 - ▶ Highly technical, competitive sale
- Compensation
 - ▶ 85K Base
 - ▶ 95 → 125K commission to OTE (on target earnings) = 180 → 220K
 - ▶ Base = 39 → 48% of total comp.
- Culture
 - ▶ Independent go-getters
 - ▶ “thoroughbreds”
 - ▶ Meat-eaters
 - ▶ “spend big to win big”
 - ▶ Veritas does not respect Seagate sales force

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Seagate Sales Force

- Composition
 - ▶ 25 disti reps (15 distributors -- more than one rep per disti?)
 - ▶ 55 reseller reps (21,000 resellers)
 - ▶ 40 direct end user reps
- Market – 70% repeat sales, 30% new business
 - ▶ Low-end sale, very operational (accept orders, don't make mistakes, deliver on time)
- Compensation
 - ▶ 65K base
 - ▶ 85 → 95K commission; OTE = 150 → 160K
 - ▶ But 70% of business was “gimme”, so real numbers are
 - 125 to 132K base plus 20 to 30K commission
- Culture
 - ▶ Team oriented (no individual accountability)
 - ▶ 70% “gimmee”
 - ▶ “Be cheap to be rewarded”
 - ▶ Thinks of Veritas sales force as wild and out of control, but anxious about Sallaberry as new leader

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Integration choices

1. Keep separate sales forces indefinitely

- ▶ Opportunity
 - Allows separate comp plans, policies, etc.
 - Keeps engines running smoothly
 - Keeps Disti / reseller channel happy (no direct)
- ▶ Risk
 - Postpones the inevitable?
 - What happens with product synergy, new products
 - If truly separate, why do the merger

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Integration choices

2. Four groups based on customer segment and channel

- Enterprise = V only, named accounts
- Midrange = V+ S in teams (Pod approach), mostly fulfilled through 2-tier channel
- 2 Tier Distribution = S only
- OEM = V only
- ▶ Opportunity
 - Sell all products to all customers
 - Allocate sales resources via customer group
 - Keep distribution sales force intact, reduce risk in that area
- ▶ Risk
 - Big Bang reorganization
 - Channel conflict between enterprise and mid and small
 - Team quotas not part of V culture

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Integration choices

3. Optimize on successful Seagate integration

- Enterprise = $\frac{1}{4}$ V + $\frac{1}{4}$ S (silent on named accounts), high comp, high risk territories
 - Midrange = $\frac{1}{2}$ V + $\frac{1}{2}$ S, individual territories / quotas, medium comp, medium risk territories.
 - 2 Tier Distribution = S only
 - (OEM = V + S) silent on this point
- ▶ Opportunity
 - Blends Seagate and Veritas sales forces
 - Can change more from here
 - ▶ Risk
 - The hybrid portion has all the problems of big bang above
 - Channel conflict as enterprise and mid buy like a small company
 - What do the sales reps at small do? Is it economic without mid?

Integration choices

4. Hire the best and maintain Veritas sales culture

- ▶ Opportunity
 - Cleanest cultural win
 - Cleanest structure
- ▶ Risk
 - Could destroy Seagate asset

The Sallaberry Plan

- Direct: $\frac{1}{2}$ Veritas direct reps to go after named accounts
- General Commercial (GC): Fulfill through the channel, with remaining Veritas and Seagate reps
- OEM: Fold Seagate reps into Veritas OEM group

Compensation before

- Expense: (\$47.8M)
 - ▶ Veritas: 137 reps * 200k (OTE) = \$27.4M
 - ▶ Seagate: 120 reps * 170k (OTE) = \$20.4M
- Rep productivity (\$410M total)
 - ▶ V: \$210M (revenue) / 137 = \$1.5M/rep
 - ▶ S: \$199M (revenue) / 120 = \$1.7M/rep
- 30 mid-level managers
 - ▶ Remove 12 -> (move from 4->7 reports)
 - ▶ Move/replace to quota carrying reps

After (Sallaberry Plan)

- Direct: $\frac{1}{2} 125 = 63$ named account reps
- General Commercial (GC): 194
 - ▶ 194 – 12 (mid-managers) = 172
- Make OTE \$200k for everyone
- Increase named account quota by 20%
 - ▶ \$1.5M -> \$1.8M
- Increase GC/channel quota by 30%
 - ▶ 1.66M -> \$2.1M

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Expected Results

- Productivity
 - ▶ Named accts: 63 reps * \$1.8M = \$113M
 - ▶ GC: 194 * \$2.1M = \$407M
 - ▶ Total net revenue = \$520M from \$410 (27% increase)
- Expense
 - ▶ 63 * 200k = \$12.6M
 - ▶ 194 * 200k = \$39M
 - ▶ 257 * 200k = \$51M
- Increase expense by \$3.6M, revenue by \$110M

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Timing

- What timing would you recommend and why?
 - ▶ Immediate
 - ▶ Next year
 - ▶ Never
- What are the benefits of merging sales forces?
 - ▶ Coherent presentation to customers
 - ▶ Ability to leverage sales reps selling time (multiple products)
 - ▶ More cost efficient
 - ▶ As product lines merge, single sales force is mandatory
- What are the risks?
 - ▶ Lots of unhappy reps and managers
 - ▶ Loss of good people
 - ▶ Confusion in sales force
 - ▶ Confusion at customers
 - ▶ Opportunities for competitors
 - ▶ Loss of momentum
- Do the risks / benefits change relative to the timing of the merger?

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②

Hard: Not enough \$ to do both well

Pick a model

Find a VC to buy into the model

Law: Its very hard to do both

Hard to transition

Esp in a small company

How phase out ~~pro~~ old cost's work?

How to manage the two teams?

More cash to build model for SAAS

SAAS problems: Churn

~~More~~

SAAS: not starting from 0

Enterprise: you never discount maintenance

18-25%

Need it

And accounting problems

③ Enterprise: customers funding your company
paying up front

VCs expect something new!
don't want old biz

What returns are VC looking for

goal 10x in 3-5 years

more like 3-5x in 3-5 years

Acquires are Enterprise Cos

Citrix Online

- bought SAAS

- can't put enterprise people in charge of

~~that~~ I tried for 6 weeks

- ^{then} decided to make it a separate business

Engineering differences

- pulled 2 diff directions

- on premise wants customization

- SAAS adding to core

④

Do you need 2 separate code ~~bases~~ bases?

But can use trends from premises sol to SAAS

Enterprise need to decide which customer to go after

Will your feature be generic enough to launch to everyone?

Often API

↳ allow others to build

Could we split the company?

- execution issue

- how to split engineering assets?

- staff up new co

- just don't have the time

Could they hit SAAS #s

or too aggressive

Advanced Corp Finance benefits to spin off

- make loans, taxes, etc benefits

3

Or do OEM - get A - use to find SAAS

If staff stop believing - they'll leave

Howard: ~~Which~~ Which company would you want to run?

Is SAAS just a fad?

Customer may restrict acquisitions - assignment clauses

Big costs will want

Customers hate to change
- angry

Need to balance churn

- people don't like winning deals to replace old costs

- demoralizing

Which is better internationally?

- ent need to ship people overseas

- SAAS need to put server in Germany

- SAAS - entire service must be localized

(6)

Very different to launch in other countries

In countries where people speak German English
Can just ship enterprise to there

SaaS - often need to open a datacenter

La: You should choose

Diff skill sets

Agile methodology - works for both

Traditional easier to manage

He tried to change VP Engineering

Does it depend on problem?

Is problem uncertain?

Or we know what need to do?

Can hire differently

- I need x people to do this

- Or just hire smartest people

① Diff set of managers - what best of
How soon we need it?
How fast can we change?
~~Del~~ Google on search - can't screw it up

Lots of handholding from updates

Big cos get stuck updating
- servicing issues

Small cos can develop faster

Gets complex w/ multiple versions

SAAS - no versions, no customizations

Can impose changes midstream

"Consumerization of IT" buzzword

departmental purchase faster

⑧ Plus ~~small~~ SMB SaaS software cos when
get big - try traditional model

Renewal can be in quota

Large co; Renewal separate division - ~~more~~ easier

Diff profile of people

Howard: Age related for engineers + sales people

People like big cos for steady income

~~Large cos~~ Or SaaS is just another way to market

~~Q&A~~

Or will the reps want channel control

Diff Rev rec:

Intuit changing over

- how maintain old

Howard: one model lets you eat well now
other " " " sleep " later

Mercado Sales Force Reorganization

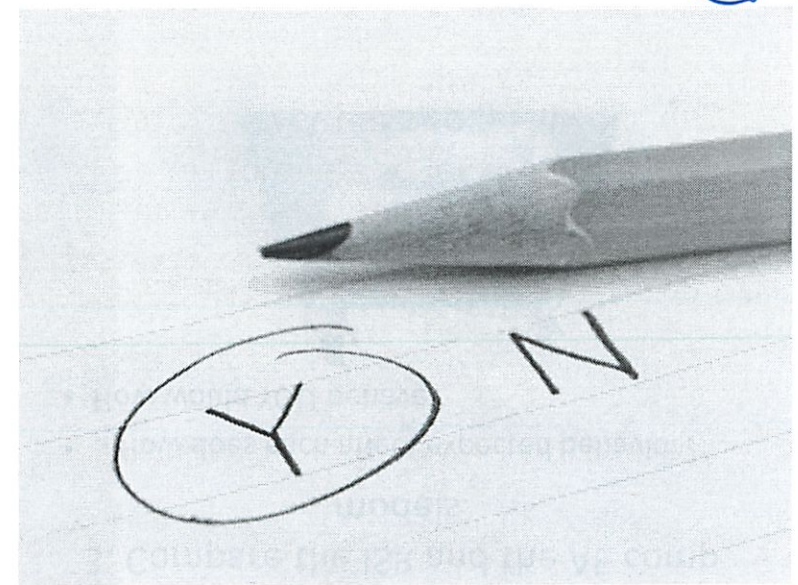
15.396

“Did you ever have to finally decide?
Say Yes to one and let the other one
slide?”



1. Evaluate Leibow's decision to enter
the SMB market.

- What if anything, would you have done differently?



Leibow 19
Sales Forces
Reorg

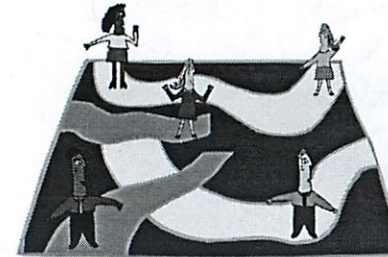
11/22
1

2. Design an Distribution Segmentation Model...

- - that maximizes both the AE and the ISR sales forces.
- What are the benefits of your model:
- Risks?

3. Compare the ISR and the AE comp models.

- - How does each affect expected behavior?
- How would YOU behave?



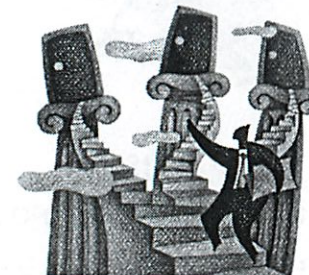
4. What are the Advantages/Disadvantages of having one "generalist" R&D department?

- ...supporting both MI and MIOD?
- Vs.
- ...two specialized teams?
- Which approach would you pursue? Why?



Congratulations: you are Corey Leibow.

- Pick a going forward strategy. Why did you
- Pick this?



Doing Wet App

11/28

lots of problems

day to day description of firm

Which people are still around?

People

Jim Wilson - DM - star of show
↳ North Silicon Valley

Alice Minelli - RM - 3 DMs

Whitney Tomlin - VP Sales

Bing Chasen - doing badly
put on IP

Brian Smith - then fired
- doing ok - but had baby
- put on IP
- quit

②

Victoria Knapp - top of game
got Bing's accounts

David Ende - hired as internal transfer

~~Frank~~

William Frank - under performing
just takes orders
went on a lot of meetings w/
put on IP

Todd De Schutes - big discount for e-Market
but good rep
put on IP

(i change comp plan)

(be clearer what an IP means and is)

He had only district that made quota

(3)

Patty Thompson - top rep

- Made impulsive decision to marry someone
- try to persuade to stay
- but very impulsive

What are options? Methodologies?

find more internal candidates

Sell staff himself

Start building team (realizing he might miss this qu)

ask Patty what she is doing after honeymoon

15,387
Net App

11/28

Very realistic

Far moment

leaving to marry

30 min notice

Case has everything

Negotiating quota - best "winners" negotiate their quota ↓
~~quota~~

Under promise + over deliver

Sandbagging - promising too little, over delivering

Some cos pay on Forecast accuracy

No regular meetings w/ direct reports
- monthly now

He should review contracts before close

②

Freedom as though he knew them

More time managing people

Opposite of creating culture

Resume

Focused on result achieved

but nothing about managing people

lots of jumping around

- 1-2 years only

- isn't getting promoted so moving

Recruiter: 2 x 4-year experience > 8 year experience

for Ceps it could be they are good at picking hot co

Not for sales manager

Start w/ control - then loosen up as gain test

He has no control

③

His boss Minelli has good relationship w/ CEO

- exacerbates either way

Want your boss to have your back

- they should want to see you succeed

- makes ya look good as manager

- to hire people stronger than you

Reps don't give him a straight scoop

~~HR~~ Improvement Plan - legal reasons

- try to prove you fired for them to underperform

- not for discrimination

Documenting performance is always a good thing

- gets commitment

UK is close to US

- 3 month probation period at start

- anything ok

- after that have to document

9

Japan: more ~~collaborative~~ lawyer-heavy

France: judges are usually employees

- has 3 month probation as well

Once Performance Plan gets stigma - how to fix?

Not always bad!

Can work in some cases.

Some people succeed afterwards

- can help them see

- set the rules

100% of Lows' people make it

Often employees know its not going well either

L have a good separation plan

Hiring freeze

Minelli is pro freeze

Cos do this

(5)

Need to keep people warm even ~~if~~ when freeze on

Is freeze no hiring or constant headcount?

Can leave rev-producing heads open - no freeze

1-2 million is a bit high but realistic

Sales performance varies widely over ~~quarter~~ time
top people can miss a quarter

Only a few of Lou's people on plan quit

↳ Reps need help/assistance to new econ environment
~~from help~~

Lamb vs lion

- he didn't intervene in the middle

SF territory very hard

- no new venture backed firms to ~~buy~~ buy

- HP + IBM ↓ as well

- keep sales reps motivated

6

How much does training work?

Focusing on keeping top people easier
than turning around people

Did a few things right

Turned goals into concrete steps

But no sales pipeline management

Ask people their plans in weekly reviews

Allocating accounts?

Gives big account to new guy

Micromanaged by Minelli

Other reps ~~have~~ ~~still~~ ~~don't~~ ~~see~~ want it

Want to give to top rep to give them \$

They could go elsewhere

7

? Split of hunters vs farmers

Clients might not like

As sales ~~rep~~ manager ya should know buying managers and try to match

~~How to get~~

Howard: You a marriage broker
need to match to buyers' personality

Jim does not know his customers!

Q: How would you get to know?

Get to know your top customers

Sales engineer relationship important as well

Tech buyers like ~~the~~ good sales engineers

Call your top customers

Q: Flash reports

Need to know the story

He didn't dig down enough

8

1st qu: Have you talked to customer lately?

Top people's quotas are higher - but commissions aren't

Howard: Top guy should make 2x medium guy

Is your job to have your dept make quota
or each sales rep?

Howard: Alpha males - top performers
↳ most males

and they act like it

Cos spend a lot on presidents' club

You can't pay your top reps enough
↳ well as long as make earnings

Top reps quit to become VAR

- have relationships
- sell new products
- less traveling

9

New Products

Reps focus on easiest + fastest

Need to 'incentive' reps

Also are new product sales people vs old product sales

Need to manage this

If co buying cos - need to sell it

hope higher margin
or "strategic"

Can fire people who refuse to sell new stuff

Could do diff commissions

↳ spiff

Or diff quotas

Can do overlay team - for specific products

Becomes a real trade otherwise

(10)

Low: Best is bonus for meeting corp initiatives
- forecast accuracy

- New product mix

Buyers want to turn products into commodity

So prices ↓ over time

Holland: Can't new products as 2x in 7 year

Sales people very good at optimizing

Build the right system

Low: FS pays a quarterly quota

15% accelerators

to try to even out

New products harder

more edu

Custs smart - want to hear from PM or engineers

DM can coach ~~new~~ reps on new stuff

- will be more likely to be promoted

①

Do you fire a marginal rep

put on plan or fire them?

Should have approval process for discounts

Do you fire?

~~all~~ ~~the~~ lots of other seats empty
- need someone?

Wasting time?

Bad econ have something to do

Send bad message not firing?

Lai: Always upgrade

Never regretted firing

Howard: Need people in pipeline too

Best sales people like Divas
Treat them like it

(2)

It good times - Ok people do well

but in bad times can see who real sales people are

When it gets really bad hike sales comp

- see if you have good relationship w/ CEO

Howard: Never fired anyone not making quota

- but fired for behavior

Will be learner when had to

But unsure if right

In bad market - volatile cos do 6 month planning cycle
but no momentum

15,387
Net App 2

12/1

(10 min loto)

Companies are political

Each of the people and where they ^{came} ~~came~~ from

Have people gone through adversity

Tomlin - use to winning consistently

Wilson 6:1 \$32 million territory

Minelli ~~18:3:1~~ 18:3:1

- getting into micromanagement
- Under a lot of stress
- Only 1 made quota

total sales 900 mil

So 30 district manager

Wilson + Minelli - every week
giving bad info to Wilson

Tomlin - every month

②

But 30 of these meetings a month!

Hears the blues

All have ~~product~~ problems like Wilson

Territory is in co hq

lots of potential for fingerprinting

Wilson hired from outside

- w/ VAR

- did sell product

Like running a kindergarten - everyone has an issue

Todd De Shutes - B 14%

Patty Thompson - A 6%

Victoria Knapp - A 4%

William C 35%

Brian C
Bing F 65%

Bad team

③
This is you in 2-3 years
This is what you go

Treated as "professional"

- wait for them to call
- B+C players don't call
- say things will get better

Challenges

Leaving period over

Needs to work now

Impossible to make it if five people

You could ~~watch~~ work directly

(I'm at the point where predicting most of the things in my paper - getting stuff right - still missing some stuff though)

(4) Over-hiring - hiring more skills for job

But competitive job environment means need to set aside

Selling internally

to boss

convince to convert to systems

got bad #s by being hands off

ECON bad

- fewer people jumping ship

You are not good at prioritizing your time

Recruit:

Can't - hiring ~~to~~ freeze

* if lose person - can't rehire

Go on visits w/ top customers

Can help

But uses time

5

Hibers and the bear

- I have to out run ya
- ie just do better than the other two
- Minelli needs him

Need to sell cost saving

- diff kind of sale
- diff message
- corp should do - but they are always a mess
- esp since their stock options are worthless

In a perfect world you fire a marginal rep

- perfect world you only have 1

↳ 60% of quota

	<u>quarter</u>	1	2	3	4	= 2.4
keep marginal rep		.6	.6	.6	.6	

new goal rep		0	.5	1	1	= 2.5
100% good						

↑ slightly ahead at end of year

if ok ↳ 6 quarters to pay back

↳ 80%

⑥

↳ Easier to sell the improvement in the future

Might get hiring freeze exemption

↳ Can overlay

Hard time doing in poor times

and harder as ADM vs VP sales

If can't get anyone - clearly keep

2.4 better than 0

If can get replacement?

Still have to train other rookies, etc

But few other options

Do you care about presidency?

Morale?

Howard: No - it sucks either way

don't care

it's awful everywhere

7

Sometimes goes to if get rid of attitude problem

What to do

1. Mandatory meeting attendance
2. You go to reps - don't wait to ask
- micromanage
3. Demand flash reports
4. Co looks at sales not profitability
5. Understand the sales cycle - Wall st demanding to see growth

They don't have profitability by district

↳ Write comp plan for profitability

Problem as middle manager - can't change

120 day plan

Want short sale now that we can count on

30% grow obtainable?

live + die by quarter

- if miss Q1 won't make it back

recall date territories?

- moving chairs on Titanic

- best potential "A" acts to best sales people

- give worst prospects to worst accounts
"C"

Van Stone ← wrong name - was on slide

Set up offer review board

- takes a lot of time

attitude problem

you won't go away

fire?

- no integrity

- if don't fire him - you don't have integrity

profit based comp?

9

or $\frac{2}{3}$ bonus on profitability $\frac{1}{3}$ volume
- mix more

Doesn't co care about sales - not profitability

Cassandra: take out paycheck

Howard: nah

Just accounting trick

Range, but good

- need to keep

Can wait for later?

Could explain to boss try to get exemption

If corps followed every rule - get nothing done

Need political cards in order

Howard: Sold co in 1990

	Sales growth →				
	1	2	3	4	
Profit growth ↓	2	3	3	4	
	3	3	4	4	
	4	4	4	5	etc

Bonus pool

(10) He studied closely to try to game

Then try to convince CEO to change

Get your political cards in order

Can get exemptions

Depends on CO if will make exception

Can try to get someone else - VP Sales

Need to get him on list

Don't violate chain of command

Have a problem - come w/ solution

- here is my solution

IBM gives each sales rep a discount budget/pool
(could also do at DM level)

You get performance at comp plan

Often cos don't want sales people to know gross profits

Often points instead

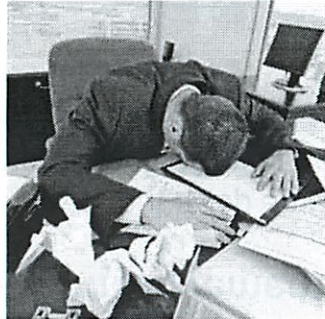
Cos need to know how much stuff costs

(11)
Give things that don't cost much
extra copy of research
present for a day

Remember Telco CIO who guaranteed rep 100%
Then had rep "work" for him
make 100% - not 110%!
Get us training, etc

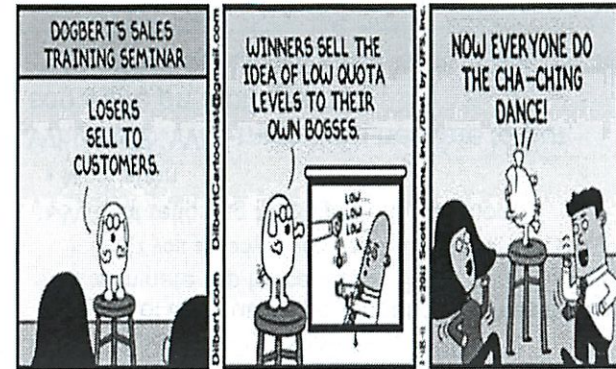
You as sales person in big co might not get the \$\$\$
They need to know it internally
Sales manager might know
He should redo comp system for next year

A day in the life of a DM: NetApp



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1



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*Lecture 20/21
Life of a Regional
Sales Manager*

Topic #1: Straight scoop

Jim Wilson: "I expected them...to always give me the straight scoop – especially when news was not good."

- How can Jim ensure that he gets the straight scoop from his reps?



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3

Straight scoop

- Why won't reps engage in honest reporting?
 - ▶ Why lead someone to believe things are worse than they really are?
 - Manage future expectations
 - Rep wants DM to believe that he puts in more effort and has more impact on outcome
 - ▶ Why lead someone to believe things are better than they really are?
 - Afraid of "blame the messenger"
 - Planning fallacy, overconfidence; I'll turn this around!
 - Asking for help is an admission of weakness



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*1/20
1/21*

Topic #2: New Products

- How can a DM get reps to focus their efforts on selling new products?
- Why is this hard to do?
- What can a DM do?



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5

New Products

- Why is this hard to do?
 - ▶ Sales model is less clear
 - ▶ Harder work to evangelize new product,
 - ▶ Incentives not aligned
 - Company benefits from sales of new product, but rep is disproportionately rewarded for sales of existing product in terms of return on effort
- What can the DM do?
 - ▶ Change compensation plan? Not likely.
 - ▶ Intrinsic rewards (appreciation, recognition, security, belonging, encouragement)
 - ▶ Coach on selling process to increase response
 - ▶ Mobilize resources in support of new products
 - Sales engineers

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6

Topic #3: Improvement Plans

- Would you ever put a rep on an improvement plan? Why or why not?
- What do you think of the NetApp improvement plan?



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Improvement Plans

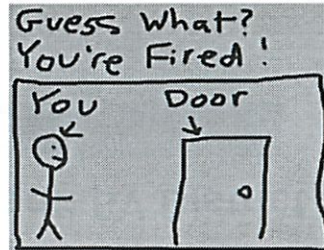
- Why put on an improvement plan?
 - ▶ Signal of inadequate performance; makes it easy to terminate rep for cause
 - Don't you already have cause? Low sales! Out you go!!
 - ▶ Way of rationing management attention
 - ▶ Motivation
- Why not? Why might you hesitate to put someone on a program?
 - ▶ Branded as a low performer; leads to self fulfilling prophecy

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Topic #4: Firing Marginal Rep

- What do you think is the expected payback period for replacing a marginal rep?
- What are the costs of keeping a marginal rep?
- Break even?



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Firing a marginal rep

- What are costs of keeping marginal rep?
 - ▶ Poor district performance puts DM's job in jeopardy!
 - ▶ Culture of success is undermined
 - ▶ Oppty cost of having a great rep in place
 - ▶ Oppty cost of DM's time; could be spending it to help improve the performance of another rep
- Break even?
 - ▶ Assume marginal rep is doing 60% of quota
 - ▶ Assume you can hire instantly; productivity curve for new rep is 0-0.5-1-1
 - ▶ Keep marg rep: .6Q .6Q .6Q .6Q = 2.4Q
 - ▶ Hire new rep: 0Q .5Q 1Q 1Q = 2.5Q
 - ▶ Break even in fourth quarter after hiring new rep
 - If marginal rep is at 80%, takes until sixth quarter to B/E!

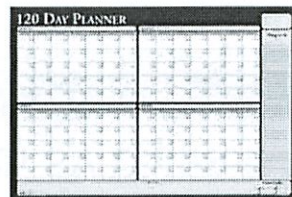


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10

120 day plan

- Question
 - ▶ According to Jim Wilson: "As a DM, I need to see and maximize results 120 days ahead." As Jim Wilson, outline your plan for the next 120 days.
- Objectives
- Priorities – do you like "best on best"?
- Time allocation



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11

FY 2003 North SV District

Rep	Q1 (May-July)	Q2 (Aug - Oct)	Q3 (Nov - Jan)	Q4 (Feb - April)	Total
van Stone	1.8	2.0	2.3	2.9	9
Warrez	1.3	1.4	1.7	2.1	6.5
Knapp	1.3	1.4	1.7	2.1	6.5
Corus	0.8	0.9	1.0	1.3	4
Solatti	0.8	0.9	1.0	1.3	4
Parker	0.8	0.9	1.0	1.3	4
Engel	1.3	1.4	1.7	2.1	6.5
Total	8.1	8.9	10.5	13.0	41



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12

FY 2003 North SV District

Rep	Q1 (May-July)	Q2 (Aug - Oct)	Q3 (Nov - Jan)	Q4 (Feb - April)	Total
van Stone	1.8	2.0	2.3	2.9	9
Warrez	1.3	x	1.7	2.1	6.5
Knapp	1.3	1.4	1.7	2.1	6.5
Corus	0.8	x	x	x	x
Solatti	0.8	x	x	x	x
Parker	0.8	0.9	1.0	1.3	4
Engel	1.3	1.4	1.7	2.1	6.5
Total	8.1	5.7	8.5	10.4	31.0



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FY 2003 North SV District

Rep	Q1 (May-July)	Q2 (Aug - Oct)	Q3 (Nov - Jan)	Q4 (Feb - April)	Total
van Stone	1.8	2.0	2.3	2.9	9
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Corus	0.8	x	x	x	x
Solatti	0.8	x	x	x	x
Parker	0.8	0.9	1.0	1.3	4
Engel	1.3	1.4	1.7	2.1	6.5
Total	8.1	5.7	8.5	10.4	31.0



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Q2-Q4 2003 North SV District

Rep	Q2 (Aug - Oct)	Q3 (Nov - Jan)	Q4 (Feb - April)	Total
van Stone	2.0	2.3	2.9	9
Warrez	X	1.7	2.1	6.5
Knapp	1.4	1.7	2.1	6.5
Parker	0.9	1.0	1.3	4
Engel	1.4	1.7	2.1	6.5
Total	5.7	8.5	10.4	31.0
Wilson buffer	7.5	8.8	10.9	34
Co plan	7.1	8.4	10.4	32.4



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15

Q2-Q4 2003 North SV District

Rep	Q2 (Aug - Oct)	Q3 (Nov - Jan)	Q4 (Feb - April)	Total
van Stone	2.0	2.3	2.9	9
Warrez	X (1.3)	1.7	2.1	5.2
Knapp	2.0 ↓	1.7	2.1	7.1
Parker	0.9	1.0	1.3	4
Engel	2.0 ↓	1.7	2.1	7.1
Total	6.9 (0.2)	8.5	10.4	32.2
Wilson buffer	7.5	8.8	10.9	34
Co plan	7.1	8.4	10.4	32.4



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Q2-Q4 2003 North SV District

Rep	Q2 (Aug - Oct)	Q3 (Nov - Jan)	Q4 (Feb - April)	Total
van Stone	2.0	2.3	2.9	9
Warrez	X	1.7	2.1	6.5
Knapp	2.0	1.7	2.1	6.5
Parker	0.9	1.0	0	2.7
Engel	2.0	1.7	2.1	6.5
TBH	0	0	1.0	1.0
TBH	0	0	1.0	1.0
Total	6.9 (0.2)	8.5	11.2	33.0
Wilson buffer	7.5	8.8	10.9	34
Co plan	7.1	8.4	10.4	32.4

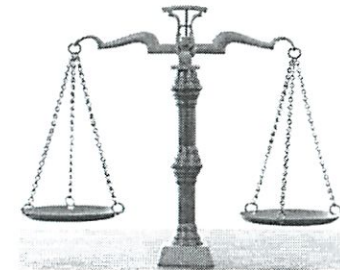


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What to do with van Stone?

- How many of you would fire him? Would not?
- Reason for firing?
- Reason against?



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What to do with van Stone?

- Reasons for firing?
 - ▶ Crossed the line from customer advocacy to taking advantage of NetApp
 - ▶ Insubordinate (went over the head of DM and RD)
 - ▶ Devious (agreed to apply new price; then wrote unofficial letter promising old discount)
 - ▶ Financial. Only getting 7% gross margins on these sales! Losing money!
- Reasons against firing?
 - ▶ Pragmatic. He's your #1 rep!
 - ▶ Chemistry. What does this do to the morale of this dwindling sales district?



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19

Michael E Plasmeier

From: Michael Shafrir <mshafrir@MIT.EDU>
Sent: Monday, December 05, 2011 12:25 PM
To: Michael Shafrir
Subject: [15.387] Some things to think about for Metabical

Follow Up Flag: FollowUp
Flag Status: Flagged

Congratulations.....

You are Barbara Printup... .in this case..

You have some resources...32 sales reps... calling on 3200 medical offices

You also have \$5 Million dollars.... which you can spend in P.R., on Social Networks, on whatever you want...

so come to class with a plan... on what you will spend your money on (make assumptions on key words, etc).. when you will spend it and how you will use this money to make the product a success...

What will you test?

What is your control?

Which social media?

Why?

Metabolic

12/5

Highly regulated - how to promote??

↳ Since so highly regulated?

What can we do?

Even the support program may be regulated!

Funny - very few fat people at MIT

↳ students or staff

- or in MA in general

- more of a south phenomenon?

Only 15% wanted a ~~weight~~ weight-loss drug?

↳ need safety cuts

↳ hold to do

I think only proposed ad #1 would work!

So spend \$5 million

↳ thought it was more?

Where to spend \$??

2

Where did he get the \$5 mil from?

Emailed in

it does not matter

I won't use the normal format

So will divide like they do
Ads
Promotion
etc

Provide some social examples

A new campaign
- I like it!

Write patients instead of users!

Need some sort of test + control

Can do in sales force

15,387

12/6

Who do you market to: Metabolic

How will you use social media for?

(Asking if int' students sense what a problem it is)

Europe is still a problem

Correlating diseases w/ obesity

↳ prevention

- lower medical costs

US: Cultural trait: Take a drug to fix a problem

(Proposed ^{social} m^y strategy)

Another: Women more interested

target demographic w/ income

Another: Anyone could afford ^{pay} \$400

but want people who keep weight off

↳ keep drug working

②

Why did case ignore getting insurance to pay it
| women: people might not want to share
more of a marathon than sprint

Find a medical spokesperson:

Strategies

1. Direct to a demographic

2. Medical community

Internet - can sell to people who are looking to
lose weight

SEO + keyword ads "weight loss"

7.4 million searches

36% → about.com

31% → blogspot.com

31% → answers.yahoo.com

What are the objectives:

Get on insurers' platform

③

Insurance on board is long ~~run~~ term strategy

- need to show now $10-15$

Build on creditability

- Subway + Gyms - full package to stay off

Family plan?

- laugh

Pair up w/ fast food?

- lose creditability

Go high end _{consumers} then trickle down

Guarantee a weight loss?

Use long-term plan to convince physicians

Need to do both?

Doctors' time highly valued

- Need to have them understand quickly

New rules?

4

Don't have time to build relationships

- every 6-8 weeks

- most of time its for the staff

Focus on geography

On the large systems?

Go in w/ existing ceps - who don't have competing product

Is it enough?

Who has decision making ability?

Need 1.6 mil people to buy

Market as next Botox

Her goal is position

make big bang - don't care about long term

What about a celebrity?

Wasted up reality TV star?

Too expensive?

If they regain weight?

9

Target health or weight loss
↑ high end
+ doctors

Not enough \$ to do someone famous
Or middle

Mentorship

Mobile app

- Daily ~~count~~ counter
calorie

PR firm better than advertising

- about connections

- cheaper than advertising

Is weight loss inherently social?
People proud

∴ Lose control of message via social media

④

Bloggers are new analysts

- Who are your bloggers?

- Doctors?

- Super users

More lifestyle sites than weight loss sites

Mom networks

If don't do social

- people will do it anyway

- if not on your platform - you can't control it

Inside Sales model - call up

(not effective for medical community)

Workshop at Gyms

- half day

~~- augment what already doing~~

- trying to target healthy lifestyle people

- so get good results

⑦

Howard:

Doctors don't want to ~~be~~ feel like idiots
- need to talk about it

Support groups are friends + family

- Social networking re'forc

- Need compliance

- 12 step program

Go to doctors that serve our target women

Neutralize them

Reallocate budget to social media

Levi: Need to be successful over small area/demographic

- Become advocates

Pill culture bad:

Everyone is healthy in Norway

Howard: What will your sales fore be?

The people your forgetting have tried diet + exercise.

) All Affirmed
what I
said

The Impact of Social Networks; The Metabical Case

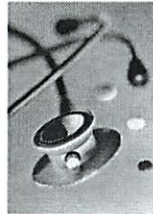
15.396



15.396 H2

1

Situation: you have a great product, you have FDA approval coming...



15.396 H2

2

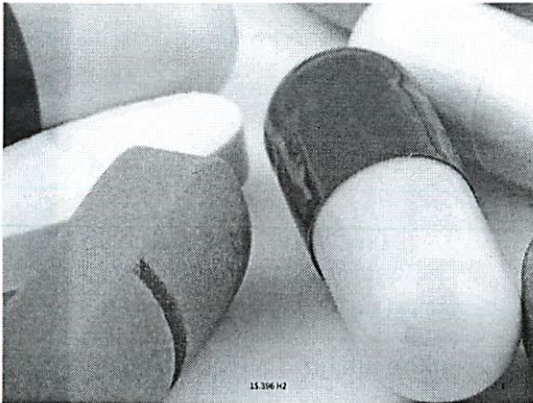


- 1. How should Printup think about segmentation? Who is the potential target customer?
- What social network would be most appropriate for this segment?



15.396 H2

3



15.396 H2

How are decisions made?

- What are some of the potential positioning strategies? What models... using social networking... would you use?



15.396 H2

5

?

- Are you... in the pill business?
- The support group business?



15.396 H2

6

12/6

Let's break the problem down...

- 1. Knowledge... how does the patient
- Become AWARE of Metabical...what
- Social networks can help? PR?



15.396 H2

7

2. Persuasion



- How can you use social networking to develop favorable (or counter... unfavorable) feelings about Metabical?



15.396 H2

8

3. Decision

- 3. Patient and health care
- Provider decide if drug
- Is:
- A. appropriate
- B. and, if appropriate, will a prescription be provided.



15.396 H2

9

4. Implementation

- How can social networks help the patient to fulfill the prescription and complete the 12 week program



15.396 H2

10

5. Confirmation

- Patient... evaluates the results



15.396 H2

11

The Consumer

- 1. become aware of
- Metabical...
- 2. visit health care professional
- 3. obtain prescription
- 4. consider benefits and cost
- Since individual willingness
- Pay is key
- 5. visit pharmacy
- 6. use the product... revisit pharmacy,... use product... revisit pharmacy



15.396 H2

12

Who is involved in the decision?

- Patient
- Health care pro/Dr.
- Friends And
- Social network
- Friends....
- (media?)



15.396 H2

13

Let's dig deeper...

- 1. Target customer is older
- 2. over 35, reasons are health
- More than vanity
- 3. better educated
- 4. women
- 5. higher income levels....
- WHAT DOES THIS SUGGEST IN TERMS OF SOCIAL MEDIA



15.396 H2

14

EVEN DEEPER?

- Why do these people want to
- Lose weight? (self esteem, health)
- What else do they have to do?
- ... target market are those who
- Have TRIED to lose weight through
- Traditional means and exercise... and failed



15.396 H2

15

Let's think of three different but connected programs...

- Communications for Health Care Professionals
- Communications for End Users
- Support Programs
- And let's think about
- Pre Launch,
- Launch
- Post Launch



15.396 H2

16

Prelaunch – Health Care...

- If you used a combination of Direct mail (\$1/pc) and social networking...and Lunch and Learn.... What would you do?
- If you have 32 sales reps x 4 calls/day =128 calls/day. 3200 high priority practices =
- 25 days.....what would your message be?



15.396 H2

17

Message: why will this work when other solutions have failed...



15.396 H2

18

Consumer

- 1. how to educate
- 2. how to distance Metabical from diet pills
- ...and fads
- 3. how to enforce idea..take
- Under a dr. 's care... it is a
- PRESCRIPTION drug
- 4....emphasis on health vs. vanity



15.396 H2

19

Do you want a celebrity endorser?

- Why? Why not? who?



15.396 H2

20

Support Program

- What is your support program?
- How does it work?
- Reference materials? Online
- Weight control tolls, nutritional and
- Calorie calculator...? Mean plans... grocery list
- How are you going to offer psychological support?



15.396 H2

21

(TA blasted me how I was!) 15,387 Five

Evolution of a Sales Model

No ~~han~~ for next Tue

Five : Brings together everything we talked about

06
6.3

07
19.7

08
36

\$15 / \$60

Seqoia investing a lot

Needs to grow very fast

You might miss your first \$

Strange co

↳ counter culture open-source

Sun asked them to do stuff

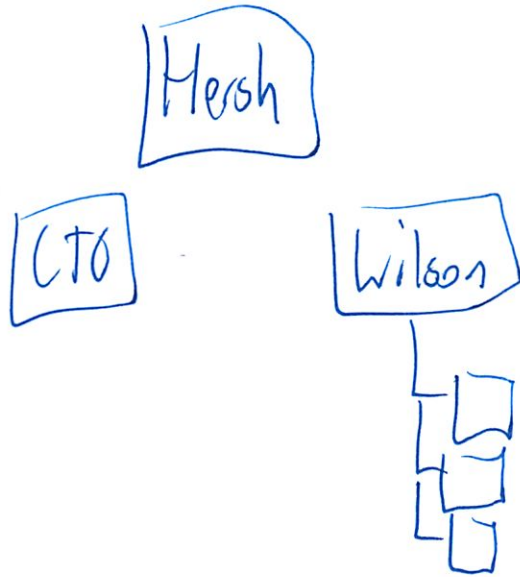
Wilson : ~~W~~ Needs to decide

②

You need to know who to focus on

Needs sales tracking sw

Or track something!



Have 3 people
L2 will each

To meet goal $3 \rightarrow 10 \rightarrow 18$ people
but people not motivated?

how do you train the sales people?

incentives based on team

L seems odd

③

Disconnect on what H's will be

Are we even sure we have the right product?

Culture problem - not entering data

No cust feedback

~~MM~~ Misalignment of products

↳ Junk box of stuff

- Doesn't work together

- diff markets

Do have leads + freemium

lot of need to solve product problem

Who have good ^{custs} ~~custs~~

Open source

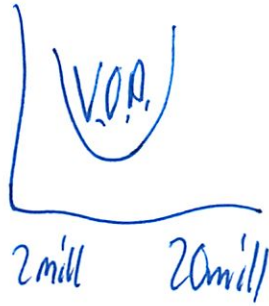
Self-sufficient - can fix stuff

(One MBA said like me)

9

Enterprise - wants 24-7

Hand Must cross valley of death



Have a lead on competition - but they are not all that stupid

(FO) - give better data

Sales team - need trust

Quota by the quarter

↳ changes half way

- next qu ?

Sales people should be in territories

5

Need to hire 10-15 sales people this year

Who + how?

Plan A do in 4 months

2-3 a month

Also changing customers

Want sales force that reflects population

Poach existing sales force
- from who?

Think of it as sales funnel model

1. Identify	100
	↓
2. Contact	50
	↓
3. Interview	10
	↓
4. Offer	3
	↓
5. Hire	1

Plan B

Exec recruiter

in tech sales market

hire several?

⑥

CEO + Firm cheap

↳ Recruiter wants 30% 1st year salary

\$30,000 for each \$300,000

Hersh: WTF?

Tell him that's why we raised the \$

Q: How to find good people?

Experience?

People who are willing to join you

Hunger - No - how to tell?

Track Record!!

- Made 100% club

Risk equi

Risky: hire sales rep out of school

(people who wear bright orange t-shirt - ^{i.e.} me)

perhaps 1



So want

35 y.o. not 21

have sold sw before

Need to make \$ in year 1

↳ Worry about later - later

But need a comp plan!

They expect sal + commish = $(1.5 \rightarrow 2) \cdot \text{salary}$

$$\begin{array}{l} 120 + X = 120 - 240 \\ \text{base} \quad \text{Commish} \end{array}$$

Some risk - in they need it to be worth it

↳ Offer equity

↳ But people coin equity

Only have a small pool

need tech guys

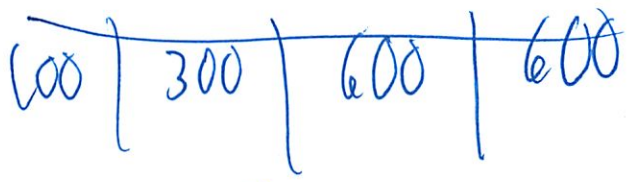
8

Need Comp Plan

- hit quota -> stable base
- Great - whats the comp?
- \$ 600,000 /qtr
- whats in pipeline?

BLA - 2.4 mil from 0 is very hard

- more like



↑ 6 months to start

- Doing 600k 1st qtr w/ nothing in pipeline = impossible
- Decision process slow!!!

9

SMB sales

Overlay on top w/ telesales

have 3 in Portland

↳ doing 2m in sales

How many we need?

Do we even want to be in that biz?

- have 3 bizs

Can we get ~~out~~ out of biz we made our \$

VC wants 10x in 2-3 years

Co needs to be worth \$600 mill

Need to be ~100 mill in sales

What industries are we in?

- Banks?

- Manuf?

(10)

Now need to train

- 1 week after a month of work

Hire for skills

↳ not train

But train on tech + products

Q: What are you selling?

Who is your target?

Direct? Indirect? Both

What is your sales process?

Seq

Seqoia in total

3-4x investment in 6-8 years

20% partners split

in bad times

2-3x

11

Each investment should make 40% compounded

Pacing el: can only be on 4-5 boards at once

Team

Who makes decisions?

~~Who~~ Who is accountable?

Avg sale \$300,000

Who implements it?

↳ Need consulting services

Accenture, etc

\$1.2 mill for them to implement

↳ Could add them as a channel

Could even not pay commish

Or do it yourself?

- May be beyond what you can do

- No expertise

- You might not have the expertise

- Do you have a global team?

(12)

Everyone looks at budget vs actual
↳ need to set expectations right

Actually what happened

	<u>2006</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>18</u>	<u>11</u>
est	6.7	19.7	36	—	—	
act	6.1	10	30	70		

Bill turned co around

Wilson - gone

Hersh - gone - Sequoia had board control

Did another round

↳ took ~20%
another

When you take that \$ - could be kicked out of co

But would not have gotten there w/o

May go public soon

~ 200

(3)

If founders 5%

get 35 mill

Message

Do quickly, well

Scale

15.396 Evolution of a Sales Model

Howard Anderson



15.396

1

You are Wilson

- You have for formalize Jive's sales function.
- What core Building Blocks do you need?

- 1.
- 2.
- 3.

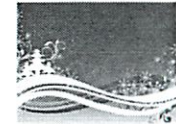


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2

Questions

1. What are you selling?
2. Who is your target?
3. Direct? Indirect? Hybrid?
4. What is your sales process?



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3

Make a Decision: team quotas vs. individual coverage model.

- Strengths of each?
- Weaknesses of each?



15.396

4

+ 's - 's...

- Smart sales teams make smart decisions...
- Performing teams create peer pressure
- Team members are self policing...

But:

- Who is the quarterback? Who decides which teammate covers what? Is the inside rep the servant of the field? Uneven teams?



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5

Two models: Make a decision

- Fixed territories with variable quotas (territories are fixed over time and sales team quotas are variables depending on pipeline and territory track record)
- OR...fixed quotas with variable territories (all quotas are the same for each territory and

Territories are aligned periodically to give everyone the same potential)



15.396

6

12/8
1

Models

- Fixed territories/variable
- Quotas...
- +’s sales teams OWN
- Customer relationship
- Sales teams have accountability



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7

-’s....

- Sales team spread too thin?
- Sales team not equally deployed
- Quota setting is too subjective
- Comparative sales teams are
- Apples/oranges...
- Who is #1? Performance as a % of quota?
- Total revenue?



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8

Fixed quotas/variable quotas

- All quotas are the same for each team...
- Territories are aligned periodically to give
- Everyone the same “potential”:



15.396

9

+’s

- True meritocracy
- All have equal opp.

-’s?

- Sales reps do not
- Feel they get payback
- For their efforts



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10

Could you...

- Segment by rigid deal size?... Inside gets deals below the bar? Outside above?
- Segment by prospect side...? Inside gets SMB/Mid Market?... Field gets Enterprise?

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11

Quotas

- Quarterly... or annual quota system?
- What is the IDEAL LENGTH of a Quota period?
- Adverse effects if too long?
- Too short?
- What do you recommend for Jive?



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12

Too Short?

- Demotivated by changing targets?
- Not enough time to develop and execute a sales plan
- Penalized by success with a higher quota
- Not enough time to over achieve/earn big \$



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13

Too Long?

- Macro market factors .. Can make quotas disconnected with business reality....
- Company could miss...product release.. Then company would have to reduce quotas...



15.396

14

Enterprise sales learning curve



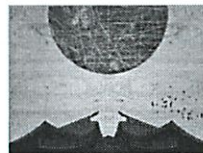
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15

You are Dave Hershe.. You have missed two straight quarters..

- And you are going to miss the year.. Explain yourself to your investors....

- 1.
- 2.
- 3.



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16

- Last class
 - Go over the course
-
- Jive went public today
 - 150 could cos out there today
-

Goals: how to sell + how to manage

- Oppaset
- take the gambling out

- its hard
 - each has a 'jargon'
 - form of manipulation
 - is a skill honed by practice + experience
 - a discipline
-
- management is a different skill set
 - sales management requires discipline + empathy
 - things like compensation can drive things right or wrong

②

Class 1 Divers Delight

- need to hit multiple points
- Selling is a process
 - Salesperson controls the process
- listen to ~~the~~ cust
 - so cust owns it
- may be emotional - not logic
- need to be able to plan
- sales can be unforgiving
- find a common enemy

Class 2 Power Miser

- Selling to the right person
- make the person you have an advocate
- play tennis with your customer
- put on self evaluation
 - find out what he concerned about

③

- use as many senses as possible
- take people out to aquarium to try out website
- diff approach for diff people
- 5 min (you have)
 - what are the hot buttons
 - channel their cynicism
 - what are their "heart" issues
- do a lot of hw!

-
- how to make the pieces fit together
 - what matters to them
 - how many take the 2nd tank?
 - falls to bottom line
 - need to also sell to store managers
 - so the channel actually sells it
 - need to differentiate product

4

Class 3 Carol Electronics

- Consultative sales person
 - what are you worrying about?
 - Offload a part of your job
- if can ~~be~~ sell more
 - better for you
 - and less advantageous for competitors
- most important thing: think
- move from tactical vendor to strategic vendor

A good system sell should be hard for competitors to match

Class 4 Delphi Electronics

Whats your network going to look like in 4 years?

Who will design that network?

Move good people to building next network

You did a good job 5 years ago!

(Howards far line :))

5

Praise him

- Smart sales people bring up unarticulate objections
 - ~~and~~ ~~the~~ they are thinking about it
 - but won't ask
 - "Some people asked us"
- lots of buying influence
 - don't know all of them
 - but try to understand
 - not everyone will be your friends

Objections

- Reputation
- Price
- Quality
- Service
- Competition
- Application
- Delivery
- Experience

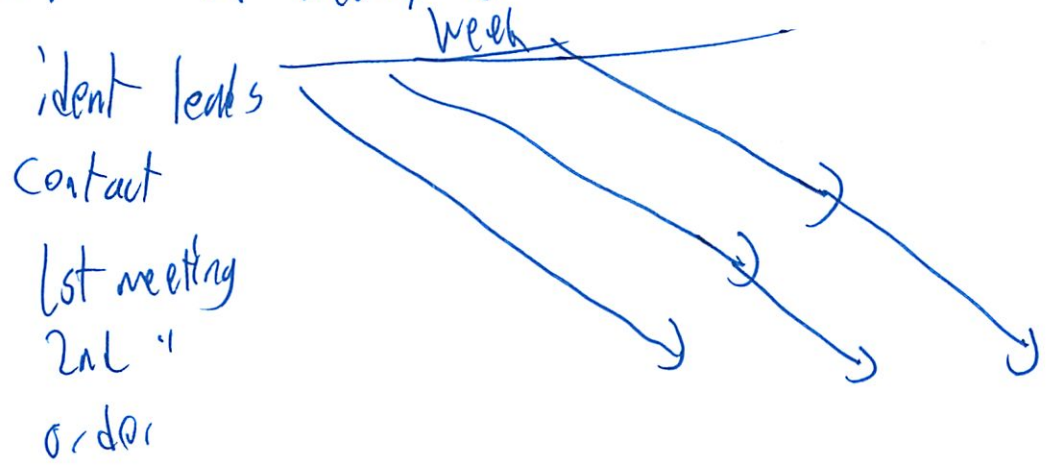
Are they using it internally?
(Actually towards far line)

6

- Some objections are minor
"what you really asking"

Class 5 Prospecting | GridPro

- internet
- Use 2 hr seminar at cust location
- good for lead generation
- hard
 - easy to get started
- Marketing's job is to drive leads
- Discipline of weekly goals



- way to manage rejection
 - if you are not getting rejecting you are not stretching

⑦

Class 6 Time + Territory Management

- budget your time

Class 7 Product Knowledge

- They ask you they know the answer to
- if cust thinks sales people is winging it → bad
- Howard: Young prof want to tell you everything
- hold back a little bit
 - want cust to be smartest guy in room
- ↳ looks at you as more of source of good knowledge + information
- don't over stretch
 - ~~over~~ - custs want someone to trust
 - want insight
- build a competitive planner for each cust
 - put on CRM software
 - what went wrong before

8

Attack strategies

Sales person; trusted ~~cha~~ (bit biased) 3rd party

~~Class 8 The Close~~

- give away pts we already lost
- gains credibility

Q its very important to have the cust likes the sales guy

- does he understand cust's problems
- custs wants fewer vendors + more from them
- if don't like - get share and no more
- if like sales person, sales engineer, support person - might buy anymore
- tell which one is supported more
 - custs really like
 - think long term (kinda)
 - don't burn your customer

Class 8 The Close

Very difficult

people are trying to postpone

④

things happen slowly

do they not see the value?

need approval from others

- when you see the buying signals

- handling product

- body lang

- pos statements

- changing voice

- wants references

- ~~tell~~ ^{you} set up a call w/ cust
and the forences

- types of closes

- if I can, can —

- assumptive

- etc (see slides)

(10)

Class 9 Hiring + Firing

- hiring Em
- firing not
- have to make a decision
 - what 'is the criteria'?
 - how did they do (can see - look at quote)
- can ask to see their WZ
- fire the Turkeys L give excuses
 - give em a year
 - if not solved, fire
 - hire the horses
 - L get stuff done
- always be recruiting
- where's loyalty?
 - loyal to C
 - want best possible team

(11)

let your competitor sales people know you like them

Class 11 Designing Sales Territories

Where/when

Class 12 Training + Forecasting

Howard never invested in training

- mistake
Don't just train 1x a year

Train every month

- for skills ?

- prod. knowledge ?

- attitude ?

↳ prod. mt

- farmers or hunters

- don't overwhelm new cust

- or bring them on new products

- higher margin

- more risk

(12)

Most important job: forecasting
rest of co needs #
esp if building actual products
board, investors don't like surprises

Class 12 Comp. Systems

One of the things you control
What should a good sales person do?
- No mixed messages
Align interest w/ co
What results does the co want?

13 Tom Thumb

Channel conflict
Channel has some strengths + weaknesses
- have relationships w/ cos
- but don't go out of comfort zone

(13)

14 | Mergers | Bay Networks A

Combine
Shrink sales force
Problems no matter what you do

Baym

15 | Forecasting | Bay Net B

Have things you can do to make it's

16 | Freemium | Pandora

How much? Where? LTO?

Some others

~~see~~
(see slides)

14

QnA

Q: Selling to non profits + govs?

More like MIT case

More hierarachs + levels

Look big - but hard + long

Monard: I'm not very good at it

Q: How to forecast at start?

Don't renegotiate quota

Could be forgiving - by guaranteeing #s

if too much \$ - shut up + pay em

look for templates - who had problem before

Don't hire sales force too soon

Product should work 1st

What has to be done to get the product work?

Do you want to take that sale?

(15)

Q] 100k + 100k bonus everywhere

No. Software

Selling cereal to supermarkets 50k + 10k

If never 50k + 50k

Not if a telemarket firm

Depends on industry + gross margins for your product

Selling med devices 60k + 30k

Q) How to cold call?

Whats worked for Howard

Call switchboard ask for secretary's name

Call her - know name so transfer is

Then educational approach

Bring in expert for a talk

Then can talk to them afterwards

New tech has uncertainty

Need trusted 3rd party to prep

Lots of people do that now

(16)

Esp if no bet account

Q) Or leverage MIT brand

L Howard: meh, Amateur night

Could use it for a free lunch meeting

Q) How much use networks to get in room
None at start

Use contacts ~~at~~ contacts

- "I need an introduction"

- but won't give ~~much~~ endorsements

If only way in

Or look where he trained

L we're doing a beta test there

~~the~~ - don't necessarily call there

Sometimes reach too high

- people don't want to feel overruled

- CEO ^{good} won't push it down

(17)

You need an action for CEO to take

- that they would be asked to

- the CEO tells reports "it's up to you"

FP told them ~~that~~ ^{you} are a very important cust