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Feature Story

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Secrets of Selling SaaS to the Enterprise

Focus on reference-ability first, and revenue will follow

by John Hiatt, Executive Editor, *SaaS B2B Advisory* from an interview at the Softletter SaaS University Conference

"Many SaaS vendors, especially early-stage companies, think they have to price low and sell to the small to medium-size business (SMB) market, which is a very hard thing to do," says technology marketing guru Chuck DeVita, founder and president of the Growth Process Group. "I actually avoid SMBs, because I think the selling effort you expend per dollar of sales revenue is greater than when you sell to an enterprise."

DeVita says a we're-not-worthy outlook keeps many SaaS vendors from targeting enterprise buyers. "What you have to believe is that you *are* equal, and you must *act* as an equal. After all, you have the expertise to solve a problem they haven't been able to solve inside, no matter how much money they've thrown at it. Recognize the value you bring to the party and maximize that."

Understand that a large company will only deal with you if management believes you are the one company that can solve the problem they face, and they have enough acute pain to take on the business risk of dealing with a small company. "When the prospective customer stops believing that you can solve their problem better than anyone else, the sales process stops," DeVita says.

The filtering approach

An early or mid-stage company can only take on so many customers in a year's time -- it's a finite number, because of support requirements. That's why DeVita is a big believer in filtering prospects. "Only call on those prospects you want to give the privilege of being your customer."

He advocates developing a filtering mechanism through which prospects flow, so that you do not follow the "sales anywhere" strategy. Too many smaller companies basically say, "We'll take anyone with money and a pulse," DeVita says. "Do that and I guarantee you will not achieve the reference-ability you need and will stall out at some unsatisfactory point because of lack of focus."

Better: Zero in on specific prospects that look like they face the problem you solve. Have a one-page set of criteria that describes your ideal customer in terms of target market, company, title and other critical characteristics, such as:

- Ability and willingness to pay.
- Consensus between value and price.
- Early access to the economic buyer.
- Acute pain about the problem you can solve (and awareness that they have the problem.)
- Ability to "own" the project.
- The political clout to move resources to their side of the enterprise.

"Don't waste time talking to those who don't qualify to be your clients," DeVita says. "Some SaaS companies are all over the map and tend to have problems reaching their objectives. They'll call and say, 'Come tell us what's wrong with our sales force' when the problem may not be the sales force at all -- it may be an executive team unwilling to say no to any customer."

Getting "connected"

The best approach for early-stage companies is to seek help from investors, board members or advisors. They have a vested interest in helping you by introducing you to their contacts. "Go to those contacts and interview them, just to listen," DeVita says. "Ask about the problems they face and pose 'what-if' questions." Example: If we could do X, would you be willing to participate with us?

Referrals are best, as you might expect, but social media like LinkedIn can help you connect with the right person. An alternative, of course, is a straightforward cold call. "Let's say we want to talk to the VP of operations. We'll take the time to craft messages that zero in on the problem, the stakes involved, and just call that person up," DeVita says. The key question: "Do you care about Y?" Their answer will be either "I want to learn more" or "No, I don't care right now." The ones who want to learn more qualify as prospects.

The first meeting

"Many SaaS execs become enamored with the technology and features of their solution," DeVita says. "They think all they have to do is show it to people, and they will buy it. But that is the wrong model -- you need to quickly focus on value to the business, and the problem you solve for customers.

"It's all about listening," he says. After a bit about your background and expertise, quickly move into the listening phase. Ask questions like:

- What are the issues around this area?
- This must be a problem for you since you granted us this meeting. Can you tell me about what you're facing?
- What are the important pain points, and how you would like a solution to work? In other words, paint me a before and after picture.

Then, fish or cut bait, as they say. DeVita recommends that you ask, "*What if we could develop that for you, are you willing to participate with us?* That means we get access to your staff, we need them to review our prototypes and give us feedback on what we develop -- and by the way, we need money because we are an early-stage company. We're willing to commit our staff to this project, but we need a commitment from you before we turn our staff loose on solving your problem. *Is this something we should proceed to discuss further or not?"*

A real-world example

DeVita's first customer was Hewlett-Packard's LaserJet division. "It was a hosted play in the supply-chain space, and it was all about the supply chain for packaging laptops." Packaging is a complex problem, with not enough time to do it right. "We were planning to integrate their external suppliers in a hosted environment. In the first meeting, DeVita ballparked the price of the deal at $200,000 per year with $100,000 in advance. "I told them, 'For that, you get the privilege of being our first customer.'"

It actually took five or six months to bring that deal to a close. But the real key was meeting with an "economic buyer" who was in "acute pain" and convinced DeVita had the best solution. As he puts it, "If it's not an important enough problem, or you don't think we're the right people to solve it, then I either need to change your mind, or leave."

DeVita uses the term "economic buyer" to define the person who can say yes or no to the deal -- and that person changes depending on the kind of relationship involved. "If the perceived risk of doing business with me is high, then the title is higher," he says. Ditto if the application is mission-critical. But if you are working on your third project for H-P, the economic buyer could be a mid-level purchasing agent, because at that point you are a proven supplier. "People get hung up on the title, but they shouldn't," DeVita says.

Brokering for access to power

You may not get to the economic buyer during your initial meeting, because lower-level gatekeepers may want to prevent you from getting up the food chain. But identify the economic buyer early on, DeVita says, and then "broker for access" to that person.

"A lot of companies go in sharing all their information or giving demos," DeVita says. "I call that Death by Demo. If the prospect asks for a full demo, say, 'I'm willing to do a demo, but who will make the decision on this? Okay, then I want a meeting with that person first, to understand his or her priorities before I invest our time in developing a full demo.'"

What if they stonewall? "If they say the decision-maker is too busy, say you'll check back with him or her later, and go down the street to a person who *will* say okay." If you have a robust pipeline full of prospects, then saying goodbye to one isn't troubling. Besides, chances are that means the problem isn't serious enough for them to get the economic buyer involved. Problems that aren't important now will surface again later, and at that point, they will be ready to listen.

An example illustrates the hazard of failing to get early access to the economic buyer. Say it's 1998 and you have developed a great CRM model and have taken six months to go through the evaluation stage with various mid-level people. Finally, you get to the economic buyer and he says, "My staff loves what you put together, and we'd like to proceed ... but we've allocated 100 percent of our budget to solving the Y2K problem." Wouldn't you like to have known that six months ago?

What about free trials?

Often in SaaS, people follow the Saleforce.com try-it-before-you-buy-it approach. DeVita prefers getting in front of the economic buyer, understanding the need, negotiating the deal -- and making it contingent on a successful trial. "If you meet the metrics of the trial, rollout is automatic," he says.

That approach demands a more robust pipeline, that you get tough with yourself in terms of sticking to the sales process, and recognize that you will not get many trials, but the ones you do get will represent real deals. Example: "When RightNow Technologies did free trials, their conversion rate was 20 to 30 percent, but now they only do paid trials, and their conversion rate is 70 to 80 percent."

DeVita sees willingness to pay up front for a trial as another test of a prospective customer's commitment level. As part of the sales process, he recommends listing out all the commitments you expect from buyers at each step in the process. Ask:

- Are they willing to let us meet with the economic buyer early in the engagement or not?
- Are they willing to get the lawyers involved in license negotiation early or not?
- Are they willing to pay for the trial before the real order?

"What I am suggesting is counterintuitive to 90 percent of the SaaS vendors out there," DeVita admits. "But when you can help companies in acute pain, by providing must-have rather than nice-to-have solutions, there's no reason to set arbitrary limits on the size of client you can serve -- or the amount of money your solution is worth."

Chuck DeVita, president of Growth Process Group, has over 30 years of sales and marketing management experience, focused on software and systems. As an officer, he led the growth of two startups and the turnaround of a public company. As a consultant, he has helped several hosted solution companies in the U.S. and Europe. DeVita, an adjunct professor at Standord, is a recognized speaker and visionary on sales and marketing management for technology companies.