URL: https://stvp.stanford.edu/blog/videos/sales-model-for-the-enterprise-software-industry

In the enterprise software industry, Tzuo talks about how there has been a shift from the "field-sales" model, where traditional sales representatives win deals from big customers, to a "two-tier-sales" model. This is fueled by customers coming to the website rather than the sales representatives approaching them, creating a need for another tier of sales people to serve as telesales representatives.
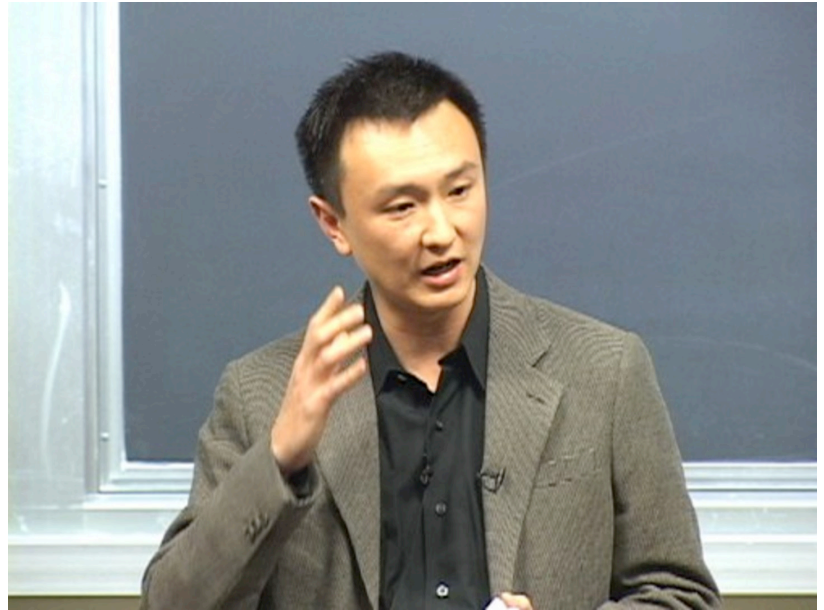
Transcript

Talk a little about the sale model.. And so, in world today now, we generate some great awareness of your product.. All right, people kind of find you and the next thing you know they're on your website.. You have all this great contents there and they signed up for the free trial and they give you their name.. And you design great products so they have a good experience.. And next step that we really found was someone has to call them.. And this is kind of where the consumer experience start to diverge a little bit then the business experience.. When we start the sales force we thought, you know, maybe it actually be an environment where we don't need any sales reps.. Maybe we just kind of throw the product up there.. They try it out..

They like it.. They type in their credit card number just like they're buying a book and the next thing you know we can click revenue.. We can kind of turn off the lights or move to Hawaii and this thing will just be a money-making machine and that unfortunately it didn't turn out that way.. And what we found is in a business setting, people still need to talk to people.. It's not quite like buying a book, right? There's more at stake there.. Your job is at stake.. Your corporate data is at stake, right? There's a little bit more at stake and they really need to talk to somebody.. And so, very, very small percent and I don't even know what the number is.. It's pretty much negligible of our deals, if you will, kind of go through the system without ever any human contact.. And I suspect that once it actually do or people that have used this before and are really comfortable with it, and they simply they've already sort of passed the hurdle rate..

And so, what we found is you needed the sales force.. And if you have a sales force, someone has to call these guys back.. And so, if you look at the free Internet world, the enterprise software mindset especially for startup was the higher season sales guys, right? You wanted a higher sales guys out of Oracle, right? And you want then the higher sales guys out of Oracle.. And they would have these roller decks and I have nothing the roller deck as a myth.. Every time we hire a sales rep I suppose he has a roller decks.. He comes in the organization and there's no roller decks.. But that's the theory.. And so, you want guys that actually say, "Look, I'm going to go I'm going to extract a deal out of HP." Right? "I'm going to go and extract a deal out of BFA." And that's the mindset.. But if you built out this whole world of Internet and people coming to your website and they become a lead, right? Someone's got to follow up.. And so, more important than hiring these high-powered sales guys what we found was we really wanted to hire a telesales operation, right? We really wanted to have somebody call that person back and say, "Did you like the product?" "Do you have any question?" "Is there anything else I could help you with?" "How can I help you take to the next step?" And so on and so forth..

And the other thing what we found was even when we had telesales reps, if it was the sales rep that was responsible for closing business they wouldn't call back the leads, right? Because they'll be so focus on closing the deal at hand that they would ignore the leads.. After three or four days, nobody's calling the leads.. And you didn't strike while the iron is hot.. And the next thing you know the guy is busy or the guy has moved on to another part of his job, right? He's thinking about something else, right? You're not catching him while the issue is top at hand.. And so, we've seen this evolution really in the

industry from Oracle, you know a field sales model to what we call a two-tiered-sales model where we're seeing companies now really start hiring what we call a lead qualifiers, right? People call the lead back immediately figure out which ones are really qualified opportunities versus you know they're on the wrong website or they just have needs that you can't meet and then they figure out which ones are qualified and whether it's 10% under qualified or 50% under qualified.. They take that subset that are qualified and they pass it off to a sales organization.. The other thing that we found is the sales organization now needs to be more fragmented.. And so, there's a part of the customer segment that you then pursue through different types of sales organization.. And that kind of get to the next point about segmenting and focusing.. And so, a lot of what we're taught in the traditional marketing sense is to say you got STP..

You know what I learn at the GSP, segment, target, position, right? You look at the market place.. You divided up the segments.. You pick the one you want to go target and you position your product into that segment and Geoff Moore that I grew up that speak of these events teaches us that which is once you cross the chasm with the crazy really adopters and you got to go down the bowling alley approach, right? Pick one pin at a time in each market.. Go conquer this vertical first and then move to the next vertical and being a good student of Geoff Moore, that's kind of how we thought and what we found was it didn't quite work out that way, right? We basically said, "Look, we're going to be a small-to-medium sized business, right? Product, we're going to target that space because we figured that's what's best where the need is.. But then you throw up a website.. You do some general awareness.. People come to you and you can't exactly control who's going to you.. And so, before the Internet when you had a world where you had sales rep going out there and targeting HP and targeting Cisco and targeting BFA that worked really well.. In this new environment, you just have people coming to your website, right? And you got to react to that and you got to call them back.. You got to ask them what they want..

You got to position your product.. And people would come to our website from all sorts of places, right? In the first week, we had people from 60 different countries come in to our website.. I don't even know how they found out about us, right? We had no awareness in some of these places but they're on Google, they type a few things and the next thing they know, they're on our website and we have them.. And so, what we found pretty quickly on is that we really needed to pursue all customer segments.. And so, we've gone from a mode of saying, that's picking shoes, which customer segment to a mode that says look the best way to take advantage of this thing called the Internet which is about scale is to pursue every single thing that comes to you, right? Now, you got to be smart about that.. But instead of choosing and picking and doing upfront analysis, what you then do is you let the market place tell you, right? Oh, China seems to be coming online.. What's going on over there, right? Let's call a few people back.. Let's see if the product is a good fit.. If it is, how do we then pursue that market place? We thought we are small-to-medium sized play and we found that big companies came to us and on hindsight, it's not that strange as a little obvious in hindsight but departments of big companies would use our service, right? Because you're five-person department.. You're 15-person department..

We don't really want to deal with the corporate infrastructure.. You could just sign up for this thing and we saw all sorts of large companies and then the different departments in large companies sort of bonding together.. And so, Autodesk was an early company, for example, that came to us and said, "Well, we got Autodesk Canada." They got like 10 users using sales force.. "We got Autodesk Europe." They've got like 50 users, a hundred users.. "We also have this big 50 CRM initiative, top-down driven and which scratching their heads saying, "Why don't we just use this, right? The users seemed to love it.. But we took a look at your product.. You know, we signed up for it and it's missing some few key features that we really need as a large-end organization, right? We need heavier customization.. We need different departmental profiles, right? Because large organizations different processes, cross different departments.. We need integration, right? Because we can't run this thing and stand alone.. We got to tie it off a back office system..

So by throwing up a website, letting the market come to us and they kind of looking at it and saying, "Which ones are really coming to us?" We found that we were drawn to large enterprises pretty quickly early on in the company's existence.. And so, we wind up really building what we call an enterprise product.. We want segmenting our product lines to serve a professional enterprise and we wind up really segmenting our sales force in the sense that we still had all the small businesses that came to us and we would service them to telesales channel but then big companies like Autodesk we would build up a field sales channel, traditional field sales channel to really address those companies because we could see that the man was there, that a market place was there.. It wasn't a big risk...