

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

One company that's making a positive impact on early-stage entrepreneurs is Virsalent. Acting as an outsourced sales force, Virsalent's team of experienced sales professionals help bring the products of new companies to market in less time and at less cost than it would normally take to build a "traditional" in-house sales force.

Recently I sat down with Joe Blank and Paul Gariboldi, Virsalent's co-founders, to discuss some of the pitfalls they see inexperienced entrepreneurs make around developing their sales models, and how to avoid them.

Steve Tennant: Let's start with Virsalent. Joe, you and Paul are always saying how critical it is for entrepreneurs to articulate their value to customers. So what's Virsalent's value proposition?

Joe Blank: Virsalent is a professional sales and marketing organization for hire. We are a more cost effective, efficient alternative to building an inside sales team. Virsalent has a database of about 8,000 companies with about 50,000 contacts in those companies. That enables us to ramp very quickly because we already have relationships that we can immediately sell into. We also have very unique and proprietary techniques for ramping up sales efforts. So, for about a fraction of the cost of hiring a VP of sales, giving that person a budget, building a sales organization, and then taking your products to market, we can take your products to market immediately. So that's our value proposition to the entrepreneur.

ST: Great. Now let's get right to the sales model. Last week, I reviewed about 30 business plans, and at least half of them omitted how they were planning to approach sales. As you could imagine, from an investor perspective these business plans did not inspire confidence -- and many of those plans didn't make the screening cut. So what are you finding as the biggest mistake companies make when they are initially developing their sales model?

JB: Well, first of all, one of the things we see quite often is very poor marketing collateral and a very poor website. When you are going to solicit potential customers, they are going to want to go visit your website, and read more about your company and your products. A lot of websites are geared towards the technical aspects of the product, but very little of it describes what's in it for the customer. What are the key problems that are attempting to be solved, and what are the value propositions and unique capabilities of the solution? So, there is a lot of information -- technically how it works and technically why it may be superior to other comparable solutions -- but very little with respect to what's in it for the customer from their perspective, and why this is a good investment for them.

ST: You mean, be clear about why the customer should care?

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

JB: Exactly, right so -- and the collateral should be reflective of that as well. We see technical white papers which really don't help you in the selling process until you get to a technical evaluation stage. Typically, we are not selling into the techies, we are selling into business executives. We are trying to get them to recognize that this problem that they have should be a priority, and this solution that we are presenting should be strongly considered in addressing that priority. So, many entrepreneurs, especially the real technical types, they just don't get that. Their collateral materials tend to be more about describing screens and describing functionality instead of first engaging the customer around their business issues.

Second, we see poor definitions of the problems that they are attempting to address. A lot of entrepreneurs were exposed to the problems they're addressing in one way or another, maybe in their role at a big corporation. In a prior life they saw an opportunity because they saw a technical headache that wasn't being addressed properly, or they saw a business process that wasn't being supported properly, and it was their job to support it. Their feeling was, "there has got to be a better way", and so they went out and they invented a better way. The problem is, sometimes they have a myopic view of the problem being solved.

Let's say I am a network maintenance guy. I keep seeing these consistent network maintenance problems, and so I come up with some really slick utility that saves time and eliminates a lot of effort in network maintenance. I define that problem from my perspective which is: Technically these are the issues, technically these are the problems and the risks, and this is why my utility is superior to the way it's traditionally done.

The problem is, when I go to sell that solution, I am not going to go to a network engineer to sell that solution. I am going to go to the CIO or some technology executive, and they are not going to understand the problem from that detailed technical perspective. I'm going to have to bring it from the ground view up to maybe the 10,000 or 20,000 foot view, and explain it in a very different way. So when you go to talk to these entrepreneurs and you ask them, "What problem are you solving?," it gets into a really technical discussion. You have to pull out of that technical realm and bring the conversation up to a business level.

ST: How can entrepreneurs know if they have got an issue that truly is an executive issue?

JB: By talking to executives. A lot of times entrepreneurs validate what they are doing by going into their peer group, which tends to be other technical people. They get validation because someone will say, "Oh! Yeah you have really created an elegant way of coding this, or you really architected this in an efficient, effective way." So, yes, at the technical level, they are getting accolades because they have done something unique, elegant, efficient, right? But they should also talk to a senior level executive to say, here's my value proposition; does this resonate with you, or how can I get this to resonate with you? How can I get you to care about this? And oftentimes what an executive would say

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

-- because I have been in that position -- is, tell me what the implications are to my business if I don't address this issue, if I don't solve this problem, what does that mean?

So, getting back to my network maintenance example: If I have got a business that is primarily an online business -- most of my customers interact with me online -- and now because I don't have this network maintenance capability the risk that I face is that I could have significant downtime should certain types of problems occur, and I won't be able to identify them rapidly. But with this utility I could identify them in seconds rather than in hours, right?

ST: – Sure, now I'm interested! Good example. Any other pitfalls that you think early stage companies make?

JB: Yes, the third thing is a lack of an efficient sales process -- making it easy to buy. Many entrepreneurs I talk to have really complicated pricing schemas, pricing models; very, very cumbersome and difficult licensing models. They have all these product lines. Rather than creating a whole solution, their assumption is that someone may not want to buy this whole big thing; so I am going to chunk it up into all these little utilities and sell them one at a time, piece by piece. If they want to buy it, we can mix and match. Well, the problem with that is from the entrepreneur's perspective they are being flexible and offering all these options -- but from the customer's perspective it's confusing; how do I know when I need A with B and B with D and F with G, I don't know.

ST: They put in more sales person time and energy to be able to make that sale happen. So what do you suggest companies do, to avoid this issue?

JB: Well you've got to go out and talk to your prospective customers. Find out how you can make it easy for them to buy your product.

ST: Just by talking to customers?

JB: Yes. I mean, if my target is financial services companies and my customer is going to be a CFO in their organization -- the financial organization, well then I need to go out and talk to CFOs and talk to members of those organizations, talk about my value proposition and my solution set and find out how do they buy, right? What are the kinds of ways that I can make it easy for them to make a buying decision and make it easy to implement?

The fourth issue I see is implementation. If it's an elegant solution, but implementation requires all of these different steps and all of these different constituencies to all come together, that is a problem. Because from the salespersons' perspective when you are selling, the first thing you are trying to do is find the focus of the pain, who owns that pain and get them to look at your solution and become an advocate. Then you use that advocate to try to influence the people that can write the check -- to make it a priority, make it a budget item, whatever they need to do, then write the check. But then the next thing after they've written the check is deployment, right?

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

ST: And to make sure they realize the value that you have promised.

JB: Yes. And oftentimes before they write the check, they are going to want to know, what is the deployment effort? If it's really complicated, cumbersome and time consuming, they may still want to buy the product, but now they have got to involve more people. What you have just done is delayed the buying process; because now they say, "Oh! You know what, we have to involve this department and these people and these other folks over here..." and now you have to involve all these other people to get their buying process. Are they all willing to allocate the time and resources necessary for implementation?

What you want to do is have an implementation model that instead of being a big bang approach, it can be a phased, managed approach. So yeah -- and a sales guy is not going to mind that, because if I can go in and I can establish a beachhead quickly and then the growth kind of becomes viral or there is staged growth of that solution implementation within the organization, then that's great for me because I have established a beachhead; now I am just making follow-on sales. I am selling more seats, I am selling more licenses, I am selling more subscriptions, whatever. But if I have to go to 100 people before I can make the very first sale, that's a problem.

ST: So it seems you've got to have either a huge amount of pain or a really compelling value proposition to justify involving a lot of people.

JB: Right. And it's those four things -- the message, problem, process and implementation -- are really are going to make or break the deal.

And there's one more pitfall entrepreneurs make: a lack of market knowledge and a lack of market focus. We've seen several times where a company will present us with a product. Before Paul and I take them on as a client, we do our own due diligence. One of the first things we look at is the competition--who we are going to be up against? And so, we'll find all these competitors and we'll go back to the entrepreneur and say, "Okay, we need to understand how you are superior to these competitors." A lot of times they will only recognize half of those competitors -- or maybe none. Because they haven't done the market research to see who else is doing what I am doing. And when I say competitors, it may not be someone who's really doing the exact same thing; it may be a completely different alternative to their approach.

Paul Gariboldi: A couple more pitfalls that we see is the entrepreneur can underestimate the amount of time to close a deal. In actuality, the amount of time is two, three, four times longer. That can be a big problem.

ST: It can make the whole business plan fall apart, right?

PG: Yes, I've had a lot of investor presentations where the entrepreneur underestimates this. We had one company selling a software product to wireless carriers. The entrepreneur indicated in his presentation that the time to get a wireless carrier to promote his software product was six months. Well, when I spent some time with him, he had

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

been at it for two years with no tangible results. So entrepreneurs are very optimistic and they are looking at the glass being half full, and they underestimate the amount of time it takes to get a deal done from start to finish -- and finish doesn't mean, "Hey! I was over there and they said they were going to do it!" That doesn't mean 'it's done'. 'Done' means it's been paid for, right? The contract's been signed, the check's sent and the product's being implemented.

ST: How do you figure out who to target? Is it appropriate to take the shotgun approach or should companies be targeting specific markets? What do you find that works taking a new product to market?

JB: We see opportunities to do both. To me, the shotgun approach is typically used when your product has a broad market appeal and you are not exactly sure where the real revenue traction is going to come from. Is there a niche out there? If you just don't know, we will take a shotgun approach and see what kind of a response we get. Then look at the categories of the companies that are responding and see if something jumps out at us.

So, for example we had a client with a truly a broad market solution -- anti-piracy protection solution for software. Any kind of software vendor could use this anti-piracy solution. So we went out and we started going after all these different types of software vendors. Well, what we started to see was some patterns and one of the patterns was, we started to get a lot of response from software vendors that made CAD-CAM software and we did some additional research, and it turns out CAD-CAM software is some of the most pirated software made. So, when we started seeing a heavy response from CAD-CAM vendors and we did our research and realized that they were huge victims of piracy, then we started focusing then on the CAD-CAM industry.

So, the shotgun approach is good for identifying niches if you don't know what those niches are. The rifle shot approach is used once you have identified the specific market.

PG: Candidly, what it comes down to is this: who can buy it now, who has money to spend on it right now, who has the biggest pain point, who can you get to, right? That's how you get a product to the market the fastest.

If you're a pioneering technology, a new company, you also have to find a client willing to say, "I am going to bet on a brand new company here," because a lot of companies, even if the technology is absolutely sensational, are not going to bet their business on a young startup.

JB: Another mistake that I see entrepreneurs make has to do with distribution channels. Many entrepreneurs think right out of the gate their distribution strategy is going to be to set up this huge channel network. In our experience, channels are an effective means of distribution once you have established demand; because when you go to a big channel partner -- a big distributor, big value added reseller -- what they want, before they are going to train their sales people on your product and go out into their network and start trying to aggressively sell your product, they have to know that there is going to be some

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

pull. Because they are not about a push model, they are really about facilitating the pull. So an entrepreneur who comes in and says, “Well I am going to set up all of these channel relationships right out of the gate” -- they are living in a dream world, because until you establish some demand, street credibility and competitive advantages, these channel partners aren't going to touch you.

ST: Absolutely. Any other pitfalls?

JB: My last one -- lot of entrepreneurs think that I'll find people that will sell my product because it's so great, it's so fantastic, they will be willing to sell it for me on a commission only basis.

ST: So how do you feel about the “commission only” approach?

JB: Well, first of all, if you find somebody to do that, God bless you; go for it. But let me tell you something; I can't think of a whole lot of professionals -- good sales people that are worth their salt -- who are going to take on a product where they don't know what the sales process is, what the cycle time is, what the demand is. To assume they are going to take that on -- invest all of their time and effort and expertise in networking for free on the hope of future commissions -- to make that assumption is extremely naïve.

ST: Agreed. Any others, Paul?

PG: Sure. When we're talking to a prospective client, we ask, “Who is the buyer? Who do you sell to in a particular company?”

For example, we sell a software product today where the buyer is actually a lower-level network administrator. But to get the actual purchase done, that network administrator almost invariably has to get approval from at least one or two levels above to make the purchase, what happens now is that you are not selling to one person; you are selling it to three other people, right? So you have to understand what happens during the buying process.

An important question that Joe and I always ask is, “How does your potential prospect buy this type of product?” And we look for things like, well, does it need an approval? What about budgets? It's typically a budgeted item; do they have to budget for it next year, or do they budget for it every year? Sometimes they've got the answer, sometimes they don't. But we have to be really careful about it because we know that every time we add more people to the process, it takes longer, and the yield decreases.

ST: Any other misconceptions you think entrepreneurs have about what it takes to develop a sales process?

PG: I think the biggest misconception is -- and this is pretty well documented in Silicon Valley, Steve -- the misconception is that they are going to hire one sales rep, or a small sales team, and they are just going to go bonkers with the product. Statistically, there is

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

90-95% chance that whoever they hire, whether it's one person or a small sales team, they will not be with that company one year later.

ST: Wow, 90-95%?

PG: Right. And here's why you have turnover: The product is too early to the market, the sales rep can't make the kind of money that they need to make, the amount of effort required to close a deals increases substantially, and the dollars on the original order are substantially lower than they project. So they leave. Or the company hires too many reps. We see that a lot when they get some money from an Angel group or a VC. The company hires a whole sales team -- and they blow their entire sales budget, and in six months to a year later they have nothing to show for it. An entire sales team came and went -- in some cases, two and three times. By the way, this is a very common problem in Silicon Valley.

JB: This newest client we have, we were recommended to them by the VC that funded them. And the reason the VC liked our model is specifically because of what Paul is talking about. With us, you hire us, our sales guy starts selling your product. If we find that some things are missing or you are going after the wrong market, you can adjust. We will just wait until you adjust and then we will start selling again after you've made the adjustments. In the meantime, our sales guys are selling products from our other clients. So they are always available. But what if you've hired a team and this happens? Then your entire sales team is going to leave; and now you are going to have to start that whole recruiting and hiring process all over again, which might take you 3-4 months.

ST: So you're an "On Demand" sales model -- companies can start out, and if they need to adjust you can pull back?

JB: Sure. You can pull back and come back and see us in a month or two and you know we are still around, and we already know your product...no learning curve all over again.

JB: You know those are huge things - either underestimating the sales process, or going out when your product isn't quite ready for prime time. There is a lot of pride of ownership; entrepreneurs have spent years of their life developing a solution set and they're trying to get a return on that investment. But you really don't know whether you've hit the mark until you go into the marketplace and get that feedback. And that's the biggest issue we see -- these entrepreneurs, they don't know how to do that. They don't have the capability; they don't have the resources, the knowledge, the experience to do that in an efficient and effective way. Most entrepreneurs, if they have already got customers, it's because they reached into their personal Rolodex and got their friends to use the technology -- and whether they paid for it or not. So, they'll say, "Yeah, I have three or four customers", but that's from their personal relationships. Go into the marketplace beyond your Rolodex and see what happens.

ST: So what kind of support do sales people need from marketing – guys like me? If you had your dream team from a marketing perspective supporting you, what would you have?

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

PG: Marketing is to me probably the most critical component of taking a product to the market; it's not the sales organizations. There are actually some things that I think marketing drives that actually doesn't have to do with the product, they have to do with the company culture. So let me lay it out for you. The first is, marketing does the market validation. There are a lot of people that develop a product and then they go try to find the market. I think what you need to do is get marketing people who can go locate a market and build the product or have the products built specifically for a market. Do it the other way round. They haven't worked with some really senior marketing people, gone out there, interviewed potential prospects and interviewed existing customers using the technology. Some of the key things that the marketing department should also do is market identification, target marketing, talking to customers, and supporting product development of the current product.

Then there's the fundamental messaging that you send out. What are you going to tell the world or your particular marketplace about what the product does? I have seen a lot of products that are actually great for a particular target and marketing gets the messaging wrong. And the message doesn't match what the product does. We've seen it.

ST: And you show up at the customer and they say, well, that's not it...

PG: ...that's not what your brochure said.

PG: It absolutely happens. The other key component to marketing is lead generation. From a selling perspective, can they develop leads?

JB: Here's a quick analogy. Look at NASCAR racing. Designing the car, how to engineer the car to be competitive, scoping out the competition and figuring out how to get an edge -- that's all the stuff of marketing. Sales is the driver; once marketing has figured it all out and built this incredibly powerful, awesome, totally souped up race car, we jump in it and we drive it. That's the analogy. Without marketing you don't have sales, you can't be competitive, you can't stand out above the fray, you can't figure out how to differentiate yourself vs. the competition.

Marketing creates the ammunition that sales people need to go into the market with confidence. The biggest thing sales people need as an incentive is confidence, passion about what they are selling. A passionate, confident sales guy will close deals because he will be relentless in his efforts, he'll be evangelical in the way he communicates the solution. If the sales people don't have that kind of mindset, if they are not confident, they are not passionate, if they can't go out there and feel like, I am delivering so much value to you, Mr. Prospect, you've got to talk to me, because I am confident that I can solve this big problem that you have -- unless they have that instilled in them, they are not going to close deals.

ST: Like preparing a warrior for battle?

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

JB: Exactly. That warrior has to be motivated and incented to go out there and risk it all. And that's what sales guys do, especially when you bring on a new sales person who has connections, has a Rolodex, with established relationships like we do. Our biggest asset is that we have this incredible network and database of accounts that we can tap into, but we are not going to tap into it if we don't feel confident about what we are selling because that's a relationship that we own that we don't want to jeopardize or damage in some way.

ST: Speaking of battles and warriors, who are you taking in this year's NCAA Basketball tournament?

PG: I like Villanova. But I've got to tell you, Duke looks practically unstoppable.

ST: Everybody seems to like Duke.....

PG: Hard not to like them, they are just incredible.

ST: Okay! Well this is been fun guys.

JB: Yeah, great Steve.

PG: Steve I hoped it helped. If you need anything else, let us know.

ST: I sure will, I appreciate your taking the time and I think there is a lot of good advice and insight here. Thank you for joining us!

**Tennant Consulting Times Interview:
Joe Blank and Paul Gariboldi**

About Virsalent



Virsalent provides professional sales and marketing services to innovative technology companies. From lead generation, through negotiate and close, the company manages every stage of the sales process. Virsalent's value add includes the following assets: well over 100 years of combined sales and marketing expertise, proven lead generation and lead qualification techniques, a database of several thousand companies and key contacts, and a network of over 250 professionals willing to make warm introductions into target markets. Virsalent drastically reduces the time and costs of getting to market, compared with hiring and ramping an internal sales organization. For more information about San Francisco-based Virsalent, please visit www.virsalent.com.

About Tennant Consulting



Tennant Consulting helps software company executives and entrepreneurs accelerate growth of their business by providing a blend of strategic marketing, product management, alliance and business plan services. Our value proposition and goal is to return 10 times our fees to customers in the form of fewer costly missteps, increased revenue and equity funding. Tennant Consulting helps software executives and entrepreneurs develop their company vision, research new markets, build product, find talent, and attract customers, investors, and partners.

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