

# **FIVE CRITICAL FIXES FOR THE ISV**

**Grant Oliver**

# Objectives

- Small number of attendees
- Educational
- Workshop event
- Participate – Q&A

# Craig Conway - PeopleSoft

In the article 'PeopleSoft – From Turnaround to Target', Craig Conway was quoted as saying:

- The company had no revenue growth, no earnings and employee attrition was 30% per year
- There were no budgets, no purchase orders, no contracts for consulting engagements, no cash collection process, no sign-off approval matrix and no management reports
- In addition there were three different software development organisations.

# Jon Moulton

- “Their accounts could have been written by Enid Blyton and the internal management accounts were even worse
- Like many of our acquisitions, Cedar was poorly managed. It had unhappy customers, no support and no clear product road maps.”

# FIVE CRITICAL FIXES

1. No value proposition or ROI for the offers
2. Poor lead generation
3. Not reviewing pricing
4. Believing you have the best products in the world
5. Not knowing who is the customer

# I have recently interviewed 5 industry gurus

1. **Ian Bowles**, CEO , Allocate Software
2. **Mark Lane**, Consultant on Strategic Marketing and M&A for the TMT sector and private equity companies
3. **Paddy MccGuire**, Managing Partner, Cobalt Corporate Finance
4. **Ian Spence** , Founder, megabuyte
5. **Jane Tozer**, Founder, ITNEA

# Background

1. **Ian Bowles**, Allocate Software, leading provider of workforce optimisation, it is referred to in the book as a high performing software company
2. **Mark Lane**, part of the team that sold COA Solutions for £100m
3. **Paddy MccGuire**, sold many public and private software companies
4. **Ian Spence** , provides market intelligence to software companies
5. **Jane Tozer**, initially worked with IBM and now involved in a number of software companies

# Common themes and some surprises

- Great staff, great product and clear strategy
- Best product does not always become the market leader
- Customer service, implementations, great salesmen, great finance director



# Marketing History

- **1974**
  - Joined CIM
- **1999**
  - Salesforce launched
- **2004**
  - Salesforce went public
  - Facebook launched
  - LinkedIn opens for business
- **2006**
  - Several companies launch Marketing Automation
- **2008**
  - LinkedIn opens London office

Everyone in this room needs  
to consider  
these three problems

1. Implementations

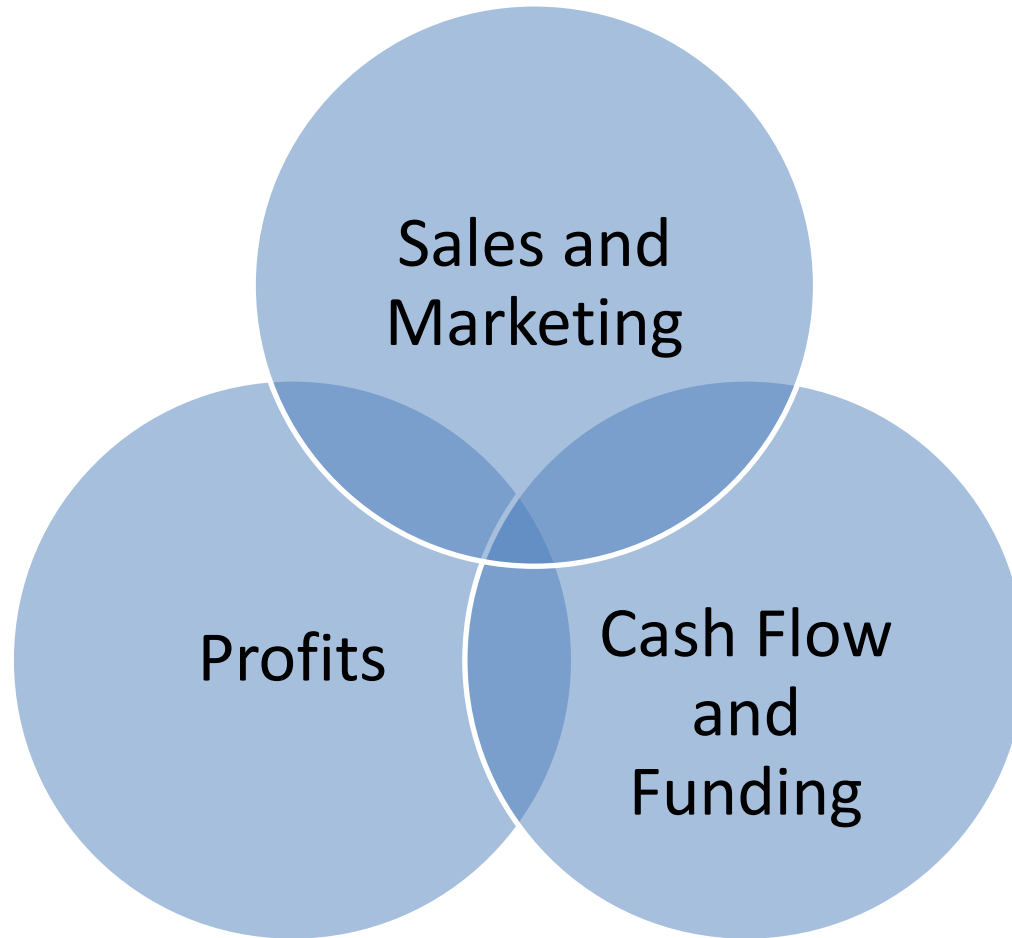
2. Internal Problems

3. External Problems

# 1. Implementations

- We should spend 2 weeks planning and 50 weeks achieving
- Mark Twain said ‘if you do what you have always done, you will get what you have always got’
- 90 Days – changed strategy, agreed the business plan, built a new website, found 5 partners, moved professional services to a 3<sup>rd</sup> Party

## 2. Internal Problems



# 3. External Problems for customers

**How does  
my offering  
reduce  
costs?**

**How does  
my offering  
deliver Cost  
Avoidance?**

**How does  
my offering  
increase  
Revenue?**

# Value Proposition

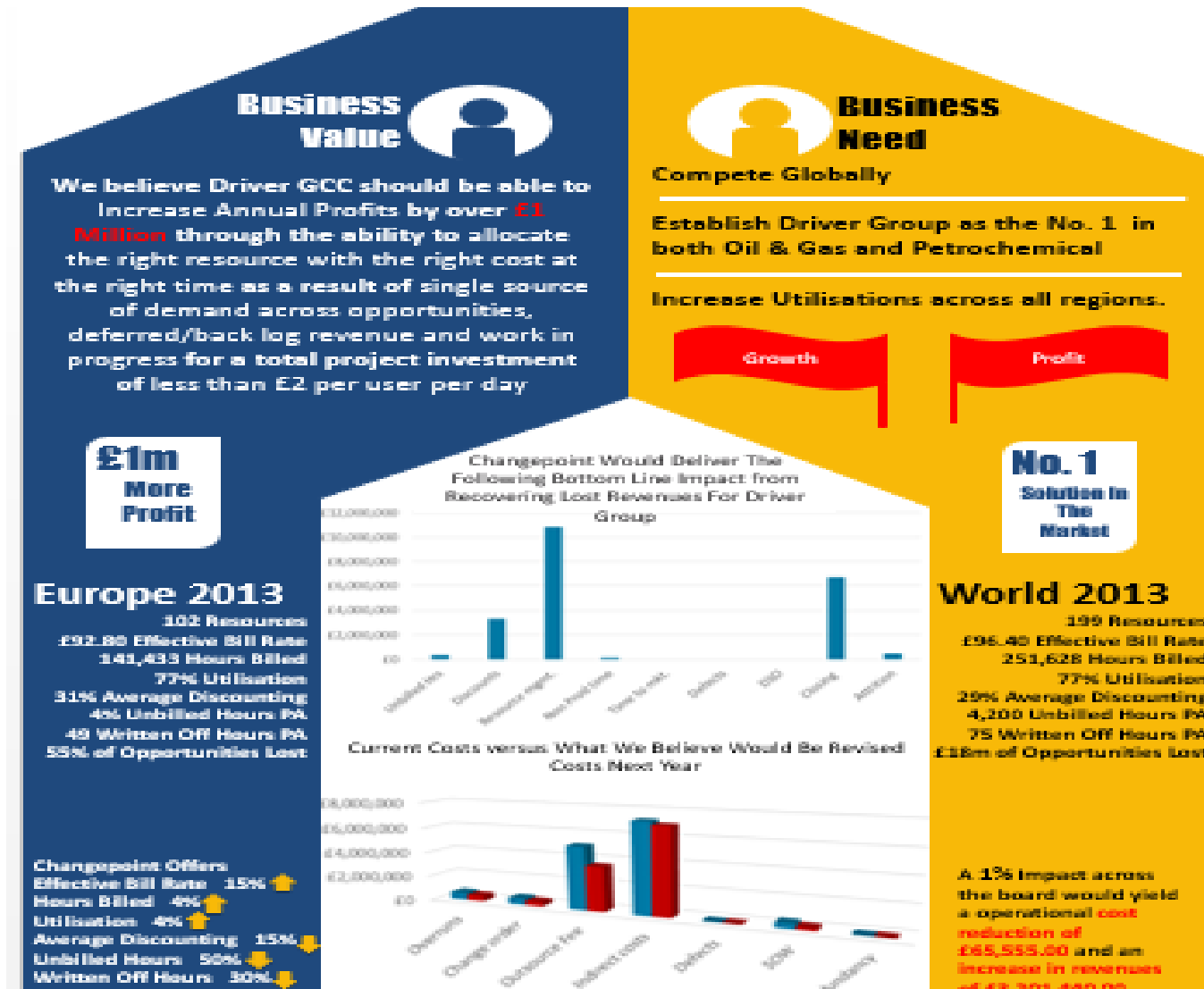
<b>Cost reduction</b>	Less staff required as the number of jobs could be increased by 30%. In addition, cut down on travel costs.
<b>Cost avoidance</b>	Re-arrange the van fleet and sell off the old vans that were becoming costly in terms of maintenance. Avoid buying more vans as less people were needed.
<b>Revenue increase</b>	Bid for additional external contracts with more confidence, as the cost base was under control and were very competitive.

# Excel ROI

FORMULA: NPV = PRESENT VALUE								NPV						
COST OF CAPITAL								15%						
NET PRESENT VALUE								\$5,812,897.54						
PAYBACK (IN YEARS)								0.17						
RETURN ON INVESTMENT								Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year
									355.0%	474.0%	601.4%	697.0%	801.4%	
OUTPUTS														
BENEFITS								Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year
ANNUAL CASHFLOW BENEFIT								(\$125,000.00)	\$100,000.00	\$775,000.00	\$1,525,000.00	\$1,525,000.00	\$1,525,000.00	\$1.52
CUMULATIVE BENEFIT FLOW								(\$125,000.00)	\$400,000.00	\$1,440,000.00	\$2,965,000.00	\$4,490,000.00	\$6,015,000.00	\$7.54
DISCOUNTED BENEFIT FLOW								Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year
DISCOUNTED COSTS								\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$12
DISCOUNTED BENEFITS								\$0.00	\$125,000.00	\$600,000.00	\$1,050,000.00	\$1,050,000.00	\$1,050,000.00	\$1.05
TOTAL DISCOUNTED BENEFIT FLOW								(\$125,000.00)	\$100,000.00	\$775,000.00	\$1,525,000.00	\$1,525,000.00	\$1,525,000.00	\$1.52
TOTAL CUMULATIVE DISCOUNTED BENEFIT FLOW								(\$125,000.00)	\$100,000.00	\$775,000.00	\$1,525,000.00	\$1,525,000.00	\$1,525,000.00	\$1.52
+														
INPUTS														
INVESTMENT								Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year
INITIAL INVESTMENT								\$75,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IMPLEMENTATION COSTS								\$10,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ONGOING SUPPORT COSTS								\$0.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$10
TRAINING COSTS								\$50,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$25,000.00	\$2
(COST DRIVER)								\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
(COST DRIVER)								\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL INVESTMENT								\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125
BENEFITS								Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year
(BENEFIT DRIVER)									\$100,000.00	\$50,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$10
(BENEFIT DRIVER)									\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$125,000.00	\$12
(BENEFIT DRIVER)									\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$100,000.00	\$10
(BENEFIT DRIVER)									\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$50,000.00	\$5
Small Business Bundle														
Return On Investment														
+														
4														



# Infographic for ROI



# BACKGROUND

## 3 people have recently written books

1. Sir Alex Ferguson - the former manager of Manchester United
2. Sven Goran Erickson - the former manager of the England football team
3. Grant Oliver

# 90 Day Action Plan - eBook



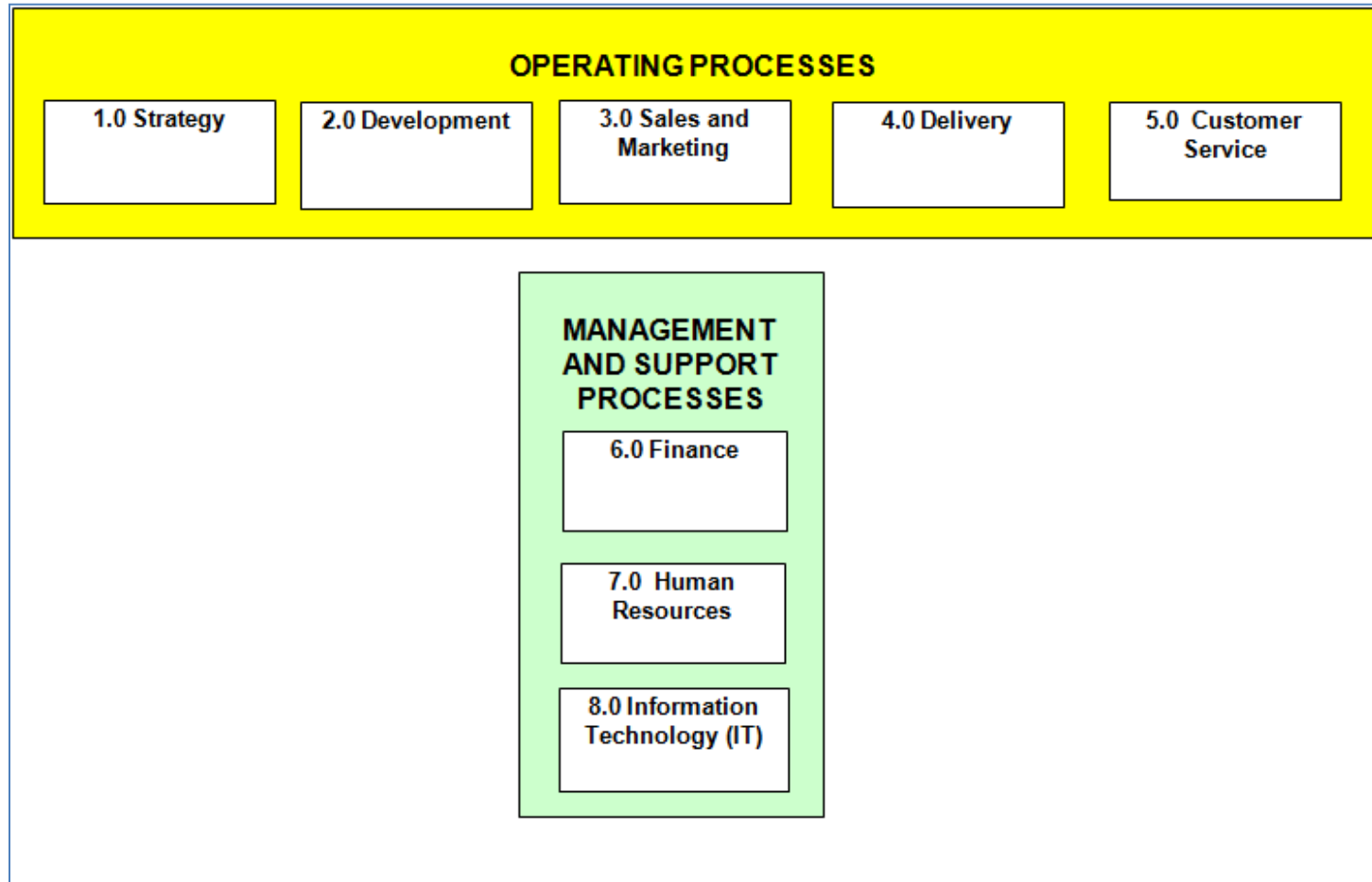
# 90 Day Action Plan

- My book is about the things I have learnt in 20 years in the software industry
- It is 80 A4 pages long and very detailed
- Someone said to me the other day that in 20 years you only learnt about 4 pages a year

# Technology clients



# 90 Day Action Plan is based around 8 core processes:



# What have been the results and where has it been used?

- Fund raising for MBOs via Venture Capitalists
- Turnarounds for both private and quoted companies
- Acquisitions and Investments
- Profit improvement to prepare for a sale or fund raising

# What are the main challenges to running a software company?

- Lack of sales
- No lead generation
- Incomplete products
- Unfinished implementations
- Low productivity of the development team
- Poor cash flow
- Low margins



# What do VCs ask?

1. What problem does it solve?
2. How big is the market?
3. Will people pay for it?

# What questions do you need to answer?

1. So what's your business all about?
2. What's the barrier to entry for competition?
3. What's going to stop big monster company in your space from copying you? .
4. Why are you raising the money you want to raise? How far does that money get you?
5. Do you have any customers? Have you spoken to potential customers?
6. What's your marketing strategy?
7. What are you coding in?
8. How are you handling the technological infrastructure for scaling?
9. What's the team look like? What are your backgrounds?

# FIVE CRITICAL FIXES

1. No value proposition or ROI for products
2. Poor lead generation
3. Not reviewing pricing
4. Believing you have the best products in the world
5. Not knowing who is the customer

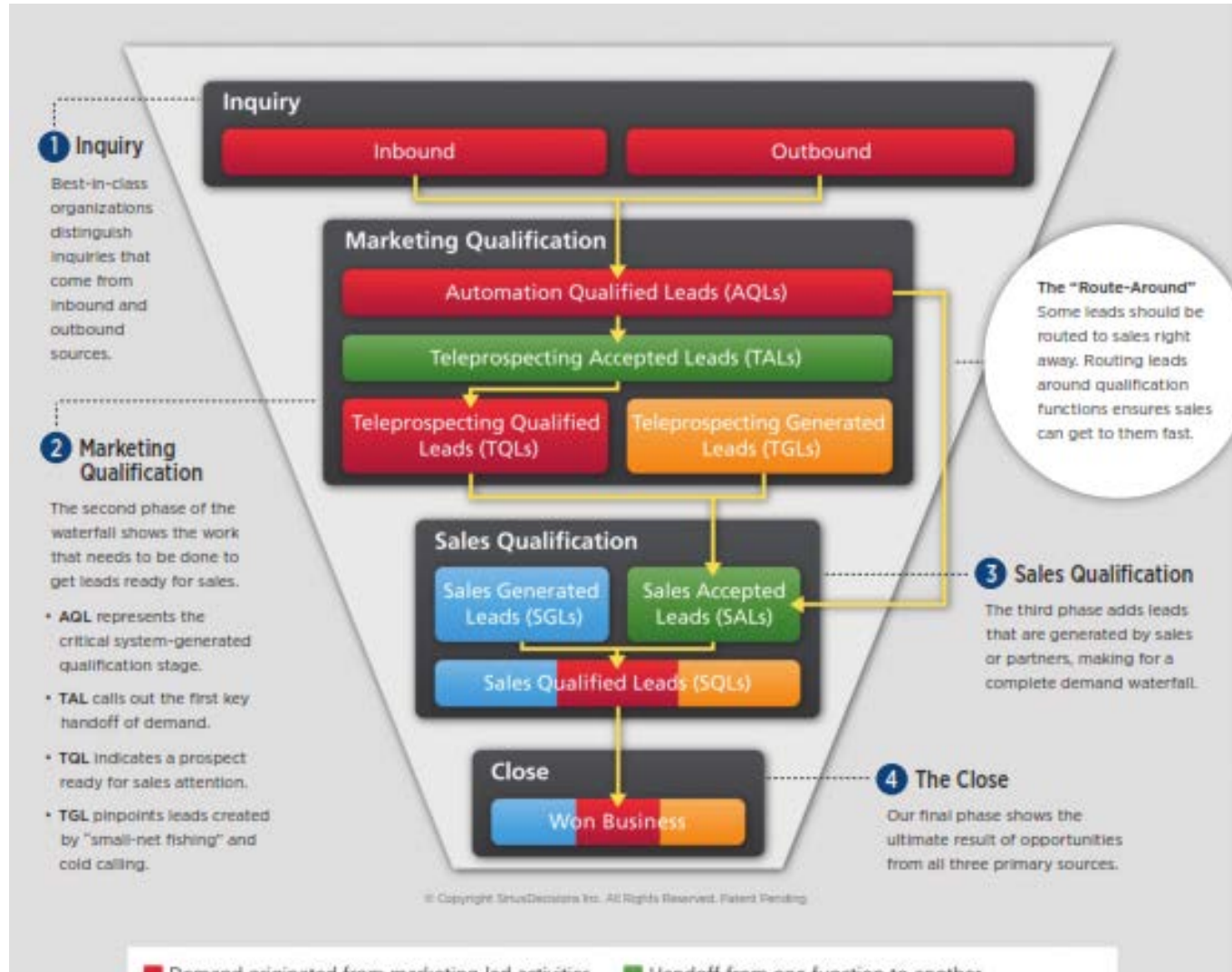
## 2. Poor lead generation

- Lead generation is the single most important objective of any business-to-business (B-to-B) marketing department. When asked, senior marketing executives back this up.
- In a 2010 study, Marketing Sherpa asked chief marketing officers (CMOs) about the challenges they face. The top answer was “generating high-quality leads,” named by 76 percents of respondents.

# Lead Generation

- Direct Mail
  - Postcards
  - Letters
- An example
  - Buy a list and email 1% to 2% response
  - Search LinkedIn, send letter and then an InMail through LinkedIn - 30% conversion for a meeting

# Demand Waterfall





# Cost of leads

Medium	Volume	Cost	Response Rate	Gross Inquiries	Qualification Rate	Qualified Leads	Cost/Lead
Mail	30M	\$1500/M	2%	600	25%	150	\$300
Print	40M	\$100/M	.5%	200	20%	40	\$100
Trade show	—	\$15,000/event	—	400	10%	40	\$375
Banner ad	5M	\$50/M	.5%	25	40%	10	\$25
SEM	—	\$1/click	—	100	10%	10	\$10



# Marketing Automation

- Originally focused on email marketing automation, marketing automation refers to a broad range of automation and analytic tools for marketing especially in inbound marketing.
- According to Datanyze, the top marketing automation platforms by market share are: Hubspot, Marketo, InfusionSoft, Eloqua, Pardot, LeadLander and Act-On.

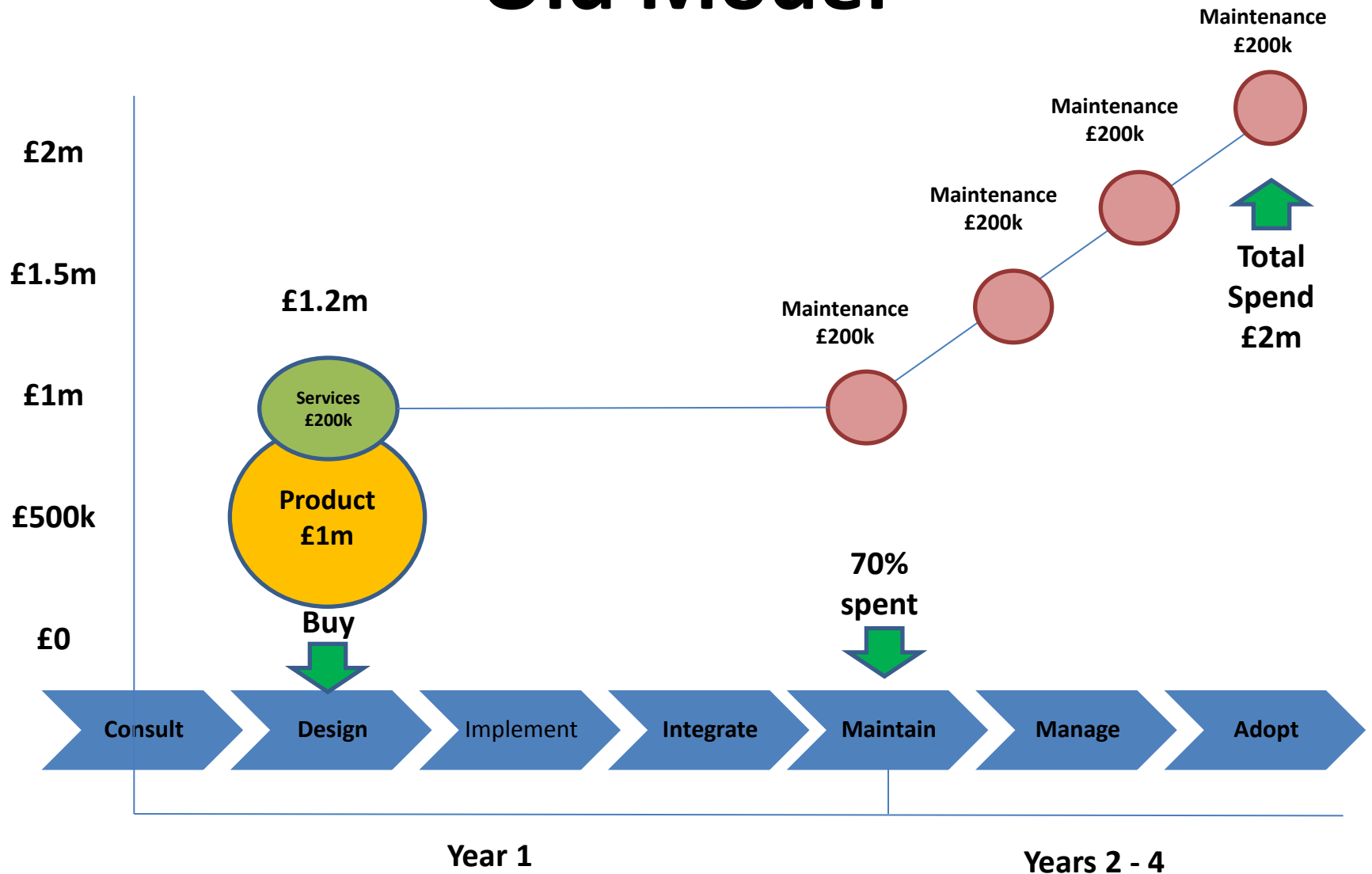
# 3. Not reviewing pricing

- Subscription model has a dramatic effect on profits, cash flows and valuations
- Consumption based pricing
- Do we want 10,000 users at £20 per month or 100,000 users at £2 per month
- Stop providing consultancy and services

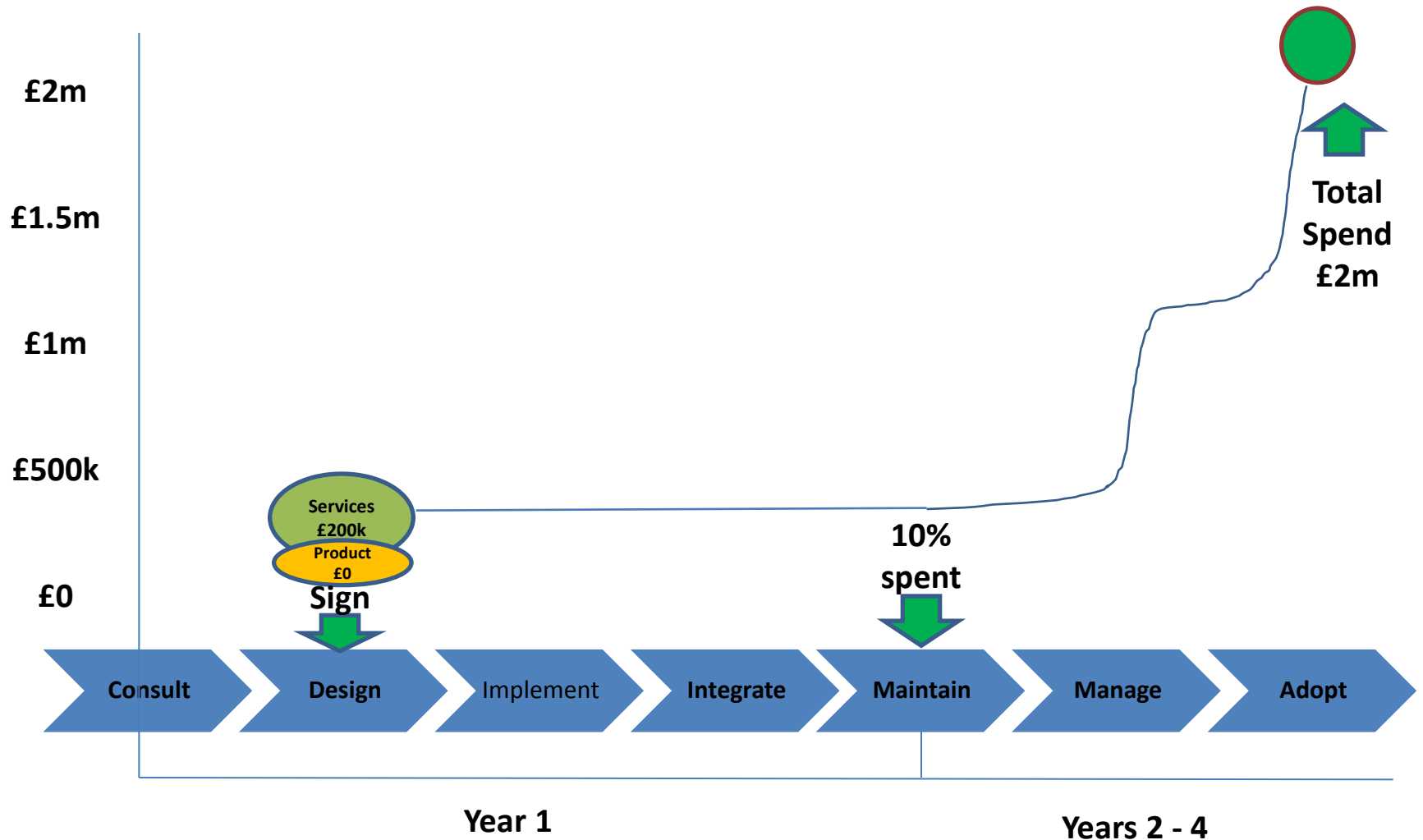
# Subscription Model

	Traditional	SaaS
Revenue Growth	1%-2%	25%
Profitability	16%	4%
% Revenue for Services	50%	20%
Services Margin	50%	10%

# Old Model



# New Model



## 4. Believing you have the best products in the world

- Product A and Product B
- Ties back to Value Propositions and ROI

# 5. Not knowing who is the customer

- Lack of focus on target markets and customer leading to lack of direction on product and strategy
- How do customers use the product
  - How do your most successful customers become your most successful customers
- Salesforce – which methods yield the most accurate 30, 60 and 90 day forecasts and which works best in Financial Services or Manufacturing?

# Sales Discussion and Process

## Traditional Model

- Sell it to me
  - Install it for me
  - Fix it for me
  - Refresh it for me

## Consumption Based Model

- Let me try it
  - Manage it for me
  - Drive my full adoption
  - Guarantee my business outcome



# SUMMARY - FIVE CRITICAL FIXES

1. No value proposition or ROI for the offers
2. Poor lead generation
3. Not reviewing pricing
4. Believing you have the best products in the world
5. Not knowing who is the customer