



Successful Times

Growing Your Business Together

Vertical versus Horizontal Business Models

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Ram Charan is a highly acclaimed business advisor and author. Ram has coached some of the world's most successful CEOs at companies like GE, DuPont, EDS, Ford, and Verizon. Ram writes:

“A synchronized organization doing a few things really well is like a champion rowing team—people working together with a certain rhythm that allows the group to do things the individual could never accomplish. Synchronization expands the capacity of the whole team and allows them to achieve a high level of success.”

Software resellers and publishers fall into one of two general categories: horizontal or vertical. Horizontal is marketing and selling your products and services across many, businesses segments or SIC codes. A reseller for example might pursue distribution, manufacturing, professional services, and not for profit industry segments. From day-to-day, their sales team calls on these different industries trying to uncover pains, problems, and requirements. In contrast, a vertical reseller pursues very specific and targeted industry segments such as the wholesale distribution industry or even more specifically on packaged dry goods distributors with in the food industry. The marketing and sales effort precisely focuses at these industries and potential clients are turned away or referred elsewhere when they fall outside of the target client profile.

Although there are many successful horizontal and vertical resellers, there is a clear advantage to selecting the vertical route. As Ram Charan points out in his books and articles, “Organizations can only do a few things really well.” Companies that focus on vertical markets are typically more profitable, enjoy less stress, and have happier customers.

The most significant factors influencing a cus-

tomers decision to buy from you is your business, industry, and product knowledge followed by good client references that closely parallel your prospect's business. By focusing your efforts on a few select industry segments your sales and delivery teams develop the knowledge and expertise to understand the pains and problems businesses face and recommend tangible solutions the prospect can embrace. It permits you to develop many client references that provide potential customers with a comfortable feeling about your organization and skills. In short, it enables you to drive more sales and higher profits.



Premier Results a successful VAR in Commack, New York targets the distribution industry with Take-Stock, a vertical product, from Software Solutions in Atlanta. With more than 125 clients, Premier Results has developed the powerful positioning message, “Wholesale distribution—Our only business.” Their knowledge, expertise, and significant reference base affords them the ability to successfully leverage themselves against their horizontally positioned competitors.

RMI a reseller in Avon, Connecticut has developed a vertical package named Rental ADVANTAGE™ that focuses on mid-market companies in the rental industry. The product uses Microsoft's MBS Navision Software as a baseline for this powerful solution. With several hundred clients, RMI has become a dominant player in the rental management marketplace and is one of the most successful VARs in North America. Paul Chapdelaine, President, attributes RMI's success to their knowledge, expertise, and focus on their vertical market segment.

As we embark upon a new year, you should consider vertical strategies in your organizations strategic business plan. It reduces competition driving more sales and higher profits.

- **Organizations can only do a few things really well**
- **A vertical focus drives more sales and creates higher profits**
- **As we embark into the new year does your company have a strategic business plan**
- **Premier Results and RMI are examples of two successful vertical VARs**

It's 2003 ... Do You Have a Strategic Business Plan?

William Patton, 52, is a seasoned business consultant. He writes in a recent [Inc Magazine](#) article:

"The reason a small company survives is planning," he says fervently. "A lot of literature says there are three critical issues to a small company: cash flow, cash flow, and cash flow. I agree those issues are critical, but so are three more: planning, planning, and planning. That's my opinion as an academic, as a consultant to many organizations, and as a businessman."

As we travel around the country working with VARs, we are amazed to see that only 1 in 25 has a strategic business plan. Imagine driving from New York City to Ann Arbor, Michigan without directions or a road map. You might get there, but not without wrong turns and bumps along the way. In an industry that is consolidating and rapidly changing, business planning is essential to growth and even survival.

A strategic business plan considers three major components: where we are today, where we want to be in the future, and how we can get there. The "where we are today" scenario begins with an accurate set of financial statements for the prior year, staffing counts by functional area, and key performance indicators for your business and for the industry. How well did you do against your own goals and objectives? How well did you fare against industry benchmarks? What did you do right and where did you go wrong?

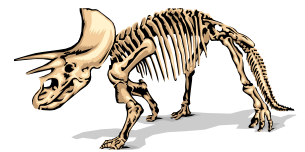


Perform a detailed "SWOT" analysis of your organization by understanding your company's **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. Create strategies to capitalize on your strengths and opportunities. Find ways and develop plans to overcome your weaknesses. Understand your threats from an economic, competitive, and industry perspective. Develop strategies and contingency plans to combat them.

Where do you want to be by next year? Start with a realistic sales forecast. Consider your markets, products, and service offerings. Reevaluate your service pricing and rate structure. What people and other resources do you need to achieve the sales goals? If you meet your sales targets, do you have the technical resources to deliver and complete customer projects? Create a staffing plan necessary to meet the forecasted projections.

Create high level and detailed financial budgets that include revenue projections, fixed and variable costs. Review the budget against key performance indicators, and industry norms to make sure it is reasonable and achievable. As you move through the year, compare the budget to your actual operating results and understand where and why you are meeting or not achieving your plan.

Planning is essential. Do it well and prosper. Don't do it and you might follow the path of the dinosaur.



What Should You Expect From Telemarketing

On average companies replace or upgrade their enterprise application software every 5 to 8 years. This means that each year between 12.5% and 20% of your prospects make a major software investment. The goal is to find these companies so that they enter your sales funnel and become prospects. The more qualified prospects you have in the funnel the more sales you close.

The purpose of telemarketing is to make a high volume of telephone calls to touch as many people as possible searching for a suspect. The definition of a "suspect" is anyone with a heartbeat that has a pain, problem, or inkling that they may consider investing in an information technology project. Contrary to popular belief,

telemarketers do not set-up appointments to have salespeople run out and pick-up checks for closed deals. If this were the case, we could hire messengers instead of salespeople.

What should you expect as a

result of telemarketing? First, you should expect telemarketers to make 20 to 30 telephone calls per hour. You should have enough telemarketing hours to touch each company in your target market segment twice each year. This insures that you do not miss any suspects considering an investment.

Next, you should expect telemarketing to gather information based upon 5 to 8 carefully designed questions. This information is entered back into your CRM system to enrich the data and keep it current. The questions gather a basic level of information to qualify if it is worth passing this suspect to a salesperson. It is clearly the salespersons responsibility to do an in-depth qualification of the suspect to determine pains, timeframe, and budget. The salesperson must determine if and when this suspect becomes a prospect. The CRM system is again updated with all the information gathered by the salesperson.

Telemarketing is a difficult and thankless job. It requires patience, understanding, compassion, and encouragement to build a well-oiled machine. Do it right and the reward is well worth the effort.



Key Business Thoughts from World Class Executives

The January 2003 issue of [Business 2.0 Magazine](#) interviews 20 business leaders posing the questions including, "How to Succeed in 2003." This article summarizes some of their key thoughts that apply to all of our businesses.

Jim Goodnight, CEO of SAS, a software company that consistently ranks in the top 10 list of places to work says: "Make your employees love to work for you".

Helen Greiner, President of iRobot, whose products have searched al Qaeda caves and the Great Pyramid says: "Know your customer and make them happy".

Michael Dell, Founder and CEO of Dell Computer says: "Never rest. Always find ways to improve. Never stop innovating or taking risks, and keep your whole team engaged moving in the same direction." He continues to say: "We stay focused on our customers. If you provide clients with the best possible experience, then profits and growth should naturally follow, regardless of what's going on in the economy."

Rick Wagoner, President and CEO of General Motors says: "It is



better to be 80 percent right and make fast decisions than it is to be 100 percent right and slow."

Anne Mulcahy, Chairman and CEO of Xerox says: "Lead your employees through hell and back. Communication is the most important tool of all. It is telling people how they fit into the picture and listening to what's on their minds. There is nothing more effective than face-to-face communication."

David Neeleman, founder and CEO of JetBlue Airways says: "Be quick and nimble. Never forget who pays the bills."

Glen Salow, Executive Vice President of American Express says: "Train your people well and give them the confidence to act on their own. Be humble in your leadership"

LT. Shane Osborn, U.S. Navy Pilot says: "Don't wait to build relationships with your colleagues. Some people think they can get somewhere alone, but you don't get successful that way. You just get lonely."

Such simple thoughts most of which are simply common sense. It is amazing how uncommon we find these thoughts in practice.

Ask the Experts and Win an SDbT Golf Shirt

Our "Ask the Experts" section answers questions submitted by our readers. Ask any question on sales, marketing, project delivery, compensation, or business operations. If we use your question, we will send you our SDbT golf shirt as a thank you.

Send your questions to experts@sdbt.com.

Question:

Bruce from a company in the UK that wishes to remain anonymous asks:

I am a software implementer and occasionally perform software demos. Our salespeople loose many sales to competitors. When I ask why we lost the sale, they tell me price, we were just more expensive. I am concerned about my job because we are not closing enough sales. How can we solve this problem?

Answer:

Bruce, there are several possibilities. First, let us assume that you are more expensive than the

competition. This is not necessarily bad. You must, however, convince the prospect that you are worth the added investment because you bring more value to the project. Since the prospect cannot differentiate you from the competition, they are purchasing the lower cost solution. Your company and sales team must deliver a clear and tangible benefit to the prospect to help them justify the additional cost.

The second possibility is that your firm cannot offer a convincing benefit justifying the cost. In this case, you need to consider meeting the competitors' price.

Finally, it can simply be a qualification problem. There are some prospects that are short sighted and only buy the lowest cost solution. Sales people should be able to uncover this during the initial qualification phase and disengage early in the sales process. This gives them more time to pursue quality prospects. Most sales people have a real hard time walking away from prospects even if it is a bad deal.



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Business Positioning Workshop

Position Your Business to Win—Guaranteed

SDbT is offering a comprehensive 3-day Position Your Business Workshop in Red Bank, New Jersey on February 24, 25, and 26. This hands-on workshop is a rigorous 3 days designed to help you find and deliver a clear and concise business-positioning message, differentiate yourself from the competition, and propel your sales.

The cost of the workshop is \$1,500 and is limited to 18 attendees. The workshop is backed by our unconditional money-back guarantee.

Workshop Topics include:

- Why is business positioning vitally important and how can it improve your odds of winning sales
- SWOT Analysis ... Analyzing your companies Strengths, Weaknesses, Opportunities, and Threats and use it to create a compelling message
- How to create a tangible message that your employees, customers, vendors, and prospects can understand and believe

For more information and a seminar registration form email us at info@sdbt.com.



Telemarketing Services Arrive

Telemarketing as a vehicle for lead generation requires a combination of ingredients to achieve success. First, it requires people with a special skill set. People that can spend endless hours on the phone, gather valuable information, and accept lots of rejection. It requires making telemarketing fun and rewarding because this is a job few people want to tackle.

Next, telemarketers need an interactive dialogue with just the right message that gets them to the right people, asking the right questions, and extracting the right information.

On January 15, 2003, the SDbT telemarketing team is ready to rock and roll. The group directed by Ms. Jamie Rambo is a talented and hard working team player with more than 10 years of experience in this specialized field. As Jamie's last name, "Rambo", implies she is relentless, devoted, and gets the job done.

SDbT has a variety of programs and services we bring to the table. We can perform outsourced telemarketing or help you interview, set-up, and manage your own in-house telemarketing team.

A well-designed telemarketing program is one of the top choices in lead generation. Give us a call to explore how it can benefit your

