

## Sales...but not momentum: Overcoming the gap between early product



**The Venture  
Viewpoint**  
Pat DiPietro

*This is the fifth article in a series addressing how startups can overcome the hurdles to building a successful, globally-competitive technology company from the Ottawa/Canada base. Here, I address the issue of moving from early, one-off sales to creating a sales pipeline that will deliver a sustainable sales ramp.*

### **Sales.... but not Momentum**

Ottawa tech companies are often thought of as being good at R&D, but less capable at sales. I would argue the root cause is more a result of investment focus rather than of capability. By concentrating so much on product innovation, we are not spending the time, effort and money required to build a top class business development and sales engine early enough in the company's lifecycle.

My last column outlined that the lead-customer/early-adopter engagements can help generate early sales. However these early customers do not usually deliver the sales ramp required to help the company reach the next step in a successful lifecycle: break-even. A more broad based go-to-market strategy is required for the

sales pipeline. Most companies stall for a time at early product sales because there was not enough focus on this aspect of company building. Here I explore approaches that have had some success at getting companies through this period.

### **Timing:**

In introducing disruptive innovation to the marketplace, it is important to keep very close tabs on what is happening in the eco-system where your product plays. Customers, even the early adopters represented by your lead-customer engagements, need to get comfort that your product is a "poster child" for the direction of the marketplace. You may get a lot of interest and even some early sales, but the big ramp comes from wider adoption that stems from a rising tide of interest from a wide variety of customers. "Timing, timing, timing" for products is a bit like the "location, location, location" mantra for real estate. Successful companies navigate this period by controlling expenditures carefully as they participate in the rising tide.

### **Team Configuration:**

In technology-based enterprises, the product is the main event for a good part of the company's early lifecycle. Invariably, there will be an excess of optimism in getting the product completed; a process that generally takes

longer than expected. This costs money and has a knock-on effect with respect to spending money on other areas.

Unfortunately, this usually means delaying investment in a kick\*ss sales team. Usually a VP of Sales is hired early (or is part of the founding team) but the dollars are not there to build the team. This means lack of prospects, lack of qualified customers, lack of what we call a "pipeline" and consequently, lack of sales. Just like designing the product, generating a real sales pipeline takes time.

Although management teams and boards generally recognize the issue, many do not act quickly enough. The companies that navigate this problem well usually invest in the sales engine and take hits in other areas of the business. They build themselves from the customer back and, if necessary, pressure other parts of the organization in order to build a sales function early enough to start delivering sales in parallel with lead customer validation.

### **Veterans:**

Companies would not put untested engineers in critical design leadership roles. Management teams need to understand that this is true of the sales function as well. Part of the perception of Ottawa companies being less capable at

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sales stems from the lack of investing what it takes to entice the best in the industry. Part of it relates to location: it is simply harder to get US (and other) nationals to buy into the story of an early stage emerging success story out of Canada. There, I've said it.

Successful companies make hiring the very best team a priority. Sales veterans with long-standing relationships in key markets can accelerate the pipeline and usually filter out wasteful engagements quickly, creating a truly qualified set of opportunities that will lead to sales.

**Sell what you have:**

Almost invariably, once the AA sales team is on board, there will be feedback that the product is missing certain capabilities. While more capability is always required by the marketplace, companies need only focus on what is "good enough" to get a foothold. After all, you've been through the "lead customer" approach to the market, building in disruptive elements to the product that create tremendous value for the customer. I have found that the sales team is generally not properly trained with respect to the product's value proposition.

Canadian companies tend to put MORE capability in the product than their closest competitors. The issue is more in creating deep understanding in the sales team. Companies can't expect sales

professionals to show up with an intuitive understanding of a disruptive product and its market application day one.

Appropriate training and teaming with highly capable sales engineers help immeasurably.

**Leverage (the last, but most important momentum-generating tool):**

Companies rarely become wildly successful on their own, i.e., with a direct sales model. They depend on "leverage": small efforts that deliver non-linear returns. Companies that exhibit stellar sales ramps use various forms of leverage:

The first is exposure. As the tide rises for your target market, customers look for the leading suppliers. This is where your lead customers, market reports, press-releases, relationships, etc play in your favour, or against you if you do not "google" in the top three or four players in your industry.

The second is scaleable product. The more "shrink wrap" (ie, simple to set up and use) your product is vs your competition, the more sales can scale without a lot of professional services wrapped around the product. This makes it possible to use "VAR's" (value-added resellers), and other distributors to get wide customer exposure.

The third is System Integrators and OEM's (Original Equipment Manufacturers). Often your product is part of a larger sale or a more extensive system. We covered

upstream and downstream integration in the last column. This is where your stuff is embedded in a product from an OEM or has to work with other products. It is often the case that you can leverage the distribution capability of the big OEM machine to get to far more customers than you could alone. System Integrators are large contracting outfits like EDS or Accenture who are uniquely positioned in the RFQ (request for quote) stream of large end customers such as Verizon, the Banks etc. This comes at a margin price, but greatly enhances distribution and potential for non-linear sales gains. Successful companies find many ways to leverage other organizations to achieve their growth objectives.

**Conclusion:**

Sales momentum is the holy grail of scaling, getting to break-even and becoming a profitable company. Many options for creating outside shareholder value, and indeed realizing the value in a liquidity event, open up as your company grows past this point. I have explored some of the root causes preventing companies from scaling rapidly and hopefully provided some insight into actions that management teams and boards can take to help a company succeed in this highly competitive world.

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