

## HOW FAR CAN SALES OUTSOURCING GO? INITIOSTAR IS A NEW FIRM TARGETING SOFTWARE SMEs

# TAKEOVER BID

**T**he troubles of big software companies make the headlines, but small and medium companies are suffering too, as the recession continues to bite. Many will have a home-grown salesforce – initially perhaps the founder working alone – and will up to now have been able to rely upon the strength of their product or service, rather than formally acquired sales and marketing expertise.

According to a newly formed venture, InitioStar, the time has come for such companies to go back to basics and gain the professional sales and marketing skills they need to compete in this harsher economic climate. There are already specialist firms in IT telesales, lead generation, marketing, salesforce development and so on, but InitioStar looks like it's going further by offering a variety of services, from re-orientation of the existing salesforce and business plan, to contract sales and marketing.

The company is targeting software providers with turnovers of under £50 million. Founder and CEO Gary Lowrey says there are 100-plus publicly quoted software SMEs in the UK, and several hundred private companies. Over half have turnovers less than £10 million. Many have liquidity problems; others, in the time it takes for this article to go to press, will have ceased to trade.

"The software market will remain flat this year and next, and large companies will drive down into the SME space," Lowrey warns. "This will require a review of the business model, and a priority shift from pure product and technology to all areas across the product life-cycle, including marketing, sales, channels to market, licensing, pricing strategies and partnerships."

Lowrey promises to help companies define and segment target markets and value propositions, then develop and improve sales and sales management processes, and build the sales and marketing infrastructure, including channels and partners. It can also help with product planning, packaging and promotion. Potential clients include new or existing companies that are confident they have a good product or service, but don't know how to realise



Gary Lowrey

its maximum value. Lowrey plans to target four distinct groups: software start-ups, mature companies launching new products, recovering companies requiring a fresh approach to sales, and US and UK companies looking to enter international markets.

The InitioStar management team includes a former MD of Oracle India, and people with expertise in launching or rescuing software businesses in the US. Lowrey was most recently sales and marketing director for Rebus iS.

Independent sales management consultancy is a tried and tested concept in the US, says Lowrey. "Our starting point is a software and service value audit. This determines the value proposition that precedes the market planning tasks. The value proposition will determine whether the product or service can be marketed in its own right, or whether it needs to be positioned as a component in another solution. We look at markets, geographies and desirable partnerships. Product packaging, including any customisation, pricing, and sales and support collateral, need to be finalised prior to the launch."

However, he says this is an iterative process that needs to be applied and reapplied throughout the product life cycle, as new versions and branding

come into play. Much can also be gained from applying the same process to products in their mid-life cycle.

"The key to success is choosing the right sales model and complementing this with the appropriate promotional and PR activities. We offer a managed sales service, where we will provide sales and sales management resources. Because we have a proven sales campaign and account management process, we can achieve a one-in-two prospect conversion rate."

Not all clients will want an outsourced sales resource. "Some may need a sales management service to assist the development of their own sales resources, or help with recruiting. But whatever the scenario, we can be fairly certain that they would all benefit from a more disciplined approach to account management and new business sales campaigns."

Lowrey says his proposition has had a generally positive reaction, except from companies he describes as being "in denial". He adds that first approaches are to the CEO, who tends to be more receptive than sales directors. But he doesn't anticipate significant resistance from members of salesforces, "since we're all salespeople anyway".

Companies that have products and services with unrealised value have the greatest potential. InitioStar plans to work with three to four clients initially: one taker is finance software house CQ Systems, which has used InitioStar's software value audit to identify sales opportunities for a new product.

InitioStar may offer its services to larger companies too, although this would probably be for short-term projects, whereas the SMEs Lowrey has in mind will be looking for relationships lasting two to three years.

As an "appetiser" InitioStar is offering a free account plan download, to help companies ensure that they understand their value propositions, pricing strategies and distribution models. "While it's not the whole story, these tools have been used to generate multi-million dollar contracts over the last 25 years," says Lowrey.

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