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Accelerating revenue on demand.

MARKETPLACE BACKGROUNDER:

ACCELERATED REVENUE GROWTH IN AN EVOLVING MARKET

A KEYCHAIN LOGIC CASE STUDY

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***EXECUTIVE SUMMARY:** This analysis describes the market and sales position of a company referred to as “Jumpstart” and the steps taken by its management to leverage existing market leadership while transforming the company’s value proposition in response to customer demand for more service-focused offerings. While the identity of the company is masked for confidentiality and competitive reasons, the issues and solutions described are complete. Jumpstart’s executive sales and marketing team was challenged to re-position the company’s application as a full-service offering and launch a go-to-market strategy to rapidly expand into new markets. To do this, they employed the strategies championed by Keychain Logic and detailed here.*

By (a) positioning Jumpstart as a national (as opposed to “regional”) service provider, and (b) re-purposing the company’s marketing efforts to stress Jumpstart’s services as business process solutions (as opposed to technically-oriented tools), and (c) stressing urgency and customer service in its sales cycle, and (d) motivating its sales force to aggressively “hunt” new business, Jumpstart achieved phenomenal revenue growth of more than 290% during the two-and-half year period discussed here.

BACKGROUND: At the beginning of the study period, Jumpstart operated a monthly recurring revenue business with a \$12 million per year run rate. A wholly-owned subsidiary of a larger firm that held several related businesses, Jumpstart’s specialized applications supported its customers’ technical engineering functions in a specific market. With its flagship offering, Jumpstart had saturated its target customer base, and opportunities for growth existed primarily in other verticals. As the company entered a new fiscal year, its challenge was to accelerate growth in new markets and expand its customer list beyond the ~70 logos it had already acquired.

Historically, Jumpstart’s solution was a highly technical one, and its marketing and sales efforts had been directed at its customers’ engineers. The company’s sales cycle was long and unpredictable, with a contact-to-close period running anywhere from 90 to 240 days. Because new customer acquisition was spotty, Jumpstart’s sales organization had developed the habit of “farming” its existing customer base for pull-through revenues and renewal commitments, nearly 100% of which the company would have received in any event.



Two dynamics were developing that would disrupt Jumpstart's sales and marketing approach and threaten its market leadership position. First, strong competitors were appearing in the marketplace; a well-funded start-up founded by former Jumpstart managers was unveiling competing products. Second, soft technology/software markets were imposing downward rate pressures for companies of all kinds, and wholesale failures were common.

To survive and prosper, Jumpstart needed to dramatically overhaul its value proposition, messaging, and sales process. This study describes the steps taken by Jumpstart's sales and marketing team and the results achieved.

BRANDING & MARKET POSITIONING (STEP ONE): Founded by some of the industry's leading engineers, Jumpstart had long enjoyed a reputation for having set the *de facto* technical standard for providers of its kind. Jumpstart was a price maker in its core market, but that position was about to be eroded by the entry of a higher caliber of competitors than the company had faced before combined with a general collapse of application revenues. Moreover, Jumpstart's price structure had been designed to provide services to a particular market vertical in which very expensive resources were used exclusively by larger companies. To control customers' consumption, Jumpstart had actually attached an unreasonably high price those services to act as a disincentive to customer growth.

Jumpstart's launch into new markets required the company to shed its image as a boutique provider of specialty high-tech solutions while leveraging its strong relationships with larger customers to attract their business partners and customers. To encourage these anchor customers to expand their business with Jumpstart and to promote growth across all verticals, Jumpstart implemented a two-tiered rate restructuring plan that at once broadened its discount program and rationalized its base rates for its higher quality services. Each of these steps was relatively simple, and their effects were immediately positive, resulting in an immediate increase of 15% in billed revenues.

First, Jumpstart aligned its pricing structure with its customers' operations by expanding its volume discounting program to give customers credit for their entire relationship with Jump-

start; previously, discounts had not been granted on a total usage basis. This recognition of an expanded market in its existing base helped develop stronger relationships with those national customers and drove the company's expansion.

Second, Jumpstart provided pricing incentives to its growth-oriented customers by lowering the rates for its higher-end services and raising those for its more standard offerings. The incremental revenue generated by these pricing changes was significant. Jumpstart was able to increase its revenue by 15% in 2005, despite a 10% increase in rates for its higher-end services. This pricing strategy was a key factor in Jumpstart's success, as it allowed the company to remain competitive while expanding its customer base. Jumpstart's revenue growth was driven by its ability to offer more competitive pricing to its customers, which resulted in a 15% increase in revenue in 2005. This was achieved by lowering rates for higher-end services and raising rates for more standard offerings. The incremental revenue generated by these pricing changes was significant, as it allowed Jumpstart to remain competitive while expanding its customer base. Jumpstart was able to increase its revenue by 15% in 2005, despite a 10% increase in rates for its higher-end services. This pricing strategy was a key factor in Jumpstart's success, as it allowed the company to offer more competitive pricing to its customers, which resulted in a 15% increase in revenue in 2005. This was achieved by lowering rates for higher-end services and raising rates for more standard offerings. The incremental revenue generated by these pricing changes was significant, as it allowed Jumpstart to remain competitive while expanding its customer base.

Finally, Jumpstart developed success-based pricing and contract terms that offered temporary rate relief in exchange for broader-based and longer-term contracts. Adopting the philosophy of partnering with its customers to ensure their success, the company was able to help



several customers stabilize and grow their revenue streams while reinforcing its reputation of being customer- and service-focused.

SALES CYCLE MANAGEMENT (STEP TWO): While new marketing programs were developing higher-quality leads, and a new incentive compensation plan (discussed below) was designed to improve sales performance, a new sales cycle management process was implemented. This process called for annual sales reviews with each customer. Jumpstart's sales representatives would contact each customer to review the current contract and discuss any changes. The contract was 27 months long and was not renewable, making it an untenable, multi-year commitment. (Jumpstart's sales representatives were not allowed to negotiate contract terms.) The sales cycle management process was designed to identify and address customer objections before they became impediments to the sale. To further accelerate the sales cycle, account managers were trained to raise these objections (rather than to wait for the prospective customer to raise them) so they could be addressed and overcome early in the process.



Finally, account managers were required to complete and submit Weekly Activity Reports (WARs) every Friday morning. These reports summarized the previous week's customer calls and other sales work and outlined future follow-up and prospecting activities. Reviewed with line management during weekly one-on-one meetings, the WAR summaries provided regular opportunities to improve individual contributors' performance and gave Jumpstart executives the information needed to make decisions.

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management with the tools to best focus individual contributors' efforts on strategic objectives. At plan, individual contributors' annual earnings were consistent with what they could earn elsewhere at that time.

Jumpstart's new incentive plan carried monthly "new revenue" quotas and included commission rate accelerators for extended term contracts; the longer the contract, the higher the commission paid on each billable dollar. These accelerators increased base commissions by ap-





