

# On the Prowl for New Customers

By Richard McCausland, Accounting Technology - September 2003

With an installed base that exceeds three hundred customers, you'd think L. Kianoff & Associates is sitting pretty. Not necessarily so. As president Lisa Kianoff explains, "A few years ago, people were just buying up. Today, people are skinning down, and they're adding as they go along."

Based in Birmingham, Ala., this Best Software and Microsoft Great Plains reseller has seen its ratio of new to existing customers swing in recent years from 60/40 in favor of newcomers to 45/55 against. That flip-over concerns Kianoff, since new clients generally mean "a larger [revenue] hit" in required software, implementation services, and support.

To counter that trend, Kianoff has an inside salesperson on staff who deals primarily with prospects. "As she hears their needs, she's funneling that information down to our sales and marketing team," which will arrange a meeting, notes Kianoff. Of a total staff of 19, four are engaged in sales and marketing.

The inside salesperson doesn't need to be intimately familiar with the nuts-and-bolts of the Best and Great Plains lines, notes Kianoff. "Honestly, the initial phone call has nothing to do with product," she confides. "It has to do with pain points and what the caller's business needs are. It's not about us until we get deeper in."

*VARs (Value Added Resellers who generate their own leads tend to have the edge.*

Paying close attention to what the prospect is saying has paid off handsomely for Kianoff's company. It has added approximately 25 new clients in the past year. "That will probably be a good rolling number for us moving ahead," she predicts.

Her success is no surprise to Taylor Macdonald, Best senior vice president with responsibility for business partners, who notes, "The best leads are not the publisher's leads, but the reseller's own." He estimates only the top 20 percent of Best partners conduct their own marketing activities. These tend to be firms with at least six employees.

Since any reseller's installed base will inevitably shrink as a result of business failures, mergers and acquisitions, and unsatisfied customers, "Bringing new blood into your customer pool is vital," comments Michael Bongiovanni, senior sales vice president at Pleasanton, Calif.-based Accpac International. To achieve that, "Resellers really need to have sales and marketing programs, or they're not going to be successful."



**Lisa Kianoff, CPA.CITP**  
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### Going Out To Bring Clients In

"I've had little or no success with raw marketing," says Sheldon Waters, president of DSM Data Systems Marketing, a Toronto-based reseller of BusinessVision software. By that, he means handing over a list of leads to an on-staff telemarketer or outside salesperson with instructions to "Go get 'em, tiger!"

So just about a year ago, Waters began outsourcing his business development needs to a firm specializing in telemarketing. He now provides them with the list of leads, and lets them do all the preliminary qualification work. These may be candidates for BusinessVision accounting software, or for DSM's own InfoTrac customer relationship management package, or both. If a prospect is interested in hearing more, the telemarketing firm sets up an appointment, "and I then send out my best qualified guy," says Waters.

The expectation is that the telemarketer will arrange two or three appointments a week, or roughly eight a month. "Four or five of those are real good prospects, and it's realistic for us to bring home at least two of them," says Waters.

He estimates his outsourcing bill to equal roughly 60 percent of the cost of a full-time, in-house dedicated marketing staffer, "but with three to five times the success rate."

For a VAR to have a dedicated business development person on staff was "somewhat rare" five years ago, he says. Fortunately, that's changing. "The bigger VARs have dedicated one or more people to marketing," points out Bongiovanni.

Even with an installed base that exceeds 400 firms, "It's always important to get new customers, but it's crucial in this kind of economic climate," says Alex Solomon, president of New York-based reseller Net@Work.

He explains, "Any customer goes through a life cycle that spans from pain to luxury. In general, we have taken our existing [Accpac and Best] customers through their pain points, and now should be the time for a lot of cross-selling that covers their [functional] luxuries. But in this climate, they're being very careful about spending for luxuries, so we're not getting as much business from them."

Also citing the sputtering economy, Michael Brown, sales and marketing manager at Boise, Idaho-based Cougar Mountain Software, observes, "Speed to market can't be emphasized enough. The first to respond often will be the one to get the business." That means a VAR should be sure there's someone in the office to receive calls from prospects, and to monitor the Web site for incoming queries, and to rapidly pass those leads onto the appropriate salesperson.

### Working with CPAs

For Kianoff's firm, leads come from various sources: the reseller's Web site, placement with leading search engines, and ads in local business publications. Also, "We've got real good relationships with CPAs," who are invited to monthly Lunch & Learn seminars as part of the overall Kianoff Accounting Partnerships program. A CPA herself, Kianoff has found, "If the CPA gets involved, an implementation goes smoother for the client."

Then there are all the cooperative (co-op) programs for which the reseller and its two major vendors share expenses. These can include product seminars, telemarketing, and mailings. Although "we live in two worlds" because of the alliances with Best and Microsoft, Kianoff notes that both companies

share a commitment to "solution selling," which emphasizes the need to identify and prioritize the prospect's operational difficulties, and then clearly lay out possible remedies. Both vendors also are committed to polishing their resellers' sales and marketing skills through confabs like the Best Marketing Bootcamp and the Microsoft Business Building Conference.

As a result of all its marketing activities, L. Kianoff & Associates has a diverse mix of new clients. "A good number are coming off [Best-owned] Peachtree; that's an important feeder base for us," notes Kianoff. Others are moving from obsolete DOS packages, while some are prepared to switch brands (and channel partners) because of new business issues they have to address. Also, "Of late, we've got a couple of prospects who are on upper-end platforms like PeopleSoft, who have determined they should move down a notch," says Kianoff.

There have been a few medical startups as well, including software developers and biotechnology firms. "Those are real growth-oriented companies, who are quickly adding users and modules," comments Kianoff. Not only are they generating revenue, they're also bringing "a sense of excitement" because they understand how technology drives business.

"There's a level of satisfaction and creativity that you only get from new clients," says Kianoff. "They keep our skills honed."

Best, for its part, is fully prepared to assist the channel with mailings, telemarketing, seminars, and other marketing activities that are eligible for co-op funds. "The more opportunities we can discover for them, the better," says Macdonald. At the same time, the vendor expects its VARs to create their own marketing programs. On that score, matters are definitely improving. For example, almost half of Best's resellers have been through its whole-day Lead Generation Bootcamp to learn how to be more pro-active in ferreting out new business clients.

For resellers to win over new clients, Macdonald recommends that the VAR quickly establish a friendly rapport with the prospect, persuade them of the VAR's own financial security and longevity, and demonstrate that "you understand their business better than anyone else." Additionally, in this economy, the reseller must show how the proposed implementation will

help the prospect (1) grow revenue, (2) make more money, and/or (3) reduce operational expenses. That's critical, according to Macdonald, because "Buyers today are more sophisticated-and more wary."

Best reseller Blytheco has customer service reps to "keep our name in front" of existing clients, as well as six outside salespeople who are "pounding on doors" following up on leads, says Stephen Blythe, president of the Laguna Hills, Calif.-based firm.

"We get hundreds of leads per month," he says, the result of "very aggressive" marketing that encompasses mailings, local ads, seminars, trade shows, and Web campaigns. He estimates it takes as many as 150 leads to find 20 or 30 "really defined" prospects. The goal is to win six new customers in the \$50,000-and-better range per month.

Blythe is very much a staunch advocate of homegrown marketing. "The publisher's role is to get out a good quality product and to support it. Finding and closing on new business is our responsibility," he states. Of course, he hasn't yet turned away a lead brought to him by Best. "But if I don't get any, I don't whine either," he says.

### Beyond the Comfort Zone

Because of the comfort level resellers already have with existing customers, it sometimes takes "a little bit of cajoling" to get them to focus on new client acquisitions, acknowledges James Norwood, senior director for product marketing at Irvine, Calif.-based Epicor. To help them along, the vendor recently broke out a Lead Development Group within its own sales force. Each member is certified by a particular industry, and is chartered to generate leads-through direct mailings, email marketing, trade shows, and the like-within that industry. There are also two internal telemarketing groups that can assist VARs.

This initiative is in keeping with Epicor's Internet Component Environment framework, which allows business partners to develop industry- and company-specific features and applications for clients. When recruiting new VARs, Epicor encourages them to address specific vertical markets if they're not doing so already. "That [effort] seems to be resonating quite well with our partners," says Norwood.

Traditionally, VARs have probably achieved a 2 percent closing rate on leads that responded to a mailing or telemarketing campaign, estimates Norwood. The Lead Development Group is helping to double that rate. "We do a lot of [pre-qualification] work up-front," before passing these "reasonably warm" leads on to the channel, notes Norwood.

There are always opportunities to cross-sell and up-sell to existing customers, "but certainly the entire user base is not going to adopt all these new technologies" that the vendor brings into the portfolio, notes Paul Lundquist, sales vice president for Shakopee, Minn.-based Open Systems. For that reason, "resellers have to go out and find new business if they want to grow their own."

That requires marketing. To ensure the channel is courting new prospects, Open Systems has abolished its voluntary co-op marketing program in favor of automatically allocating a percentage of annual product purchase revenue to vendor-generated campaigns. These can include telemarketing, a presence at industry-specific trade shows, or the mailing of postcards that can be downloaded from the Open Systems Web site and branded with the VAR's own logo.

"We can also play a more active role in the pre-selling phase" of a channel deal by flying in corporate managers to assist in the presentation and to demonstrate the vendor's total commitment to its partner and the end user, notes Lundquist. These can be high-ticket deals, or a high-profile account that will generate publicity, or even a smaller deal with the strong potential of bringing on additional locations. "Our close rate in these instances is very high," says Lundquist.

Open Systems reseller Applied Technical Services, in Marietta, Ga., welcomes all these vendor-generated efforts, but is hardly dependent on them. "That's how we've grown our business, by aggressively going after new customers ourselves," says computer services manager Mike Murray.

ATS has a business development manager, who tracks leads from various sources including the firm's Web site, a local Yellow Pages ad, the CPA Online lead-generation service, and Open Systems itself. She cold-calls companies as well. All this phoning has clearly paid off. ATS was closing on four new deals by July, well

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within range of securing seven brand-new \$40,000-and-up installs this year. "That would be a pretty good year," says Murray.

Economic downturn or not, it's always difficult to find new customers, particularly when almost everyone is already using some kind of accounting software, claims Murray Aston, president of Novato, Calif.-based Softline North America, developer of AccountMate and BusinessVision software.

Aston explains, "There's the expense and the turmoil that the customer perceives they will have to go through when changing business systems from brand X to brand Y." Even if their existing software is failing them in critical areas, "They're still inclined to say, 'We'd rather deal with the devil that we know.'"

Exacerbating the issue is that the life cycle of any accounting package is gradually extending. "Today it's more like eight to nine years," Aston says. Consequently, "The end user is willing to stick with a product longer, so long as the vendor keeps updating that product."

In response, Softline encourages the channel to develop marketing programs on their own. "The most successful resellers have a sales and marketing department, and that speaks volumes," observes Aston. Of course, the vendor will assist those who need it, as evidenced by the restructured AccountMate co-op program, which helps to fund direct mailings, seminars, newsletters, search-engine placements, and other marketing activities.

Softline also encourages its VARs to differentiate themselves in the marketplace by focusing on vertical niches. The open-source Visual AccountMate is easily customizable to accommodate industry-specific needs, and the BusinessVision line includes ten vertical templates that address end users as varied as auto repair shops and wineries.

BusinessVision reseller DSM Data Systems Marketing in Toronto has developed a customer relationship management specialty with its proprietary Infotrac package. The software automatically translates a quote in Infotrac into a new order in BusinessVision. What's more, Infotrac is easily customizable to suit specific industry needs such as hazardous materials

management, human resources, and route management.

"End-user demand has escalated exponentially," says DSM president Sheldon Waters. "Their demands for functionality within the accounting system is no longer basic, but incredibly detailed."

### A Dynamic Entity

David Krapff, channel sales director for Exact Software North America, based in Andover, Mass., is apt to remind resellers, "Your customer base is a dynamic entity. You've always got to be adding new businesses to replace those that have moved on for whatever reason."

In accordance with that belief, "We preach from the pulpit that they need to have someone internal who can track all their leads and drive those leads through the sales process," continues Krapff. With new VAR recruits, "We talk about this early and often."

The sermonizing is having results. "Probably" 30 percent of new Exact clients are brought in by VAR-generated marketing activities, estimates Krapff. This compares with 20 percent stemming from inquiries into the Exact Web site, and 12 percent through shared co-op marketing programs. The remainder derive from phone leads, coupon programs, and customer referrals.

Exact does all the "traditional" marketing communication activities, according to Krapff, including direct mailings, email blasts, and trade shows. The vendor recently began a new co-op program that, for a price, guarantees the reseller 10 qualified leads. These are "interested buyers" that have a budget, a near-term window for purchasing, and a team ready to move the implementation along. Otherwise, Exact sends leads to resellers for them to qualify on their own, in the belief that "an earlier response from a local source" is most likely to result in a done deal, explains Krapff.

In the past year, Exact reseller Romero & Boston in Diamond Bar, Calif., has brought in ten new customers. That's pretty good, argues partner Brad Boston, since "the number of suspects is down" overall due to the economy

and saturation within the mid-market accounting space.

Many customers are staying loyal to their current brand, but others are discovering that what they thought would be a smooth upward migration path isn't necessarily so—especially if the product mix has been expanded through best-of-breed acquisitions, says Boston. “Those upgrades aren't just plug-and-play.”

Furthermore, the prospect can find that “the expense [of upgrading] may be parallel to changing vendors.”

Romero & Boston is poised to snag that opportunity. It has a salesperson whose primary responsibility is to find and obtain new clients. “What he's good at is listening,” says Boston.

“We don't want him to be immersed in technical details,” he continues. “Sure, he needs to know the typical issues involved in manufacturing and distribution and accounting. But if you're not careful, you can end up talking a lot about the product. And that can be bad because the conversation needs to be about the prospect and what they need.”

A demo is scheduled, using data submitted by the prospect. “We show them how the product will work for them—not for [some generic] ABC Distribution,” notes Boston. Not surprisingly, “our close ratio is very solid,” he adds.

Even smaller resellers now recognize they must do marketing to grow their business, according to Accpac's Bongiovanni. “We don't have to push hard on that,” he says. The vendor has devised a Hands-free Marketing Program for its channel that “pretty heavily subsidizes” the full range of tried-and-true activities such as direct mailings, telemarketing, seminars, and trade shows. In-house reps assist VARs in creating a corporate brand for themselves.

“Essentially the resellers are outsourcing the [marketing] services to Accpac, and we make sure they have a good flow of qualified leads,” says Bongiovanni.

“Accpac is spectacular when it comes to marketing,” says Net@Work's Solomon. “We use their collateral even for campaigns we initiate ourselves.” He cites an e-mailing that went to 5,000 CFOs, controllers, and vice presidents of finance that included an attached copy of Accpac's “39 New Ideas for CFOs.” There were 250 downloads for the booklet.

In addition to 50 consultants, programmers, and hardware engineers, Net@Work employs a director of sales, eight full-time salespeople, a marketing director, and two telemarketers. “The objective is always to build your pipeline,” notes Solomon. There are monthly educational seminars, as well as the targeted emails. “We're not just sending them spam; these are segmented by who they are,” explains marketing director Marc Mandelbaum. “We want to come across as an educator or trusted advisor to these prospects, and not as a box pusher.”

Due to consolidation in the accounting software industry, which in some cases is resulting in a portfolio of products with different operating systems, brand loyalty is no longer ironclad, suggests Cougar's Brown. “Before they reach out for an automatic update, people start shopping the market. Because of the economy, people are scrutinizing a lot more,” he says.

There's the doorway for Cougar VARs to get in and make their pitch. Those VARs with at least one person hotly pursuing new business are “at the top of our productivity ladder,” notes Brown. Of course, as partners, Cougar assists the channel with various marketing programs. “In the case of a new reseller, it's especially important for the vendor to help them get a foothold,” he says.

These days, even leads that are tepid are saved as part of a database service to help resellers create “monster” mailing lists for particular industries. As Brown observes, “New business is tougher to come by than in 1999, so we don't want to waste a single lead.”

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