SIGNING THE KILLER CUSTOMER

COMANAGE DID IT WITH A NEW-LOOK PARTNERSHIP, OLD-FASHIONED SALESMANSHIP . . . AND BY PAYING ATTENTION

On December 23, 2002, CoManage Corporation announced what company CEO Dave Nelsen calls "the most important development in the company's history" — a deal to supply its TrueSource data integrity management product to Sprint. How did CoManage manage this coup? Here's a review and advice from Nelsen and his counsel, Peter Watt-Morse of Morgan, Lewis & Bockius LLP, on how you, too, can sign that killer customer.

Ascertain marketplace needs.
In 2001, CoManage was at a crossroads. The Wexford startup had targeted emerging competitive local exchange carriers, only to see that segment of the growing telecom market falter and virtually disappear in the telco bust. CoManage sold off its sole product and was left with nothing to market. The company knew it would have to refocus on traditional Tier 1 telcos, but with what products?

To find out, Nelsen and his team convened meetings with 24 decision-makers at leading telcos. CoManage tapped its relationships with investors, industry analysts and other friends to get in those doors. "It's hard to make a cold call," Nelsen says. "Big companies have too many of these calls, so they have their shields up. Getting a meeting almost always translated to networking."

Those meetings were illuminating. "We weren't selling anything at that point, so people were open to real discussions about their problems. We found that a common problem they had was very poor quality information about their existing networks and customers." The product that emerged was TrueSource, a multifaceted system that allows telcos to identify the components of their networks, compare those real world results to their existing databases and identify discrepancies.

Pursue multiple lead customers.
Sprint's spirit of innovation attracted CoManage as a potential customer for TrueSource. But even as it pursued Sprint, CoManage initiated similar discussions with other customers, including AT&T Wireless. CoManage traveled down parallel paths with Sprint and AT&T Wireless — including free product trials at both companies — until September 2002, just a few months before the sale to Sprint was completed. "The second prospect is always important," Nelsen says, "because now you have validation. You know you're on the right track with the first prospect."

Remember the virtues of old-fashioned salesmanship.
"You know the old expression, 'If you build a better mousetrap, the world will beat a path to your door?' Nothing could be further from the truth," Nelsen says. "Success has far less to do with the product than any of us would really like. It's about the sale, the relationship, the long-term support."

Thus, Nelsen arranged frequent meetings up and down the Sprint organization. Moreover, CoManage focused its sales efforts on both the operations and IT units of Sprint, knowing that demonstrating the big-picture benefits of TrueSource to senior executives wouldn't be enough if those who would use the product daily remained unconvinced.

"IT may not be the primary point of a sale, but it can be a gatekeeper or a blocker," Nelsen says. "Convincing the IT organization that TrueSource would help them was a huge factor."

Enlist a partner if necessary.
Nelsen, the Pittsburgh Technology Council's 2004 co-CEO of the Year, is hardly without reputation or experience in the telecom sector. However, CoManage still faced a large credibility problem as a start-up company with a new product. Nelsen noted: "Sprint could say, 'It's great technology – it does what it's supposed to do and pays for itself. But how long will CoManage be around? Do they have the financial resources to last?'"

To create a comfort zone for Sprint, CoManage partnered with MetaSolv Software, Inc., a publicly held inventory software company certified as a Sprint master supplier. CoManage would sell TrueSource to MetaSolv; MetaSolv would resell it to Sprint and act as the first line of technical support, all for a percentage of the sale.

Says Nelsen: "If it weren't for the typical start-up issues — Who are your reference customers? How do I know you'll be here in five years? —we might not have partnered with anybody. But the relationship with MetaSolv got us through those issues."

Peter Watt-Morse cautions that a distribution partner will not absolve you of sales responsibilities: "When companies use an indirect sales model, too many sit back and say, 'Sales is the distributor's job.' Remember, the distributor is selling all sorts of items in addition to your product. If you're not working hand-in-hand with the distributor, chances are a sale won't happen."

Know what you want in your contract.
When a small tech company negotiates with a mega-player, there's inevitably what Nelsen calls a "massive power imbalance." But you won't necessarily be squeezed if you know when to yield and when to dig in.

"A major telco is not going to sign your form agreement," Watt-Morse says. "More likely, you'll get their 120-page form and the telco will ask you to sign as is. At that point, you have to determine what you can live with and where the real problems are. For example, are they trying to capture your intellectual property? Are you being held liable for things you can't control? That's where you take a stand."

Leverage your new relationship.
Since the Sprint deal, CoManage has signed on almost a dozen additional Tier 1 telcos, including Verizon, British Telecom and AT&T Wireless. CoManage used a Sprint news release about TrueSource and quotes from Sprint executives on the CoManage Web site to mine this fertile territory.

"No matter how little or how much money we got from the Sprint deal, it created credibility," Nelsen says. "Once we had Sprint, we were halfway across the credibility cavern. That's more valuable than an ad in the Super Bowl."

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