



Anneke Seley Interviews Mark Burton

Closing the Loop

Anneke Seley, founder and CEO of Phone Works, is the coauthor of the best-selling book, Sales 2.0: Improve Business Results Using Innovative Sales Practices and Technology. Visit www.sales20book.com for more information, including free chapter downloads, or to read and comment on her blog. The following interview will be part of her new book on sales and marketing alignment. Look for it later this year.

Mark Burton agreed to meet with me on a Friday, the only day he wasn't in Toronto, where he is acting CEO for a startup software company. This is one of four companies Mark is advising since leaving his VP job at MySQL after the company was acquired for \$1 billion by Sun Microsystems (now part of Oracle Corp.).

A highly sought-after board member and hands-on business adviser, Mark is known for his proven ability to scale up sales teams and his expertise with both commercial and open-source software. He has shown it's possible to respect the values and philosophy of the open-source community, which embraces peer review and sharing of information, and balance them with the needs of corporate customers. The result is Mark has been instrumental in building several profitable, sustainable businesses.

Mark was an early believer in inside sales, both for pipeline-building and closing deals. Phone Works helped him establish and build finely tuned phone and Web sales organizations at both MySQL and OuterBay Technologies. At OuterBay (acquired by HP in 2006), an inside sales development team created a pipeline worth \$1.6 million in its first month under the guidance of Phone Works Engagement Manager Anita Gryska. This kept the more expensive field sales organization focused on only the most qualified sales opportunities and buyers who were ready to buy.

At MySQL, Mark turned to Phone Works again to develop an integrated sales and marketing strategy to improve lead follow-up, pipeline development and the measurement of marketing ROI. Engagement Manager Kathleen Douglas discovered MySQL was lacking sales processes, tools and metrics, and needed to understand the impact of the high volume of inbound leads generated by marketing. Within the first quarter, the sales pipeline was brimming with new opportunities, qualified by the new inside sales team. Marketing understood which programs were generating prospects that were best qualified to buy and could calculate cost per lead and cost per opportunity. A process for nurturing longer-term prospects was implemented, and the average deal size increased by 18%. This initial inside

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sales blueprint allowed MySQL's newly hired inside sales director, Leslie Young, to build and grow a Worldwide Volume Sales Team that closed 30% of annual revenue for the company through monthly, high-volume, high-transaction sales. The MySQL "sales and marketing machine" delivered predictable results via a state-of-the-art lead routing, scoring and conversion analytics methodology. This captured the attention of Sun, which led to its acquisition of MySQL.

I spoke with Mark about his experience with the emergence of new models in technology development and sales.

Anneke: You're on the cutting edge of some of the hottest trends in business these days. What do you see happening in the market?

Mark: I've been working on how to apply the new Demand-to-Close (D2C) sales model, how to make it work in a particular business, and how marketing supports and aligns with sales. I use the term "Demand-to-Close" to describe the whole closed-loop marketing and sales process: from outbound campaigns to the tracking of visitors and return visitors through landing pages on the website, scoring those appropriately, and then feeding that information to the sales development team or inside sales organization for closure.

At MySQL, we had worldwide awareness that drove a high volume of website visitors and downloads. The problem was that it was not obvious which visitors or downloaders sales team should call. It was like trying to find a needle in a haystack. Lead scoring was the key to figuring out which visitors, downloaders and leads the sales team should touch. This was probably the most significant contributor to improving conversion rates. Understanding what actions and campaign responses likely buyers completed gave us measurable clues as to which leads and lead sources the sales team should spend time on. Building the plumbing to measure conversion rates across the process and continually iterating to refine it was tedious and time-consuming, yet the result was clearly worthwhile.

Anneke: It's hard work, isn't it? A lot of details.

Mark: A lot of details, and the market doesn't have those all in place yet. Marketing-automation products help on the front end for marketing, campaign management, visitor tracking and so forth, but the scoring systems aren't quite there yet. Then there's the tracking of stage-to-stage, so you can do trending and comparisons of conversion rates from raw lead to inquiry, inquiry to contact, contact to opportunity, opportunity to close/buy — by geography, lead source or other criteria. We built it, and we put it into play at MySQL. It was hard work. But it made a huge difference.

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Anneke: How did you create that at MySQL? Where did you start?

Mark: The understanding developed over time: You can either continue to create raw leads that really never progress, or you can start figuring out what *does* work. You have to have the analytics and reporting in place to start identifying the patterns. You just do continual testing, and determine what worked, what didn't work. You get a lot of feedback, make changes, track it, do it again. You look at why a certain rep did well, why another didn't do well, and you look at each step of the process.

We mapped out that end-to-end process and put metrics in place all across the whole cycle. Then we realized which part of this process needed to be really managed and measured by marketing, which part needed to be managed and measured by inside sales, and where there was overlap, where you jointly measured both the lead gen team and the inside selling team, to make sure the interlock was there, and everybody was working in concert toward shared goals.

Anneke: How did you get everybody to work together and get all the right data?

Mark: At MySQL, I just couldn't get that information, but I happened to have a sales-operations guy who was also a very strong data-warehousing guy. Internal IT didn't have the time and the resources to do it, so we essentially built our own IT team within sales, defined our requirements, and built the necessary datamart on MySQL. Eventually we got it to the point where we had all the steps and metrics in place, and you could just turn it and view whatever metric and dimension made sense — conversions by campaign, by salesperson, by geography, etc. It was incredibly helpful.

Anneke: What are the rewards and results of getting all that right?

Mark: Sometimes when people look at how sales is built, they think successful sales teams are just people who can talk to customers and convince them to buy. It's a very detailed, analytic process of figuring out what works and what doesn't work. Sometimes you have to push that back into product management and engineering to make changes to the product. But other times it's just finding the patterns about what's working.

Anneke: Did you get any pushback on implementing these sorts of processes from the field sales organizations in any of your companies?

Mark: The good news is that I always managed both field and inside sales. In general, the traditional enterprise sales view of the world was that inside sales reps were their administrators. I would never let the field organization manage inside sales. I always put them on par and made sure we had comp plans that drive behavior to ensure they work



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together, that deals have an opportunity to grow before they're closed, that people get paid on the deals — some joint goal-setting usually makes sense, but compensation is a big part of it. And having a sales leader who understands what we're trying to achieve and makes sure everybody else gets it is essential.

Anneke: What did you accomplish with a Sales 2.0 inside sales-focused model that you couldn't have done with just field sales?

Mark: With the advent of the Web and high volumes of visitors coming to your website, you can't reach your sales goals and make your margins with \$250,000 field reps and \$200,000 systems engineers tied together, territory by territory. This is especially true in a world of low average selling prices (ASP). Anything less than \$100K ASP should really be addressed by an inside team.

Additionally, priority geographies could change pretty quickly. If you have a field model, your time to react is ridiculous: It could take six months or more to do anything, whereas with inside sales, reaction time is almost immediate.

Big enterprise sales have slowed, so what you see with most — especially software companies — is there are really not a lot of them starting up today that are looking at high average sale values. Most software companies coming up realize they want broad adoption, and they're looking at a price point that's usually sub-\$50K — in many cases sub-\$10K. This is a big, broad market to focus on, so the Demand-to-Close process with a lot of high volume and selling over the phone is just a much better fit. You can't have a field organization selling a \$50K or less average sale value. The math never works.

Anneke: Not profitably, at least!

Mark: In the part of the market I've been in, this is common knowledge. I've spent a lot of time in open source, for example, which is a commoditization play. You can't compete without superior sales and marketing practices. Same situation for exists for SaaS companies such as Salesforce.com, NetSuite and others.

Anneke: The most successful cloud computing companies have very strong inside sales organizations. Does this scale outside the United States? How do you serve international customers with inside sales?

Mark: Taking North America and Europe as examples, you could start building centralized hubs. North America is easy since we speak a single language. Europe is the interesting case, because it's so difficult due to language issues. I have had success establishing a single European multilingual site. You can hire bi- and tri-lingual reps. You can start by establishing a 3–5–person starter team in Ireland. This allows you to cover 5–7 languages

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very easily and lets you cover Eastern Europe, Central Europe, Southern Europe, and basically address a good part of the world outside North America from that one location pretty handily.

Anneke: If you were talking to other executives, what would you tell them are the most important things to focus on with this new sales model?

Mark: First, I think there is a misunderstanding of what the job of the sales leader is. There is no real school to teach anybody how to be a sales leader, whereas there seem to be plenty of schools for marketing and engineering. What it really comes down to is that the sales executive has got to have a very clear understanding of what they're supposed to do.

A lot of first- and second-time sales VPs think their job is simple execution. In other words, just deliver on the strategy outlined by the CEO and the VP of marketing: Somebody tell me what the target geography is, who our target customer is, and what we're going to sell — and then I go do it. It's more complicated than that: You need to first make sure you have a target market that needs what it is you're trying to sell, that there is a product fit for the sales model you have in mind. If you're selling low-price products and it's a trial-to-buy environment, you'd better have something that downloads easily off the website, installs flawlessly, has a very good initial user experience — all the things everybody used to talk about with products that would flow well through an indirect channel.

When you're relying more on the unassisted trial, it needs to work, and it needs to work really well. There are a lot of engineering deliverables there, and if the understanding of the new sales model or the new go-to-market model hasn't permeated product management and engineering, you're in for a big surprise.

Anneke: You can be the best sales rep or sales manager in the world, but if your customer doesn't have a good experience with your product, it doesn't matter.

Mark: It can't be just "good enough." The cut-it-off and ship-it idea, where the products *sort of* work, and the sales engineers and consultants will make it work, is unacceptable for this model — *very* unacceptable. Your enterprise products now have to be more like consumer products.

Anneke: That's exactly right. What about "failures," or things that didn't go as well as they could have? What would you tell another executive about what not to do, or what to learn from your past experiences?

Mark: Failures: We've had lots of them. Processes and systems are so important. It took us a long time to work with a team to figure out everything we really needed to manage this environment. Marketing tends to be more positioning- and messaging-oriented, and more

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about just putting it out there. That whole idea of what a qualified lead is, and having something that ends up in the hands of sales that they *want* to deal with — it's a big chasm between those two functions.

Get a very objective and measurable set of definitions, processes and systems to do some system-oriented scoring, and then have a very clear and written description for what becomes a sales lead. Get the marketing organization on board with forecasting and measurement of conversion rates, and make sure this is an activity that is worked monthly to continually pursue conversion rates that drive the company to profitability. This is a big change for most marketing and sales organizations. I wouldn't call it a failure, but I will say it takes a long time to make sure everyone understands this end-to-end process, and what is involved in managing and measuring it. That was hard work with a lot of iterations and false starts.

Anneke: I see that changing rapidly, though, in many Sales 2.0 companies, where success depends on marketing and sales being aligned and collaborating. Do you see that working? How are companies bringing sales and marketing closer together?

Mark: It's still a challenge for many companies. One of the first thoughts is, "Great, we'll just give sales and marketing to the same person." It's unusual to have any one person who really understands sales and marketing well enough to add value across both functions through the Demand-to-Close process. There also aren't many CEOs who really understand it. I would say this is still developing. My suggestion is to get advice from others who have successfully implemented the new model. This can be accomplished through a combination of outside consulting and benchmarking with companies that have successfully implemented such models.

Anneke: How do you suggest companies get started?

Mark: Companies should start out by asking, "What am I selling, in what geographies, to whom, and what are the most effective low-cost model and channels to sell that target customer." I call these "pillars": renewal team, direct sales, partner sales and Web shop, for example. You might also then even more specifically define what percentages of your direct-sales pillar are field and inside. You should even define what percent is the result of Demand-to-Close vs. sales generated through cold or outbound calling.

The result of defining your pillars is a very detailed model that illustrates how you will achieve your bookings goals. Further, a detailed model also allows you to define the expense side of the equation: sales staffing, lead gen expenses, and the like.