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Small Businesses, Big Spenders

Upselling tightfisted SMBs is easier than you might think -- if you know the right ways to go about it.

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by Rich Freeman

Everyone knows that small and midsize businesses (SMBs) have small and midsize budgets. So surely Jim Duckett, president and CEO of Phoenix, Ariz.-based net Fusion Corp., must agree that getting SMBs to invest in new or bigger technologies is the IT equivalent of squeezing blood from a stone. Right?



Guess again. "Interestingly enough, we don't work very hard at upselling," says Duckett, whose company, a Microsoft Gold Certified Partner, offers consulting, application development and training to both large and small businesses. In fact, Duckett is currently in the closing stages of negotiating a seven-figure Web-development deal with an SMB. "The original discussions evolved around one very specific niche market and a niche technology," recalls Duckett. Now, however, thanks to weeks of requirements gathering, business analysis and proof-of-concept studies, he says, "it has morphed into a much larger deal."

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IF YOU AREN'T MAINTAINING DATABASE ACCESS AND USAGE AUDIT TRAILS, HOW DO YOU KNOW IT'S SECURE?



His experience echoes those of numerous partners: Upselling SMBs may be different than upselling larger organizations, but it doesn't have to be harder. The key is taking a strategic, consultative approach, focusing first on building trust. As Duckett puts it: "If we do our job up front, create credibility and really lay out the possibilities, then upselling is generally not that difficult" -- no matter what the customer's size.

Getting to Know You

Definitions of what constitutes an SMB vary depending upon who's doing the defining. For Microsoft, the "small business" label applies to companies with fewer than 50 employees, while "midsize" organizations are those with 50 to 1,000 employees. Other tech companies use different numbers, often placing a higher ceiling on the small-business category, but nobody disagrees about the scale of the SMB opportunity. Gartner Inc., the Stamford, Conn.-based analysis and consulting firm, predicts that SMBs worldwide will spend \$400 billion on technology this year alone and that IT outlays by North American SMBs will be 7 percent greater in 2006 than 2005.

Stephan Schiffman, a corporate sales trainer and author of *Upselling Techniques (That Really Work!)* (Adams Media Corp., 2005), says that vendors eager to grab a share of that opportunity should polish their upselling skills. Getting an existing client to buy more, he says, is inherently easier and less costly than developing a new client from scratch. "You already have the account," he notes. "You're just looking to increase the penetration."

In theory, then, SMBs should be excellent upsale candidates, as smaller organizations lean hard on technology partners for guidance. "Typically, the really small business doesn't have any IT staff. It relies exclusively on us for advice," says Hormazd Dalal, president of Castellan Inc., an Encino, Calif.-based Microsoft Gold Certified Partner that provides network strategy and implementation services to SMBs. Midsize businesses count heavily on partners

too, Dalal says, but adds that those companies usually have at least a few full-time IT professionals on staff. In any case, the reality is that while SMBs depend on their partners, they're often wary of them as well. "The biggest problem with SMBs is they've been burnt by far too many partners that do not know what they're doing and are greedy," says Dalal.

That's why Christopher Smith, CEO of Enso Technologies Inc., a Microsoft Gold Certified Partner based in Rockville, Md., believes that earning an SMB's trust is critical. Smith, whose infrastructure deployment and design company does 40 percent of its business with SMBs, discourages partners from upselling too soon in a relationship. "Customers will feel as though you're [just] there to make money," he says, "and when that happens they're always going to be suspicious of you." Instead, Smith says, tech firms should get to know an SMB thoroughly before pitching an upsale. "Once you know what customers need, and they understand that you're looking out for their best interests, realistically, they will buy almost any product or service you recommend," he says.

Jim Holt, president of Wolcott Group LLC, an IT consulting and integration company with headquarters in Fairlawn, Ohio, agrees. In fact, Wolcott, which is both a Microsoft Gold Certified Partner and a Small Business Specialist, often kicks off new relationships with a formal services engagement expressly designed to assess the customer's business and technology needs. SMBs see the in-depth analysis -- performed for a fee, or, with especially qualified prospects, gratis -- as a relatively low-risk commitment offering potentially useful insights. Wolcott executives see the study as an opportunity to establish their company as a trusted advisor, while simultaneously uncovering hidden upsale possibilities. For example, investigating how well a company converts leads into sales might expose a need for customer relationship management (CRM) software. "Once we get them to really share with us their approach to the market," says Holt, "it all seems to fall into place."

If you've already got strong relationships with your customers, finding upsale opportunities is sometimes simply a matter of keeping your ears open. Especially in smaller businesses, executives are often unaware of technologies that can relieve their headaches. For example, if a CEO mentions during a casual chat that she hates struggling into work during winter snowstorms, that could create an opening to discuss remote-access capabilities. Similarly, Smith recalls the time a customer said he wished there was a way to flag contacts in Outlook as prospects. Your real problem, Smith replied, is that you're using Outlook to track prospects when there's a much more powerful solution available. "The customer placed an order for [Microsoft Dynamics] CRM within a week of that conversation," Smith says. (For more general tips from the trenches, see "[Tricks of the Upsale Trade](#).")

Preparing to Spend

Of course, persuading an SMB to approve a technology investment isn't always that easy. Because they're typically short on funds, SMBs are notoriously more hesitant than enterprises to green-light major IT expenses. "The more dollars you're dealing with and the larger the budgets are, the easier it is to deal with

"The biggest problem with SMBs is they've been burnt by far too many partners that do not know what they're doing and are greedy."

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**Hormazd Dalal,
President,
Castellan
Inc.**

[upsell] situations, because there's just less pressure on the client," says Peter Barrera, vice president of client services at Greystone Solutions Inc., a Boston-based technology services and business consulting firm and Microsoft Gold Certified Partner.

Precisely because money is often tight at SMBs, emphasizing projected savings can be a highly effective tactic -- especially if the savings are significant.

"Anywhere they find a project that can save money for them, they're going to do it," says James A. Browning, a Gartner research vice president who covers the SMB market.

Keith Eades, chairman and senior managing partner of Sales Performance International LLC, a sales-training firm located in Charlotte, N.C., adds that savvy partners can "back into" return on investment calculations even when a proposed solution's top benefit is hard to quantify. For example, if a sales force automation application's main selling point is increased productivity, ask your customers how long it typically takes to complete a deal, and then calculate how many more sales a year they'll make if the new system saves account managers 10 minutes a day. "Every time you upsell and there are intangibles, you want to have specific metrics" for valuing them, Eades says. "If they buy into one or two, it justifies the sale."

Ultimately, what matters most is not what you upsell but how you upsell. In fact, the best upsellers don't intentionally upsell at all.

Sometimes, however, even concrete ROI data isn't enough to convince a cash-strapped SMB. In those cases, Castellan's Dalal often emphasizes not what customers will get if they move ahead, but what they'll suffer if they don't. When urging clients to invest in data backup technology, for example, he details the likely damage and cost from a serious system crash. That vivid picture is often enough to do the trick. "A lot of small businesses don't realize that spending on IT is really like spending on insurance," he notes. "It's just a necessity."

Eades recommends using similar tactics even when customers aren't facing immediate risk of disaster. To upsell an SMB executive on a new messaging solution, for instance, you might ask him to imagine he's at the airport with too many voice-mail messages to sort through while waiting to board a cross-country flight. Now have him imagine that one of those messages he never got was from his administrative assistant, reporting that the meeting he's about to fly to has been canceled. More sophisticated technology would have prioritized that message, saving that executive two days of wasted time. The key to getting SMBs to buy, Eades says, is "to create business anxiety around real-world situations that would cause them to have need for what you are proposing."

If tightfisted SMBs still balk, Eades recommends sweetening the deal by discounting prices or tacking on extra licenses for free. When even those generous measures don't work, consider breaking the project up into smaller pieces. For instance, if a solution's \$400,000 price tag induces sticker shock, Duckett, of net Fusion, asks whether that figure is eight times the customer's budget or just two. In the latter case, he says, completing 60 percent of the project now and saving the rest for a later phase is usually an option. Never be afraid to take a project in steps, he advises: As a salesperson, "I want the million-dollar win, but if I can get that million-dollar win by three \$333,000 wins, then so

be it. I've still got the million."

Tricks of the Upsale Trade

Following are more tips for upselling SMBs:

Keep it simple. SMBs are often less tech-savvy than larger businesses. Overwhelming technical detail is likely to scare them off. "Don't make the sale so complicated that they don't understand it," says sales expert Stephan Schiffman. "It's got to be transparent."

Be persistent. That same lack of technical know-how is a good reason to be patient with small business executives, says Christopher Smith of Enso Technologies. "Literally, it might take four or five different conversations before customers understand" what you're proposing, he says. But eventually they'll get it -- and when they do, you'll get the business.

Learn about licensing and loans. Smith also encourages partners to study up on Microsoft's SMB-oriented licensing plans. The Open Value program, for example, allows customers to spread payments over three years, and because it comes with Software Assurance, companies get any new releases Microsoft issues during that period at no additional cost. In addition, SMBs leery of paying everything at once for a new solution can get 36-month loans directly from Microsoft Financing on deals priced as low as \$3,000. (See "[Get More Online](#)").

Negotiate openly. "With so many vendors inundating them with new products and services, the whole area of vendor negotiation has become a big challenge for SMBs," says Gartner analyst James A. Browning. That's one reason Jim Duckett of net Fusion sets clear expectations early in the sales cycle regarding payment plans, project schedules and the consequences for missing deadlines. "Our customers and prospects think that's pretty refreshing because no one [else] we know does that," Duckett says.

Tap into incentives. You'll find a complete list of Microsoft's latest special offers at www.microsoftincentives.com. Smith once spotted a \$5,000 voucher for Office implementation services there and passed it along to a grateful client. In the end, everyone won: The customer saved money and Enso landed an Office upgrade that would have otherwise gone to one of the big wholesalers. "That \$5,000 made the difference," says Smith.

Apply the "Rule of 12". Salespeople often call on as few as one or two people per account. Schiffman encourages them to meet at least once with 12 contacts in every company they serve. "If you can locate 12 people and have meaningful conversations, what you do is uncover the opportunities that other people don't know about," he says. -- *R.F.*

Where the Money Is

Browning, of Gartner, encourages partners to become familiar with the latest

SMB spending priorities before devising upsale strategies. For instance, last year's catastrophic Gulf Coast hurricanes have SMBs thinking more about disaster recovery, and rising energy prices are driving greater-than-usual interest in cost reduction and process improvements. As a result, he says, "business intelligence has actually come up from [numbers] seven, eight, nine on the priority list to two, three, four for a lot of these guys." Demand for server consolidation solutions is heating up as well. "If they're reducing their servers by 20 percent, they're recognizing cost savings there," Browning notes.

Partners cite several other top opportunities for upselling to small and midsize businesses:

Security: Dalal often urges customers to replace stand-alone desktop security systems with more robust and easily managed network-based solutions. "You want to be buying the enterprise software that the big boys use," he tells them. Smith, of Enso Technologies, views anti-spam software as another promising upsale candidate. "When all else fails and a company has all of their other technology, spam is one of those things where it's just annoying enough that a customer will probably mention it as being a top-five, top-10, problem," he says.

Small Business Server: Customers in the market for individual server applications are often open to the argument that an integrated server suite makes better economic sense. "Small Business Server is probably the number one upsell, because there's so much more [capability] for such a small dollar amount," Smith says.

Mobility: "Remote access to work from home is a hot button right now," says Dalal, and because no one needs an explanation about the technology's benefits, it's not a difficult sell. Smart-phone and PDA-based solutions are currently popular as well -- so popular, in fact, that customers sometimes upsell themselves on such systems, observes the Wolcott Group's Holt. Every time SMB executives see their peers check e-mail from the golf course, he says, chances are that the first thing they'll do the next morning is contact a vendor. Partners wishing to be more proactive, of course, can simply schedule a brief demo.

CRM: Sales and marketing technology is often a weak point for SMBs, notes Holt. "[Many] small and medium businesses have put in point solutions that are nothing more than contact databases," he says. Once they understand the power of a full-fledged CRM application, they usually want one.

Ultimately, what matters most is not what you upsell but how you upsell. In fact, the best upsellers don't intentionally upsell at all. "I really don't like the term," says Barrera, of Greystone Solutions. "If you're upselling, you're implying that you're trying to sell something they really didn't need." The correct approach, Barrera argues, is to keep your eye squarely on the client's long-term interests and let the dollars follow. "I've got no desire to sell them more licenses or more product than they need. What I'm really looking to do is provide people with value and positive return on investment, so when they think of future needs, they'll think of us

Rich Freeman is a Seattle, Wash.-based freelance writer specializing in business and technology.

More Information

Upselling Resources

Following are additional resources about selling to small and midsize customers:

- Midsize Business IT Challenges and Plans for 2006, a Gartner Inc. report that also touches on small-business priorities, is available at www.gartner.com (just search for that title).
- A complete list of current Microsoft sales offers can be found at www.microsoftincentives.com.
- Details of Microsoft's small business licensing and financing options can be found at www.microsoft.com/smallbusiness/buy/software/detail.aspx.

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