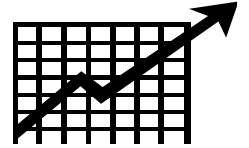




*Building the Sales Force  
and  
Translating that building  
process into a financial plan*



George Simmons

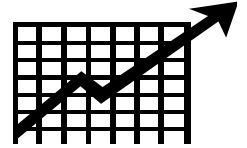
Partner

Derby Management

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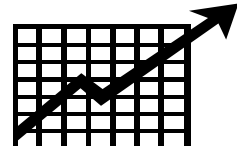
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## *High Growth Business Plans “Must Haves”*



- Large Market
- **Grade A, experienced team**
- Barriers to entry
- **A sophisticated sales plan**
- **Financials** comparable to industry stnds
  - Can the idea scale profitability
- Technology focused on market needs

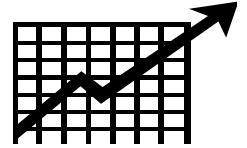
## *Two essential areas for fundable companies*



- Intimate understanding of how to build a sales organization
- Financial Plans that reflect that intimate knowledge



## *Building the Sales Organization can you succinctly explain?*



- Your Sales Channel(s)
  - Direct vs. Indirect
  - First two years
  - Beyond year two
- Compensation Plan
  - Base, Variable, other
- Hiring Ramp
  - How long will it take to find sales warriors
  - How long until first order
  - How long to break-even on a Gross Profit basis
  - What is expected turnover

## Real Life Examples... (emerging companies)



Title	Rev. (M)	Industry	Pub/Priv	Base	Bonus	Date/Year
VP Sales & Bus Dev.	\$13	Software	Private	\$160,000	0	5/11/2005
VP Product Strategy	\$8	Software	Private	\$225,000	40%	7/14/2004
VP Marketing	\$7	Internet/Software	Private	\$150,000	25k to 50k	4/20/2004
VP Marketing	\$7	Electronics	Public	\$155,000	0	10/25/2005
VP Sales and Marketing	\$6	Medical	Private	\$140,961	\$41,914	5/9/2005
SVP Marketing	\$6	Software	Private	\$160,000	\$60,000	5/7/2004
VP Marketing	\$5	Software	Private	\$175,000	\$50,000	9/10/2004
SVP Sales & Business Dev.	\$3	Software	Private	\$202,000	yes	4/24/2007
VP Sales & Bus Dev.	\$3	Software	Private	\$120,000	\$80,000+	1/6/2005
VP Sales & Marketing, Founder	\$2	Electronics	Private	\$140,000	20k to 25k	2/8/2007
VP Sales	\$2	Software	Private	\$160,000	\$140,000	2/17/2004
SVP Field Operations	\$1	Medical	Private	\$140,000	\$100,000	5/21/2005
VP Worldwide Sales	\$1	Software	Private	\$175,740	\$96,381	3/22/2006
Former VP Sales & Bus Dev.	\$1	Software	Private	\$150,000	\$80,000	2/4/2004
Former VP Sales	Under \$1	Software	Private	\$150,000	\$130,000	2/11/2004
VP Sales	NA	Biotech/Electronics	Private	\$208,000	\$75,000	6/1/2007
VP Sales	NA	Software	Private	\$150,000	0	3/30/2006

Source: Onstott Database

**Average**

\$162,453

\$67,886

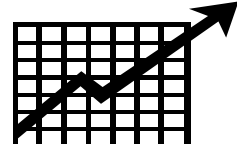
## *Building the Sales Organization can you succinctly explain?*



- What are your Annual Bookings expectations
  - Bookings per sales person
- Describe your pre-defined sales process
- What are your forecasted Closing Ratios
  - Funnel Math

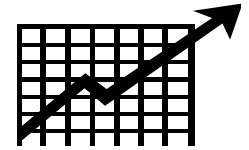


## *Building the Sales Organization* *can you succinctly explain?*



- Explain “cost of selling” in relation to P+L
- Marketing to sales relationship
  - \$\$
  - Time
  - # leads
- “Viral Marketing” = hitting the lottery
  - Not part of a realistic plan

## In 2007 and 2008, we surveyed Sales Pros...

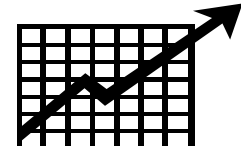


...and unfortunately, we found...

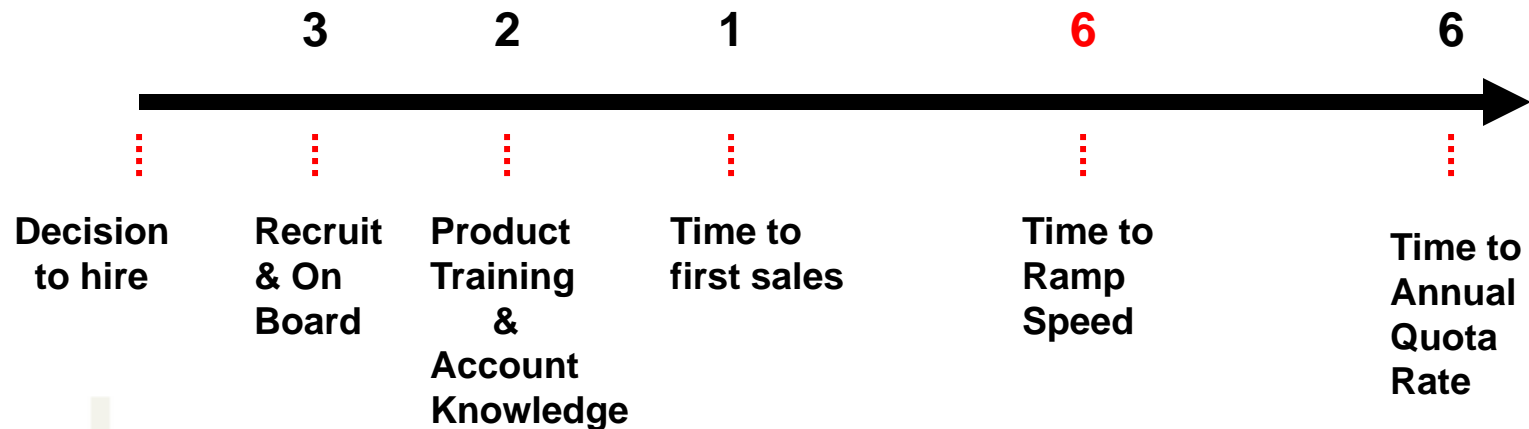
- Salespeople not currently employed in their dream job 84%
- Salespeople not effectively selling to senior levels 57%
- **Sales Team employs little methodology 53%**
- Sales Team does a poor job generating new leads 52%
- Sales Team's product knowledge is weak 50%
- Sales Team lacks business & financial acumen 47%
- **Salespeople are unable to forecast effectively 47%**
- Salespeople lack adequate industry knowledge 42%
- **Salespeople did not meet quota 41%**
- **Basic sales skills are deficient 32%**



# Hiring- Create Your Own Ramp...



- Assumes 3 month sales cycle
- Assumes “standard” relationship sale
- Assumes A to B+ hires

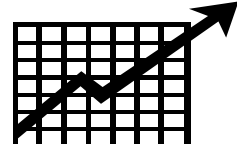


It takes 18-24 months to reach “Time to Cash B/E”



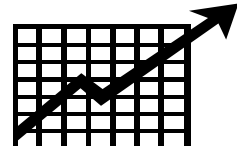


## *Early Stage Hiring*



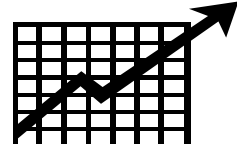
- Don't hire anyone who has not previously been in a start-up
  - Big company to start-up is huge
- Write a real job description
  - Skills
  - Experience
  - Attributes
  - ...and don't compromise
- If you make a mistake, you will know in 60 days
  - Acknowledge, make the change, and move-on
  - They will not grow into the position
  - Your organization does not have the time to teach them

## *Early Stage Recruitment*



- Network, Network, Network !!!!
- Network some more
- Then turn to a recruiter
  - Consider a combo deal

## *Variables affecting comp*

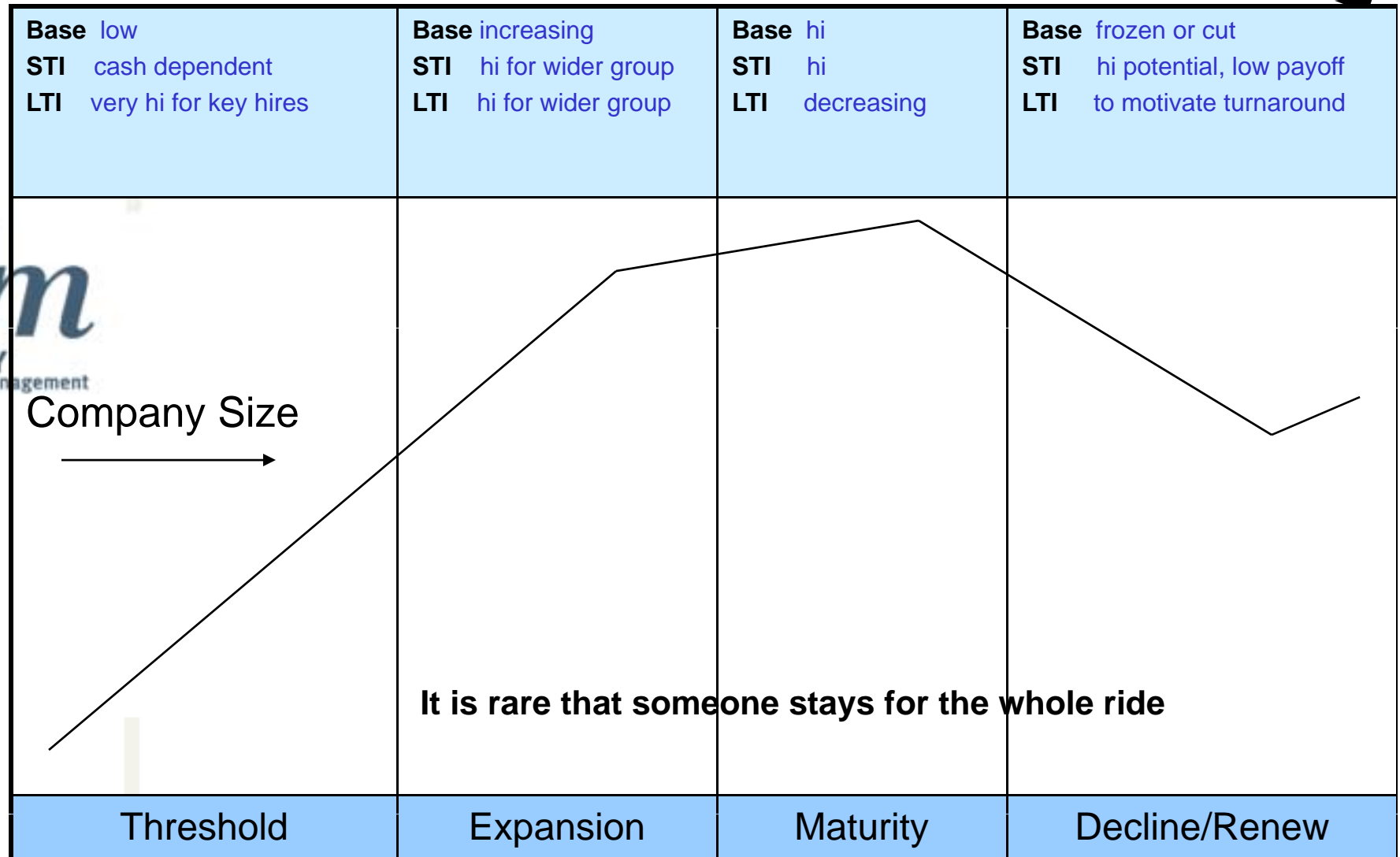


- Company life cycle
- Industry
- Company size
- Geographical recruiting market
- Individual qualifications and attributes

## Aligning comp and growth objectives



Stage	incentives	Growth objectives
Threshold	LT incentives	<ul style="list-style-type: none"> <li>- concept proof</li> <li>- product development</li> <li>- revenue generation</li> </ul>
Expansion	LT incentives + ST incentives	<ul style="list-style-type: none"> <li>- revenue expansion</li> <li>- channel expansion</li> <li>- profit generation</li> </ul>
Maturity	Base pay + ST incentives	<ul style="list-style-type: none"> <li>- operating efficienct</li> <li>- margin enhancement</li> <li>- cost reductions</li> </ul>
Decline/ Renewal	LT incentives	<ul style="list-style-type: none"> <li>- debt restructuring</li> <li>- cost slashing</li> <li>- new market creation</li> </ul>

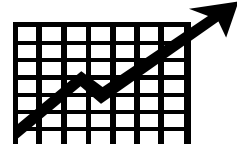


*Financials: Focus on detailed understanding of Gross Margin*



- Important for BOTH product and service companies
- Pricing strategy by market segment is critical
- Assumes solid cost data

## Profit Margins- (as seen by the customer)



- Profit Margins simply reflect the premium a customer will pay you rather than make the product and/or perform the service themselves.
- Your customer's major purchase decisions eventually come down to Make vs. Buy

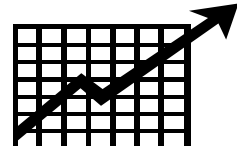


# Margin Dictates Your Business Model



Gross Margin	Typical Industry	Commentary
70%+	Software	Heavy engineering costs
60%+	Med Devices	Long FDA approval cycles
50%+	Tech Hardware	Need to bankroll margin for continuous innovations
40%+	Specialized services	Outsource pressure
30%+	Competitive services	Only best can afford to innovate
20%+	#1-2 in commodity product or service	Cost and expense controls are critical
10%+	# 3+ in a commodity	Bankruptcy

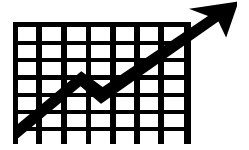
## *Financials: Focus on detailed understanding of Gross Margin*



- Do the math so you can explain what happens if sales double and triple
  - What happens to overhead per unit
  - Operating team required to support a \$30M plan
    - Size and nature of quality group
- When do fixed costs take step changes
- Articulate expected pricing trends
- Why will your margins be better than your competitors



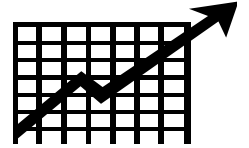
## Company Valuations...



- The most important factor in determining the value of a company is the gross margins they can achieve.
- When compared to industry averages, the companies with superior margins earn superior valuations.
- It's that simple!



## *Last Slide*



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