18 Self-Destructing Marketing Dogmas The Privately Owned IT World Is Infested With Part 2

Tomicide Solutions

A Monthly Business Development Newsletter For Privately Held IT Companies And Independent IT Professionals

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Blog entry

Last month[1] we started discussing some marketing dogmas that have infiltrated the IT industry over the years. And it's only fair that after the first part, we look at the second part. It's supposed to be good mathematics too. After all, in most people's worlds, two comes after one. So, if you find this order silly, so you can't even blame me for it. I didn't invent it.

And now for something completely different, and let's continue where we left of last month. So, in the name of the holy sausage, let's see...

Mistake #10: Depending On Shortcuts

This problem happens to companies that are in hot pursuit of the quick buck and the "next big thing".

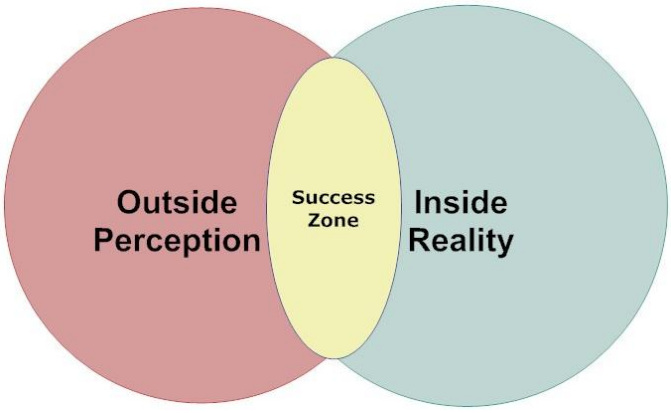
What happens here?

The business starts and the owner, who usually is a technical genius and a business layman, is eager to acquire the first few clients. Using some external help, coaches, consultants, our hero succeeds and clients come.

Then the owner realises that he could make much more money by cutting his (yes, it's almost guys who think they know it all) costs.

So, he gets rid of his business coach, his webmaster and his receptionist. After all, instead of the office, he can direct all the calls to his mobile, and answer the calls as they come in.

But more and more phone calls and emails go unanswered. After all, our hero is busier than a one-legged man at an arse-kicking contest, and that's when the rivets seriously start popping all over the structure of his business.



Now the alignment between the inside reality and the outside perception of his company goes down the toilet.

Outside perception

- People in the business mean what they say and do what they mean.
- People can be trusted and relied upon for honesty, quality and effectiveness.
- Company's goal is to help clients not merely piling up money made on clients.

[1] http://www.varjan.com/articles/1305-may-18-self-destructing-marketing-dogmas-the-privately-owned-it-world-is-infested-with-part-1.pdf

Inside reality

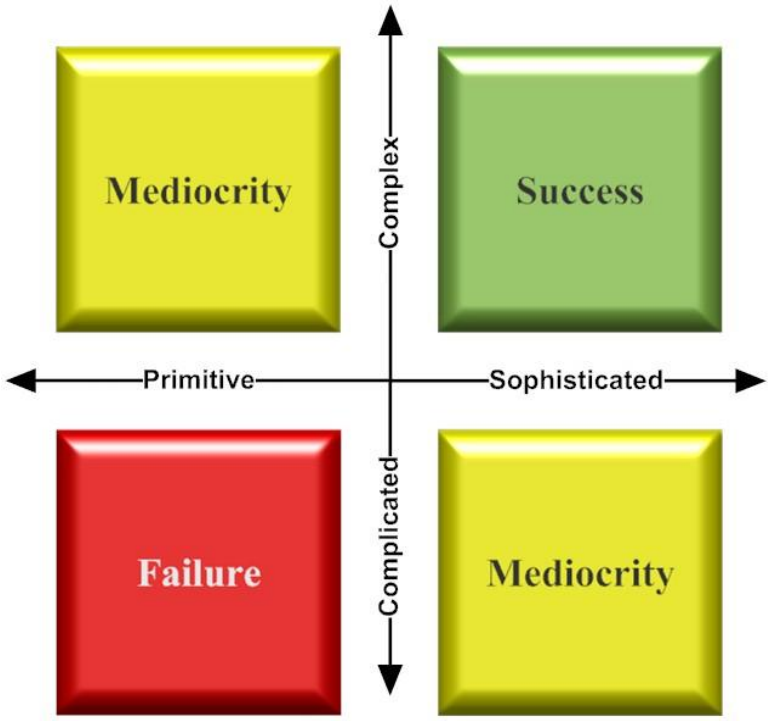
- Working with only perfect[2] clients
- Employing only perfect talents with a "contribution" or "giver" mindset
- Leadership with integrity
- Bold vision

The problem is that the owner tries to maintain an outside perception without matching it with the inside reality. He fails to realise that the outside perception of his company is the effect and the inside reality is the cause. In order to change his companies perception, he has to change its inside reality.

A typical marketing shortcut is when the business owner, instead of planning his marketing, hires a call centre with 100 billion telemarketers start harassing the market at once on behalf of the same company. One victim may receive as many as five or even more phone calls from the same company, hawking the same product/services.

And that's pretty much the end.

Mistake #11: Depending On Complicated Marketing Plans



First, let's look at what complicated means. In my book complicated is something that is complex and can't be repeated with a pretty high level of prediction.

Complex things can be repeated, and they always give the same results.

Most IT companies marketing strategies are pretty primitive, but complicated.

For instance, instead of better marketing (it seems to be too complex), they just want to hire more people (keeping the process seemingly simple), yet, humans always bring in a high level of complication. There is no clear strategy, only tactical busy-ness.

Mediocre companies have either complex but over simplified processes. That is, the process is

[2] The word "perfect" is defined in great detail in the company's perfect client profile and perfect talent profile.

complex, but what it achieves is pretty primitive. For instance, having a complex script system for telemarketers, knowing that the results will be pretty dismal and the clients will be of low quality.

A recent study by the Kenan-Flagler Business School at the University of North Carolina concluded that some 80% of 5 B2B decision makers in the United States absolutely, positively will not buy from companies that cold-call them.

Another study by the Keller Research Center at Baylor University in Texas has some interesting numbers too. The study was based on a group of 50 experienced and qualified salespeople, who made a total of 6,264 phone-based cold-calls over a two week period. ..

- 72% of the calls were outright rejections.
- 28% of the calls were productive. That is, people who didn't hang up right away, showed some interest, some even gave referrals, asked to be contacted later. But what's most interesting is that the majority of the two week study period was spent working on and following up with this 28% of the list. The time that went into it was extraordinary and very eye-opening when you see the final results.
- That 28%, 1,774 calls, resulted in 19 appointments and 4 sales. Out of a total of 6,264 cold calls made!

And now imagine how many days it takes for how many people to make 6,264 cold-calls?

For 10 callers, making 100 calls a day[3], it takes just over 6 working days, that is, 48 hours. Let's say, you pay each caller $20 per hour.

HR studies indicate that the total cost of an employee is about 165% of his gross salary. That's $33 per hour.

For the 10 callers, this is 480 hours and almost $16,000.

And to this the cost of sales.

Are the four sales worth near $20,000? Also consider that sales that were initiated through cold-calls get seriously haggled over.

I believe success is all about having a sophisticated marketing plan that is implemented in a complex manner, so it can't be easily imitated.

If you are on Perry Marshall's email list, then you can experience complex and sophisticated. He puts so much energy to tweak his email marketing that it would be impossible to imitate his process.

Sun Tzu says in well in the *Art of War*...

> **"All men can see these tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved."**

Well, Dear Reader, this is the best expression of complex sophistication.

[3] We're talking about 6,264 live connection s with real people, not voice mail messages.

Mistake #12: Depending On Casual Marketing

Well, casual things can lead to some nasty consequences. And that goes way beyond casual sex and casual exercising.

Many IT companies do casual marketing when they run out of projects, and they want to do "some marketing" to bring in new clients. But it's like shouting "Iceberg" when the Titanic is already 90% under water and sinking fast.

By that time the chance of survival is smaller than a weasel's wedding tackle.

We know that most IT business owners want to cut cost above anything else. If we look at their activities, more effort is dedicated to cutting costs than generating revenue. Somehow they think the two activities are in the same league.

But as the saying goes, any idiot can cut costs, but it takes a genius to generate revenue.

The problem is that most IT business owners regard marketing as a time-consuming manual activity that takes their attention away from focusing on technical work.

So, they realise they can't do it themselves, and decide to hire someone... someone incredibly cheap and incredibly good.

So, they post ads on Craigslist or other job dumps searching bottom of the unemployment scum barrel for some suckers.

Then they write up 20 plus bullet points of mandatory skills which the candidate MUST be world-class at.

Then further down they indicate the generous $10 per hour wage.

And of course, the writer of this literary excrement calls his company a market leader, although no name is mentioned in the ad. Probably because it's a dump and the mentioning of the company's name would further destroy its already tattered reputation.

Then a $10 per hour sucker is hired, and he's expected to heal all the damage to the company that the owners inflicted on it over years. And if this poor minimum wage bugger can't perform miracles, he gets fired.

And then the owner concludes that if something has to be done, he'd better do it himself. But he's too busy doing technical work, so marketing, again, goes down the drain.

And the cycle repeats until our here goes bankrupt or dies as a result of a heart attack caused by years of high stress.

The good news is that the $10 per hour marketing person can work out if you hire a marketing consultant to work with her. Then the consultant can provide overall strategy and the in-house person can work on implementation under the consultant's guidance.

The consultant also acts as a mentor to this person, so she can learn a lot on the fly. Yes, good consultants share their expertise with the people they work with. It's part of the consulting process.

With this approach, you can have a kick-arse marketing plan and that plan is consistently

implemented and the results are tracked for improvement.

And keep your marketing consistent.

Mistake #13: Depending On Fact-Finding And Info-Gathering

And all those activities happen at the expense of actually implementing marketing strategies.

My observation is that many IT companies don't mind hiring 10 marketing tacticians at $40,000 per year each, but would never consider replacing five of them with one $200,000 per year marketing strategist.

It's like hiring 10 more violinists in a symphonic orchestra, because management doesn't want to waste money on a kick-arse conductor.

But what I experienced during my biomedical engineering years was that no amount of nurses can take the place of one surgeon.

Strategists look at the forest. Tacticians look at the trees. And the view is drastically different.

The problem is that tacticians can't craft marketing strategies and implementable marketing plans. That requires strategists.

So, either you hire a marketing strategist on the payroll or engage one on a retainer basis. Good strategist can work with you on a flat fee plus percentage of sales basis. This way you have a big picture person working with your marketing tacticians.

Right now I work with two companies this way. I am the strategist, and I work with the tacticians. And some tacticians are some the executives' kids attending high school or university.

Granted, they are not tremendously huge companies, but they both have over $1.2 million revenue per employee in personal productivity. And that makes them better than most Fortune 500 IT companies.

Mistake #14: Depending On Luck Until Money Arrives For Marketing

Survey after survey shows that when IT companies hit hard times, they instantly freeze the marketing and the skill acquisition budgets.

So, the press release, that would cost only $300, is put on the back burner.

The direct mail campaign, that would cost about $2,000, is put away probably forever.

Oh, and what happens to the marketing and skill development budgets?

They get redirected to idiotic activities, like cold-calling and pavement-pounding, that produce quick but low-quality sales for clients from hell or at least from the cesspool of the market.

In more drastic cases, some marketing folks get laid off, and more salespeople are hired to harass the market into submission.

Granted, salespeople can make some quick sales, but without good marketing, the effort will be only some flash in the pan. Let's look at the numbers...

Let's say you offer a $10,000 product/service.

Sales force	Marketing front-end	Marketing back-end
The on-foot sales force is focused on instant, one-step sale.	Marketing is focused on nurtured, multi-step sale.	
10,000 contacts 1,000 prospects 100 appointments At a pretty optimistic 10% conversion rate 10 sales	10,000 contacts 1,000 qualified prospects 150 appointments At a pretty conservative 15% conversion rate 22 sales	
Due to the interruptive nature of this client acquisition method, your asking price gets haggled down on every sale. Let's calculate with a conservative 15% discount. The $10,000 unit price becomes $8,500	Due to the nurtured, multi-step process, every sale is made at full price.	
10 sales @$8,500 = **$85,000**	22 sales @$10,000 = **$220,000**	
But consider the cost of the sales force: On average, 49% of salespeople don't reach their quota. 27% of salespeople don't sell enough to cover their cost of employment. The annual attrition of salespeople is 43%. The replacement of a salesperson is about 5-7-times of his annual compensation. The majority of the annual attrition comes from top performers due to better offers from the competition. It's the bottom-feeders who stay.	In addition =>	*Referral business* If only 5 clients refer you to 5 more clients each, that's an extra 25 clients. 25 sales @$10,000 = **$250,000** *Repeat business* If only 10 clients out of these 47 come back to do more business with you... 10 sales @$10,000 = **$100,000**
Total: $85,000		**Total: $570,000 in sales** Plus a database of over 1,000 prospects that you can offer new products and services to.

And here is another problem with the sales force approach. Yes, you've made 10 sales, but are they Perfect Clients. I doubt it. Salespeople want to earn their commission, and they accept even those crappy clients who will be a pain in the arse to work with. But it's not the salespeople who have to work with them, and as long as they can make money, they accept them.

Out of those 10 clients, the chance of getting repeat and referral business is smaller than a

weasel's wedding tackle. Some may change their minds a few days after the salesperson's making the sale. And some others, at the very end of projects, invoke your guarantee to recover their investments.

So, it only makes sense to keep your marketing budget, and pushing forward with your marketing even when times are hard.

Mistake #15: Depending on Image (Institutional) Marketing

This is likely to be problem if you have some kind of MBA whiz kid in charge of marketing, with his head full of ideas he's learnt by studying corporate behemoths, like Wal-Mart, McDonald's or General Motors.

He knows inside out how to sell low-priced commodities to the unwashed massed. What he's unlikely to know is how to sell premium-priced solutions to the upper echelon of a specific niche market.

Why?

Because MBA school doesn't teach that stuff.

Your marketing should have four key purposes...

1. Initiate interaction with your market, AS OPPOSED TO chase after the market.
2. Establish and deepen your credibility as an industrial authority, AS OPPOSED TO a replaceable vendor.
3. Qualify the market for the top 0.5-2% (cream, of the crop), AS OPPOSED TO try to serve everyone.
4. Nurture repeat and referral business, AS OPPOSED TO hunt for new clients all the time.

For deepening credibility, consider these six ingredients[4] for your communication pieces....

1. Authority
2. Reciprocity
3. Social Proof:
4. Liking
5. Commitment and consistency
6. Scarcity

And whatever the government, the UN Security Council or even the International Council of Women says, establishing and deepening these six factors achieves much more than an image.

Mistake #16: Depending On Special Promotions

[4] From Robert Cialdini's book, The Influence.

This is a sort of megaphone marketing. IT companies tend to do it when they realise they are tight on money. So, they quickly do special sales.

While they can make some sales in the process, many of those deals are barely profitable or not at all.

One of the reasons for that unprofitability is that they want to make quick sales, so they seek buyers who are about to make buying decisions. That's about 3% of the market.

In my experience the secret of success for any promotion lies in systematic follow-up or rather a systematic stay-in-touch process. It should be a healthy mix of valuable content and enticing copy to make readers take action, and get closer to the point of hiring you.

And what if they don't buy for a long time? Who cares? The process is all automated anyway, so the messages go out to thousands of people at once.

As they say in multilevel marketing: Some will, some won't. So what? Next!

Staying in touch is a hideous chore only if you have to do it manually.

Can you see now why salespeople miss so many opportunities? They simply can't stay in touch with buyers in a consistent and predictable manner.

But this is just one of the several areas where good sales copy, comprehensive systems and effective automation can far outperform flesh-and-blood sales forces. Not to mention that copy, systems and automation cost far less than managing a life sales force.

Mistake #17: Depending On RFPs

This is actually worse than I've thought. Although might be the short form of "real fools participate", it seems there are lots of fools around.

There are bucketloads of IT companies out there that hire full-time employees for the sole purpose of mass-responding to RFPs. Their job descriptions include...

- Scouring the web for RFP opportunities.
- Writing and submitting, on average, 15-25 proposals per week.
- Following up with submitted proposals.
- And some more retarded activities.

I believe that neck and neck with cold-calling, responding to RFPs is the most idiotic business activity one can imagine. The rough translation of the process is something like...

> **"Troubled, bottom-feeder buyer is looking for a cheap seller to perform a miracle for chickenfeed in a master-slave relationship."**

Wow, responding to this ad is really just a tiny bit better than committing seppuku[5].

The way I see it, RFPs destroy IT businesses in eight ways (Or maybe even more)...

[5] https://en.wikipedia.org/wiki/Seppuku

1. RFP opportunities represent bottom-feeder buyers in search of the lowest bidders.
2. RFP buyers unanimously set the rules.
3. RFPs water down your differentiation.
4. RFPs eat up the margins on your projects.
5. RFPs can communicate trouble to your people.
6. RFP work is the proverbial one-night stand with no chance for repeat or referral business.
7. RFPs indicate that your company is not worth buying.
8. RFP bidding processes are badly stacked against sellers.

Mistake #18: Depending On Cold-Calls

Our hero doesn't even know an interesting detail.

A few years ago the Kenan-Flagler Business School at the University of North Carolina did a study on cold-calling. It concluded that some 80% of B2B decision makers in the United States absolutely, positively will not buy as the result of cold calling.

Then there was another, more recent, study by the Keller Research Center at Baylor University in Texas.

The study was based on a group of 50 experienced and qualified salespeople, who made 6,264 phone-based cold calls over a two week period.

Here's how it turned out:

- 72% of the calls were outright rejections.
- 28% of the calls (1,774) were regarded "productive", meaning that these people showed some interest. Then a tremendous amount of time was wasted on these "interested" people, most of whom didn't buy anything in spite of their interest. The 1,774 calls produced 19 appointments and four sales.

That's a success rate of 0.3%. Or a failure rate of 99.7%. Whichever you prefer.

Either way, it's a tragedy.

This is it really. I reckon, there are more dogmas, but these 18 babies should be eye-opening enough, and reading them, you can see where your company is doing fine and where it needs improvement.

Now, some people say that they do business with governments, and governments only do the RFP deal.

Well, stop dealing with governments. Their projects look meaty on the surface in terms of gross revenue, but by the time you get paid, often 120-180 days net, and fulfilling many other terms in the contract, you may end up with nothing as profit.

I've worked with the government only one. And I was lucky, because I got paid 90 days net.

When we signed the contract, it was 30 days. Towards the end of the project, the buyer changed it to 90 days. When I mentioned this "issue" to her, she laughed at me and said, "Well, sue me." She knew that as part of a dictatorial institution, she could even murder her consultants if she had wanted to and would have got away with it.

Instead of these dogmas, create a Project Information Kit, which you can send out in response to enquiries, so buyers can learn your ground rules.

And if they don't like your ground rules, they can take a hike. Don't let anyone push you around.

In the meantime, don't sell harder. Market smarter and your business will be better off for it.

About The Author

Since 1998, after a 16-year industrial stint as an electronics/computer engineer, project manager and technical buyer, Tom "Bald Dog" Varjan has been working with privately held information technology companies and independent IT professionals to market and sell their complex, high-ticket and hard-to-explain IT solutions to high-end, sophisticated clients.

For Tom's free white paper, "More Brain Less Brawn: High-Leverage Client Acquisition Strategies For Privately Held IT Companies In The Knowledge-Based Economy", go to http://www.varjan.com

Additional Knowledge Products to Build Your IT Business

Here are some knowledge products on business development for building your premium-calibre IT business. It's especially for privately held "entrepreneurial" IT companies and solo IT professionals.

These products are sort of workbooks. They explain what is what, then walk you through the "how to..." part of the process. As you read the books, you do the exercises, and by the time you finish reading, all the relevant bits and bobs are in front of you on paper applied to your own unique situation. For this reason, the materials are not long but rather dense.

I hope you find them valuable.

Winning Yellow Pages Advertising For Information Technology Companies: One piece of good news is that most people who look you up in Yellow Pages are serious buyers. Another piece of good news is that some 97% of Yellow Pages ads are like eunuchs in a harem. They are physically there but are unable to perform.

The bad news is that your Yellow Pages ads might look like your competitors' ads. But that's great recognition and you can now correct this error.

Some people say, no one uses the Yellow Pages any more. Normally not. But in case of emergency (server down or computer crash), people look up the Yellow Pages and phone the company that is best differentiated from the masses. And remember that emergency work has very very high perceived value. So, take a moment and look at your ads. Winning Yellow Pages Advertising For Information Technology Companies

Perfect IT Client Profile Development Toolkit: We all know the high financial and psychological cost of low quality clients. They pay little but demand a lot. Even when they are happy, they are reluctant to give testimonials and introduce us to their connections. So, it's pretty important to carefully cherry-pick clients and to make sure they come from the top 0.5-2% of the Perfect Client Pyramid.

Yes, these top-drawer companies are hard to "conquer", but in the long-run, they offer the highest return on your marketing investment. But before contacting them, you have to define them in your business. And this is what this knowledge product does. Perfect IT Client Profile Development Toolkit