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When it’s time to change the way you sell your wares

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In business, it often is not what you do that counts, it is the way that you sell it.

Four years ago, John Cassie was in danger of becoming another entrepreneur whose dreams of building a business came to nothing.

He had poured £200,000 of his own money into what he believed was a groundbreaking piece of software, which helped small companies with foreign operations to manage their payroll across borders. But his business, Iipay, faced collapse because no-one would buy the product.

Cassie quickly realised that what his target audience really wanted was not a software package, but a payroll management service.

“We were terribly good at building washing machines, but we needed to be a laundrette,” he explains. “At that time, we had no-one who could sell the service.”

Faced with the prospect of insolvency, Cassie went in search of a “laundrette” operator. He guessed that the US would be a good place to start, and found a services business in Chicago. They set up a joint-venture payroll processing bureau, called Celergo, in which Iipay had the majority stake.

It proved to be the salvation for Iipay, which now has about 130 clients on its books, 30 per cent of which are Fortune 500 companies.

“Humility is very important,” Cassie admits. “It is very important to acknowledge when you have got it wrong, and have a strategy to change it, as opposed to being the captain who goes down with the ship.”

He has since set up another joint venture business in Crewe, called Safeguard World International, to provide the same pay- roll service as Celergo to companies in the UK and Europe.

Iipay, which is based in Cheltenham, still doesn’t employ any salesmen, leaving the joint venture businesses to bring in the customers and taking a slice of the revenue from each.

Cassie likens his strategy to the old photocopier model, where suppliers would get a penny a click. “Mercifully, we get a bit more than a penny a click!” he adds.

Iipay’s turnover this year is expected to be $15m (£8.1m), up from $9m in 2007. The credit crunch has not damaged growth, Cassie claims, because Iipay’s software helps companies save money.

Woodall Transport, a family-owned haulage business on its third generation, also had no sales staff up until a couple of years ago when it realised it needed to broaden its customer base.

The West Midlands-based company, which started trading in the 1930s, had for many years been reliant on four big customers – tyremaker Dunlop, confectioner Cadbury Schweppes, bus maker Mayflower and pallet supplier Chep – and so saw no reason to go out to find new business.

Then Cadbury transferred its haulage business from small companies to multinational logistics groups, Mayflower fell into administration and Dunlop cut its business with Woodall to a few hundred pounds a month.

With Woodall’s fuel costs rising by 25 per cent a year due to oil price rises, the company was forced to question whether even Chep was viable as a customer.

Richard Woodall, managing director, went into a meeting with Chep’s management ready to demand a price increase or give up its contract entirely.

He found, however, that his customer had a third solution. Instead of paying Woodall a flat day rate based on the number of trucks used, Chep proposed a productivity-based scheme in which Woodall was paid for every pallet it collected.

The new deal meant that Woodall was incentivised to use fewer trucks, but collect more pallets. Woodall has since increased its revenues from Chep by 25 per cent, but the customer is getting more pallets shifted for every pound it spends.

Woodall says he would have liked to have made the change sooner, but had to wait for the customer to come up with the idea following a change in management. “We told Chep this five years ago, and they said ‘no’.”

However, the success of the new venture has emboldened him to seek similar deals with other companies Woodall has started working with, having reorganised his management team and added a sales director.

“We are not now afraid to go to our customers and ask if we can do things differently because we are offering them a cost benefit for it,” Woodall says.

Inon, which sells relationship management software to professional services companies, has switched from fixed-price quotes to a structured pricing model. Instead of customers paying up front for developing a system, Inon negotiates a fee for every new client the customer wins using its software.

“Clients aren’t interested in our increasing costs as a rationale for price increases,” Leigh Caldwell, Inon’s founder and chief executive, says. He points out that the credit crunch has made it harder to get potential customers to commit to spending on new IT systems.

The new pricing strategy has reduced Inon’s sales cycle from as much as a year to as little as a month, Caldwell notes.

“If we build a great system which achieves its goals, we make more money,” he explains. “If not, then the client pays less.”

The problem with Inon’s new pricing plan is that it must fund the upfront cost of software development before it makes any revenue.

For the moment, however, Caldwell claims he has been able to fund new contracts from existing cash reserves.

Changing the sales message or pricing technique might bring rewards, but it may not be cost free.