What is MPS?

Sales are slumping?

The problem is either in Market, Product, Sales Execution.

Every startup must make the connection between a problem in the market, the buyer, the product value proposition, and the value exchange ratio aka price.

In six words:
Find a need and fill it.

When the pieces don't align, your sales will begin slumping. To fix it, you need to first know where the issue stems from.

There are usually only three things that go wrong, abbreviated to MPS.

Market – this is the hardest problem to solve. In fact, if there is no market for the product you built, there will not be a buyer that has a problem you solve, and no value exchanged.

When you build your business plan, and before talking to investors, ask yourself this question first. Now, most entrepreneurs may fall in love with the idea of building a business, and may overlook this critical question.

Don't say "that happens only to junior folks, so it is not going to happen to me…"

Here is a case of Motorola making this basic mistake, with a cost of $5B. Project Iridium
https://www.airspacemag.com/space/the-rise-and-fall-and-rise-of-iridium-5615034/

By the time the project was operational, there was no market for it. So it did not matter how slick the phone they developed was, nor the price per minute…

Selling ice to the Eskimos is a good way to capture this issue. So be sure there is a market by talking to buyers (not to your co-founders). You need to explore the problem the buyer faces, understand their alternatives and options – as sometimes your real competitor is the cost of doing nothing. This "competitor" is often overlooked by many founders as they assume (wrongly) that if there is a problem it must be solved…

For example, a broker-dealer may need to comply with a regulation about X. You think to yourself, if I can build a product that creates the report that complies with X – I have a business, right?

Wrong.

If your product costs $10k and paying the fine for not reporting on X costs the broker-dealer $5k, you have no market…

Further, if the product costs $1k and the fine is $5k you STILL are not home free.

Why? Because the cost of replacement and testing. In many cases the customer has a three year contract, so they will not entertain any replacement until that contract is over.

Lastly, you need to assume that whatever you are selling, needs to pass the threshold of 10:1 ROI. This means, that if you want to charge $1M for your solution, it ought to payback the customer $10M.

Why? Because many cost saving solutions are weighed side by side with revenue generating opportunities. If the CMO shows that for every $1 invested in a campaign $20 come back, your project of $10 return for every $1 will wait…

Product – this is the second hardest problem to solve.
Say that there is a clear market, established or that you are creating. This means there is a clear pain your can solve, at a price point that is competitive and creates a 10:1 ROI.

You now need to have a product/service/solution that actually solves it. Otherwise, you leave the market with a "vacuum" and that will not last forever. Take Kodak for example, with the consumer photography market.

When they had products that allowed consumers to take pictures, develop the film in a lab, and get them printed – all was well. However, overtime, with the advent of smart phones, consumers could us a different product to get the same result.

This is a case of the market not changing, but the product is not a fit anymore.

Other examples: the fax machine for transferring signed documents is largely squandered by email.

Clear signs that this is why you are not selling is to see your competitors sell their solutions in the market you are in.

Sales Execution – this is the third hardest problem to solve.
So say there is a market like online advertising, and you have the most promising platform to engage publishers and advertisers…

And still, there are no sales to write home about.

Explore the sales execution in more detail. This category is the easiest to fix of the three, and yet, the root cause could stem from many directions.

1) Your sales team is not trained well to promote the value propositions, the differentiators, showing the ROI etc. Review your sales deck and materials to see if there is an issue there.
2) Your pricing could be off, and it does not mean too expensive. The issue could be that you are charging per transaction and your buyer is used to per user. You could charge a flat fee and your buyer is used to CPM. Check the price scheme to see if you are misaligned there. The other pricing issue is charging too low… Certain solutions require a price that denote the total ownership of the vendor. You cannot charge the Pentagon $50k for the cyber security solution you are pitching… even if it costs you $5k to deliver.
3) Your sales team is not set out to sell in this market. If you have hunters that are asked to be farmers, it will show in your numbers. If you have farmers that are asked to be hunters it will show in your numbers. If you ask hardware salespeople to sell software, it will show and on and on. Relationships are important so make sure to get salespeople who can come in with their "Rolodex" of relationships. That alone could give you an advantage that your competitor does not have. Many times, it is NOT the better product that wons the deal, it is the better salesperson.
4) Did you hire salespeople with 20 years' experience, or with one year experience 20 times?

   Wait, what?

   Many resumes show a career that spans 20 years in sales. However, not every person keeps learning new skills. Thus, they may repeat their early career moves again and again. Sales people can be separated into three groups: order takers, product/solution sales, relationship/trusted advisor sales.

   a. Order takers, can recite from a price sheet what you can buy and with what options. They will do great in cases that you can buy a fixed product set like oil fluid, that comes in 12oz and 48oz containers, and you can buy a case or a palette. There is little salesmanship required to succeed, and there is a need for such salespeople in many industries: cars, hotels, airline, commodity, precious metals etc. The best trait here is to know the feature set you aer selling, and be able to compare it to the competition.
   b. Product/solution salespeople know all the features and details of the product. They are not selling it though as "take it or leave it", as they aim to craft a solution for the customer based on their product lineup. The industries that benefit from this kind of salesmanship are wedding halls, conference and conventions, security hardware and software, networking gear etc.
   c. Relationship selling is one level about that, and creates a trusted advisor condition. When your sales rep is invited to the strategy session of the customer, and is under the tent whether he will sell something or not – you have an advantage like no other. This is about trust and delivering an ROI, regardless of the exact product/features set. The industries that benefit from this kind of salesmanship are management consulting, IT integration, military/defense, BPO etc.

So ask yourself if you have the right level of salesperson for the job, and if their experience level them up to have relationships – or not.

5) Does your team know how to ask for the deal? Sounds silly, doesn't it?
   You must check that your team is actually ASKING for the business, and that is is not implied. Many buyers get vendors to pitched them, take them to dinner and tell them all about their solutions. Everyone knows why the buyer is at the dinner table, that is not ambiguous. However, at the close of the sales pitch, the salesperson must ask for the business. It could be as simple as "we would love to get your business and deliver a solution that solves your pain, and generates the ROI we promised." You would be amazed how many sales cycles do not end with the ask… When you want to raise money from a VC, you should also have an ask at the end of your pitch – many pitch decks don't.
6) Did your prospect interact with your company at least 6 times before you expect them to buy? Yep at least 6 times.
   This means that after you made your first sales pitch, you should NOT expect a deal to be closed. It simply does not work this way. At the end of the day, people are people, and just like you would not hand $50k to someone you just met (no matter how cool their presentation was.)
   You should expect your prospect to see an interaction with your company 6 times at a minimum, before they will be ready to BUY. The interactions could be: reading a blog post, hearing you speak at a conference, seeing an airport ad, hearing about you from a trusted colleague, meeting your sales team etc. If your sales person say "we just got an amazing call with Acme Co. and I think we will close this deal in 30 days…" – be worried. This is not how it usually works, and "happy ears" is a common mistake of salespeople.

In conclusion, monitor your MPS every quarter at a minimum, to ask yourself of the market has changed, does your product need to adapt, does your sales team have what they need to win?