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SaleSoft, Inc. (A)

In September 1995, Gregory Miller, the president and CEO of SaleSoft was faced with the question of whether or not to introduce a Trojan Horse[1] product. Trojan Horse (TH) could potentially distract SaleSoft from its primary objective of becoming a leader in the high end of the Sales Automation (SA) software industry. In addition, there was a risk that it would cannibalize sales from the PROCEED product that SaleSoft was currently marketing. Finally, TH could potentially prevent SaleSoft from forming relationships with consultants whose support was critical to the success of PROCEED. Yet, TH might offer an easy way for SaleSoft to get into new customer accounts, gain quick sales, and generate much needed revenues.

Greg Miller had founded SaleSoft in June 1993 with the objective of marketing PROCEED, a Comprehensive Sales Automation System (CSAS). In the past 18 months PROCEED had received very favorable responses from prospects. However, converting interest to actual sales was taking a long time. With limited funds and the need to show performance before seeking additional venture capital, Miller and Bill Tanner, executive vice president and CFO, had to decide whether to continue trying to sell PROCEED to select customers, or to make an all out effort to launch TH to a much larger customer base.

Further, the best place to launch TH would be the Sales Automation Conference in December that was expected to attract more than half the prospective customers for SA products. To have a demonstrable version of TH for the conference, SaleSoft would have to devote all its efforts in the next few months to TH.

The Sales Automation Industry

Sales Automation (SA) could be broadly defined as any system that automated some or all processes used in the sales order cycle from lead generation to post-sales service. This included marketing functions such as telemarketing, direct mail, and other modes of direct communication with the customer; sales functions such as account management, team selling and salesforce management; and customer service functions such as complaint tracking, service reports, and

[1] The term 'Trojan Horse' refers to an object or action used to gain easy entry into areas that might otherwise be difficult to access. The Trojan War is the subject of Homer's *Iliad* and is thought to reflect a real siege of Troy by the Greeks in 1200 BC. The fall of Troy is recounted in Virgil's *Aeneid:* according to Virgil, the Trojans, having held out against the Greeks for 10 years, were tricked into hauling inside their city walls a large wooden horse (the so-called Trojan Horse) left as a gift for the Trojans by the Greeks. The belly of the wooden horse was full of Greek soldiers who, once inside the walls, opened the city gates at night and thus let in their compatriots to sack Troy.

Professor Das Narayandas prepared this case with the assistance of Professor Benson P. Shapiro as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

repurchase details. International Data Corporation, a respected market research organization, estimated the 1995 SA market at around $1 billion, and expected it to grow at over 40 percent annually over the next five years.

The rapid growth in SA was due to significant changes in three areas. The first was the dramatic drop in laptop computer prices with enhanced processing speed, increased storage capacity, color displays, and light weight. The second was the introduction and continuous enhancement of powerful and user friendly software including operating systems such as Microsoft Windows, groupware such as Lotus' Notes, that allowed for easy sharing of information, and networking software such as Novell's Netware for easy information transfer. The last was developments in communication technology that allowed remote laptop computers to link with central databases.

The potential US market included over 9.2 million salespeople. The Gartner Group, a leading authority in SA, estimated current SA penetration at 2.4 million or 26 percent of the market. There were over three hundred vendors that offered solutions addressing one or two SA areas. Most of them were small niche firms that had annual sales less than $ 5 million. Only a couple of vendors, such as Sales Technologies with sales over $ 50 million and Brock Control Systems with $ 25 million, were considered big players. These firms had been well established in the mainframe environment. However, the major shift from mainframes to PC based client/server systems had recently forced these firms into the PC world where most SA action was now concentrated.

There were no integrated solutions currently available that addressed the complete automation of any customer. One industry expert stated,

> You cannot buy everything in an integrated fashion from one vendor. Although the industry is moving in that direction, it will be a long time before that's possible. So the customer will be forced to act as her own integrator and force different vendors to work together to provide a customized solution.
>
> (*Datamation*— May 1, 1995)

One reason for this was a general belief that there was no standardized approach to the sales order cycle:

> People in sales are not willing to realize that the way they sell is similar to the way someone else sells, so we are not seeing the development of cross-industry SA applications.
>
> (*Datamation* - May 1, 1995)

The time to sell and install a typical SA project took anywhere from 22 to 30 months. The extended time frame of implementation, high level of customization, and the rapid change in technology stretched the resources of small SA vendors and affected their ability to stay competitive and survive. In fact, seven out of ten SA vendors were forced out of business by three years after start-up. This high failure rate had led to a great deal of skepticism amongst potential customers.

Types of SA solutions

There were a variety of SA solutions available in the market ranging from simple Contact Management Systems (CMS) at the low end to Comprehensive Sales Automation Systems (CSAS) at the high end.

Over 80% of all SA efforts in the early 1990s were projects where the salespeople had been equipped with simple contact management software. Contact managers or Call Reporting systems allowed the user to maintain, access, and update details of the contact person (customer) in a

database that resided in the sales person's laptop computer. Typically, salespeople maintained customer names, telephone numbers, addresses, and personal details.

It was common to find salespeople within a firm using the same CMS in radically different ways. This restricted the usefulness of CMS. As one CEO put it:

> The bottom line of our SA initiative is that we provided our salespeople with an electronic card file costing $3,500 instead of a $100 paper organizer. . .

Most *Fortune* 1000 firms had initiated their SA effort by equipping their salespeople with CMS. Several hundred SA vendors offered proprietary versions of contact managers that did not allow for integration with other databases or software. The most popular CMS was ACT, sold by Symantec Corporation. Unlike most CMS vendors, Symantec was a large PC software company that offered a suite of productivity software for enterprise-level corporate computing and had over 1500 employees worldwide. ACT had an installed base of close to 1 million users and cost from $200 to $500 per user.

With an emphasis on providing individual products that performed one function in the sales and marketing process, CMSs lacked integration across all marketing, sales, and service functions. This severely limited the scope of CMS projects and reduced their bottom line impact. As one vice president (Management Information Systems) put it,

> Neither did the CMS help management leverage the market information to which our sales people are privy, nor did it help our sales reps and sales managers improve their management of the sales process/order cycle . . .

A New Wave In Sales Automation

As an answer to inherent limitations in CMS, and in response to growing customer needs, several firms had announced development of Comprehensive Sales Automation System (CSAS) solutions that took a process view to automating the sales order cycle. These solutions were expected to (1) provide sales, marketing, and service personnel with a suite of integrated tools to enable them to communicate better and to perform their jobs more efficiently and effectively; and (2) provide management with back-end decision support systems to enable them to manage marketing, sales, and service resources more proactively. Overall, the main objective was to increase productivity by improving efficiency and effectiveness, and reducing order cycle time. (see **Exhibit 1** for more details).

CSAS solutions were expected to provide greater value where there was greater variance and uncertainty in the sales order cycle. Tanner said,

> We do not see the next generation of SA products being used in all situations. They are not useful in simple selling situations. Our ideal customer profile would face pressures to predict revenues correctly all the time, have a dispersed salesforce with a team selling approach—perhaps, multi-level or even cross-functional, and have made significant investments in their salesforce,

This narrowed the focus for CSAS solutions to industries that involved large ticket items with long, complex sales order cycles and/or that involved consultative team selling. The complexity of CSAS made it easier to implement in industries with computer literate salesforce. **Exhibit 2** gives more details on the market potential for SA. Larger firms in most of these industries had installed CMSs like ACT with varying degrees of success in the first phase of their SA effort. Their salespeople were known to "swear by" and "swear at" CMS.

In June 1994, there were no integrated CSAS products available. Towards the end of 1994, several vendors announced their intent to develop and sell such systems. Some had even established beta[2] test sites by early 1995. By mid-95, more than a third of the vendors had dropped out. **Exhibit 3** provides more detail on firms currently in the market with preliminary CSAS solutions.

A Typical CSAS Buying Cycle

The inefficiencies within and across most current sales, marketing, and service systems affected all levels from the CEO right down to the sales person. Trying to undertake a selling effort that involved educating a potential customer at all levels on the benefits of a CSAS system was beyond the resources of most SA vendors (see **Exhibit 4** for some of the important issues raised by the affected constituencies). It was easier for SA vendors to pursue prospects that had already decided to implement a CSAS solution.

A typical customer buying cycle involved several steps. First, was the realization by senior management that CSAS might solve some of the existing sales, marketing, and service problems. Having reached this stage, it could take a customer another twenty-one to thirty months to implement CSAS.

It was rare for firms to automate all processes at the same time. Thus, the second step in the buying cycle was to evaluate the potential to automate existing processes and to specify the order of functions to be automated. Customers were usually not equipped to do this in-house. It was common for SA consultants to help them. SA consultants typically specialized in implementing SA in one or a few vertical industry markets like healthcare, pharmaceuticals, etc. Their deep understanding of the industry, and their skills and experience made them the best option for this step, which took three to four months.

In the third step, the customer decided how the different functions to be automated were related, and determined how data was to be collected, stored, and analyzed. This again was usually done by SA consultants with the support of the customer's information systems department, and usually took two to three months to complete.

The customer decided the type of SA software and hardware to be purchased, at this point, the fourth step. Here again, the customer relied heavily on the consultant. Short listing[3] and selecting vendors typically took six to eight months. Even at this late stage in the buying cycle, it was not uncommon for CSAS vendors to face concerns about SA at all levels of the customer organization (see **Exhibit 5** for a list of concerns and benefits sought).

After choosing the vendor, the fifth step was to pilot test the CSAS after customizing it to meet the customer's specific needs. It usually took three to five months to implement this step.

The sixth step was to modify the CSAS software in response to feedback from the pilot test, which took three to four months. Full scale roll out, the final step, typically took another four to six months.

[2] It was a common practice to install early software versions at a few, select customer sites for test. These were referred to as "beta" test sites.

[3] Detailed evaluation of all available products was a very expensive and time consuming process. Therefore, based on preliminary analysis, business customers with the consultant's help would identify a few, select vendors that were likely to meet their specific needs. This reduced set of vendors was called a "short list." In the next stage, extensive comparative analysis across vendors in the short list was done prior to selecting a vendor for the project.

Recent Trends in Partnering in the Sales Automation Industry

Recently, several CSAS vendors had announced partnerships with SA consultants. Partnering with consultants helped a CSAS vendor in two ways. First, it allowed the CSAS vendor to access the consultant's customers while potentially locking out other CSAS vendors. Second, it took care of training issues.[4] It was common for consultants to either have in-house training skills or long standing partnerships with specialized training firms. The main drawback of partnering was that it could potentially alienate the CSAS vendor from other consultants and their customers. This was amplified by the fact that consultants expected the CSAS to be customized to proprietary specifications.

Currently, SaleSoft did not have any partnerships with any consultant. In preliminary discussions with Miller, several consultants had indicated that they needed to see a complete CSAS solution before they would even think about partnering.

The PROCEED SMRP® (Sales and Marketing Resource Planning) System

SaleSoft's CSAS product, called PROCEED SMRP®, allowed customers to automate their entire marketing, sales, and customer service operations. PROCEED had eight modules:

Sales System	Marketing System	Services System
• Field Sales • Opportunity Management • Sales Management	• Campaign Management • Marketing Encyclopedia • Literature Fulfillment	• Incident Tracking • Relationship Management

Currently, only the three modules in PROCEED's Sales System were ready. Miller estimated that it would cost a million dollars to develop and roll-out the remaining five over the next eight months.

Sales System The PROCEED Sales System consisted of three modules.

The *Field Sales* module recorded and displayed on an easy-to-use scheduling system all customer information, personal appointments, meetings, and 'To Do' activities. It was designed to minimize keyboard and mouse entry to make it easier for salespeople to use. It also created a common database using information input from each sales person that allowed the entire sales team to view the availability, allocation, and coordination of resources throughout the organization. The data collected in this module was the only input into the Opportunity Management and Sales Management modules reducing the 'paperwork' burden on salespeople, an activity they generally despised.

The *Opportunity Management* module organized the flow of each prospective sale into pipeline segments. Each segment contained a user defined set of sales activities involving the sales person and/or other sales team members. When all activities in a segment were completed, an opportunity was automatically moved to the next pipeline segment. **Exhibit 6** gives one example of an opportunity pipeline. Used in conjunction with the Field Sales module, it allowed each sales person to constantly view her sales opportunities and the progress made toward closure.

[4] Training was a critical factor in CSAS vendor evaluation given product complexity and minimal prior user experience. In addition to using the CSAS system, users also had to be educated on using laptops, linking to central databases to transfer information, printing reports, and using application software such as word processors, spreadsheets, and electronic mail. Customers expected CSAS vendors either to have in-house training skills (which was usually not the case) or to partner with firms that specialized in training.

The *Sales Management* module continuously updated and consolidated information by opportunity and provided up-to-date pipeline status on all opportunities. It also included a decision support and executive information system that allowed management to plan efficient resource deployment.

Marketing System The three modules in this system automated and integrated all the marketing processes within a firm.

The Campaign Management module automated telemarketing, direct mail, and advertising campaigns. It provided an effective and efficient means for rapidly transferring qualified leads to field sales. It also provided management with data for evaluating the cost/benefit of each campaign, including 'what if' campaign analysis.

The *Marketing Encyclopedia* module was a central repository for maintaining and updating all product information, pricing schedules, new product launch announcements, press releases, and other marketing material. This ensured consistency and timely availability of all marketing and sales support information.

The *Literature Fulfillment* module automated the identification, accumulation, and distribution of literature requests from all sources within the organization, customers, and prospects. It also tracked the usage and inventory of marketing resources.

Service System The customer service system was made up of two modules.

The *Incident Tracking* module captured all customer service issues and tracked them through to ultimate resolution. By maintaining information on-line, it provided management with continuous feedback from customers.

The *Relationship Management* module provided a repository for all customer contacts, activities, commitments, and correspondence that could be used to generate new sales opportunities from existing customers.

PROCEED System Design

PROCEED was developed to run on Microsoft Windows, an industry standard operating system. This was expected to shorten the learning time for the large installed base of Windows users. In addition, PROCEED was integrated with common E-mail, word processing, fax, spreadsheet, and presentation software. It used advanced software technologies that allowed the sales person to use the complete functionality of the system unattached to the host system. The sales person could, at any time, connect to the host to transfer data to and from a central corporate database.

Current PROCEED Sales

To date, SaleSoft had sold the three existing modules of PROCEED to five customers in the computer software industry and had an installed base of just under three hundred users. SaleSoft had committed to these customers that it would release the remaining modules on a staged basis by June 1996.

SaleSoft was also pursuing sales opportunities with over twenty prospects in computer software and hardware, financial services, and banking. The number of users varied from 200 to 600 per prospect. **Exhibit 7** gives more details on two of them. In each case, the customer wanted to see the total PROCEED product before making any purchase commitments. Barring any delays in product development, Miller felt at least a quarter of the current prospects would buy PROCEED over the next 12 to 15 months.

SaleSoft Organization

SaleSoft Inc. was founded in July 1993, to develop and market CSAS systems (see **Exhibit 8** for the organization structure).

Greg Miller, the president and CEO of SaleSoft had spent over 12 years in the application software industry including positions in sales and marketing, product development, services, and general management. Before founding SaleSoft, Miller was president of Symix Computer Systems, Inc., a $ 30 million public company that developed and marketed manufacturing software. Prior to Symix, Miller was vice president of Sales and Marketing and the third employee at a software company that developed and marketed one of the first integrated Manufacturing Resource Planning (MRP) systems. His experience in automating manufacturing environments convinced Miller that there was a tremendous opportunity for a solution that integrated a firm's sales, marketing, and service functions.

> We were able to bring order to chaos in manufacturing and provide customers with huge savings by reducing wasted effort. I am sure that PROCEED will prove as effective as MRP packages that I have sold in the past.
>
> Very few firms have any control over customer management processes. They are held hostage by their salespeople. By using CSAS, our customers will be able to drive out inefficiencies in their sales, marketing, and service cycles, and reduce their SG&A costs.
>
> The benefits are so great that customers will be eager to adopt these systems at the earliest. If you thought MRP systems led to a revolution in manufacturing, wait till you see what CSAS will do to selling, marketing, and service.

William Tanner, the executive vice president and CFO, had over 14 years of work experience in finance and management of technology based businesses. Tanner's experience and contacts had been instrumental in SaleSoft's ability to get venture capital funding.

The Financial Situation

By 1994, Miller and Tanner and a few other promoters had invested just over $800,000 in equity. This was supplemented in early 1995 with $ 2 million of venture capital. To support the firm's expenses through 1997, Miller and Tanner felt they would need to raise another $ 2 million in early 1996 (see **Table A** for a summary of projected revenues and market share for SaleSoft).

Table A Summary of Revenues and Market Share for SaleSoft

Year	Revenue ('000 $)	Net Income ('000 $)	Total Market (million $)	SaleSoft's Market Share
1993	0	(104)	600	0%
1994	305	(658)	780	0.1
1995[a]	2,000	(1,328)	1014	0.2
1996[a]	6,750	(413)	1318	0.5
1997[a]	15,000	1,395	1713	0.9
1998[a]	30,000	3,197	2227	1.3

[a]Projected.

Exhibits 9 and **10** give more details of the financial projections for SaleSoft. As of September 1995, expenses were running at projected levels. Year-to-date revenues, however, were a little over half a million dollars.

The Trojan Horse Opportunity

On several occasions, salespeople had told Miller that a large number of prospects, who were not ready for PROCEED, were desperately looking for a system to manage their sales forecasting process. These firms were involved in long, complex selling cycles that made it difficult to forecast revenues and affected overall operations including revenue planning, inventory management, capital equipment budgeting, and human resource development. As sales VP put it:

> Our selling cycle is long and uncertain. Most of the time, until the order is in, I have no idea of what is going to happen and when it is going to happen. There are many cases when a sure shot lead was left unanswered because the sales person was chasing a low probability opportunity. There are other times when the sales person did not push the customer along to the next stage in the buying cycle. This delayed the order and sent our forecast right out the window. Right now, it takes my team months to gather the data and by the time I get the information, it is too late to do anything.
>
> I hate to go to management meetings with no clue of what is going to happen, when it's going to happen, and worst of all, why it did not happen. I want reports that will give me up-to-date status on every lead generated in the past 18 months. That will reduce my high blood pressure dramatically.
>
> In my ideal world, my people can log onto their systems every morning and look at a plan for the day, week, month, quarter, and year. This would include the status of each opportunity, and what they need to do to close each sale. If we have this information available on-line, then we should be able to improve our selling effectiveness, reduce our selling time cycle by two to three percent, and impact our bottom line significantly.
>
> I know I need more than a CMS. I also know that I do not need CSAS. I am not going to try to convince marketing and service about integrating their functions with sales. Give me a solution that will help *me* manage the sales pipeline better.

Miller knew that some of the functions currently available in the three modules of PROCEED's Sales System could serve as the basic building block to develop a product that provided answers for the Sales VP's problems. Tanner called this the Trojan Horse. Miller added:

> Over the last couple months, we did try to push the current Sales System modules of PROCEED to various prospects. The response from these sales VPs was very discouraging. None of the prospects that saw the current product were even remotely serious about buying the product as it is today. They all said they needed a lot more functionalities than what we have right now. Frankly, I agree that PROCEED's sales system needs substantial work before it can be sold as a stand-alone Trojan Horse (TH) product.
>
> Unfortunately for us, when developing the sales system modules, we never thought they would be sold as stand-alone products. A lot of functions that the prospects want to see in TH are ones that we had planned to build into the other two systems of PROCEED. In order to add these functions and interfaces, we have to put

in substantial effort in software design and development. Without this additional work, we do not have an adequate solution that will interest sales VPs.

I wish we had known right in the beginning that we needed to develop TH. By now, for the same costs that we have already incurred in developing the three sales system modules of PROCEED, we would have developed TH as well. But, what's the point in crying over lost chances. We need to look ahead and make some decisions now. The most important question facing us is whether or not we should develop the TH product.

If done right, using information provided by the salespeople for all their accounts, TH will allow a sales manager to review expected close dates of all opportunities and the probability of closing them on time. The sales manager can anticipate any shortfall in sales and set up early and timely intervention programs to manage the gaps in performance. Further, by archiving data over time, a sales manager will be able to track and review previous wins and losses, associated sales activity, and competitive behavior to improve salesforce performance.

Selling Cycle for TH versus PROCEED

Selling TH was different from PROCEED in several ways. First, unlike PROCEED, TH was focused only on sales. This significantly reduced the number of people involved in the buying cycle. Second, it was easier to quantify the benefits of TH. This simplified the selling process for TH. Miller estimated that selling TH would take a third of the time to sell PROCEED. Finally, TH needed minimal customization. This included changing the number and names of segments in the opportunity pipeline and could be done at a fraction of the cost of customizing PROCEED.

Tanner believed that selling TH would be more like selling CMS. "We can go after this market by ourselves. We do not have to partner with SA consultants or other firms. Further, with low customization costs, we can afford to go after a much broader market than our current approach for PROCEED," he said.

The Decision

Miller and Tanner had to decide whether or not to go ahead with the launch of TH. Miller thought,

PROCEED and TH will be targeted to different markets. Customers that are convinced about implementing CSAS are not going to be interested in looking at only TH.

Another issue that concerned Miller was the salesforce.

We do not have the resources to have separate sales forces for the two products. At the same time, I fear that if we ask our people to sell both, most of them will land up pushing TH rather than PROCEED. It gets worse if the customers of TH are unlikely to consider PROCEED in the long run.

Pricing TH low to get entry into an account does not make sense. I do not think we will ever sell the whole system once we launch TH. If we decide to launch TH, we need to price it high. In addition, if the customers are really excited about TH, then they will be willing to pay almost any price for it.

PROCEED is priced at $2400 per user and I think we should charge at least $1000 per user for TH. At that price, we will extract a substantial part of the value of TH to a customer.

Tanner, on the other hand, felt that they should use TH to open customers doors. He preferred a low price approach for the TH.

Setting a high price for TH will make it difficult to sell and will demand a lot more customer education effort on our part. It will put off potential customers who recently have spent a lot of money on hardware and software.

TH should be priced at the same level as CMS. That is the reference customers will use to evaluate TH. A price of $400 is about right. At this price, our salesforce will have to just go out and pick up orders. There is nothing more important to us today than orders in the book.

I also believe that once we get into an account, it will just be a matter of time before we sell PROCEED. I realize we might not have PROCEED ready if we go ahead with TH. I do not think we will lose our first mover advantage if we were to pull out of the CSAS market for a couple of years.

In fact, if we do well with TH, then we should have the resources to get back to PROCEED after a few years. That will be the right time to convert TH users to PROCEED.

Miller responded:

I agree there is a crying need for TH. However, I do not share Tanner's feeling that customers will line up to buy TH. Further, I do not agree with his thought that we will not relinquish the CSAS market to others by temporarily pulling out of it.

And then there is the issue of costs. I estimate that developing and fine tuning TH will take the entire development team at least three months and cost about $ 200,000. This does not including marketing costs that could be very high.

Educating customers about TH will demand a broad based marketing strategy that could cost us half a million dollars over the next six to eight months. Once we create general awareness for TH, I estimate marketing costs per TH user will be a third that of PROCEED.

The Changing Competitive Environment

Recently, several things had changed at the low end of SA. Giants like Microsoft[5] and Lotus[6] had announced major strategic thrusts into this area. In addition, CMS vendors had announced their intent to upgrade existing CMS capabilities to allow users to hook onto networks, share information and manage sales opportunities. This would make the TH market extremely tough and competitive very quickly.

[5] The maker of DOS and Windows operating system software and other application software such as Word, a word processor, and Excel, a spreadsheet software.
[6] The maker of Lotus 1-2-3 spreadsheet software and Notes groupware.

Staying on course and trying to sell PROCEED had its advantages. This market was less crowded with all CSAS vendors being small start-ups. And, this was not expected to change very soon.

Exhibit 1 Benefits of CSAS

Efficiency Benefits

- Effective and timely distribution of sales leads and marketing literature to the field
- Increased customer contacts and face-to-face selling time
- Improved visibility to identify sales person's weaknesses and developmental opportunities

  More effective management by exception via sales process metrics for each rep, district, region, and for the entire company, including:

  – Overall average sales cycle
  – Average number of days in each segment of the sales process
  – Yield by each segment of the sales process
  – Win/Loss rates
- Lower sales person turnover and retraining costs
- Decreased paperwork and reporting (administrative) time
- Improved account planning and customer service
- Increased communication

Effectiveness Benefits

- Improved accuracy of forecasting
- Complete visibility into the buying cycle for each customer
- Immediate insight into all customer activity for entire sales team and management
- Improved timeliness and visibility of order cycle status and ability to effect closure
- Shorter non-productive time for new hires
- More effective sales management, training, and reinforcement of sales methodology
- Timeliness of correspondence, quotations, and proposals with fewer mistakes
- Easier territory maintenance
- Better and timely competitive information updates

Order Cycle Benefits

- Reduced order cycle times because of greater efficiency and effectiveness

Source: Company product literature

Exhibit 2 Market Potential for CSAS

Industry	Total # of Firms with 50+ Sales Reps	Estimated Number of Employees	Estimated Number of Sales Reps
Software Industry			
Computers; Periph. Equip; Software	46	68,642	6,864
Computer Programming Services	49	67,241	6,724
Prepackaged Software	54	116,095	11,610
Aggregate Total	**149**	**251,978**	**25,198**
Computers, Office Equipment			
Aggregate Total	**137**	**1,211,601**	**121,160**
Commercial Banking			
National Commercial Banks	1,097	1,954,088	1,074,748
State Commercial Banks	1,299	781,603	429,882
Other Banks	44	34,583	19,021
Aggregate Total	**2,440**	**2,770,274**	**1,523,651**
Diversified Service Companies			
Computer Programming, Data Processing, Other Computer-Related Services.	113	427,393	21,370
Accounting, Auditing, Bookkeeping	19	218,998	10,950
Management Consulting Services	66	314,224	15,711
Aggregate Total	**198**	**960,615**	**48,031**
Electronics, Electrical Equipment			
Aggregate Total	**479**	**2,043,614**	**143,053**
Scientific, Photo, & Control Equip.			
Aggregate Total	**263**	**1,309,515**	**78,571**
Diversified Financial Companies			
Aggregate Total	**547**	**891,611**	**276,399**
Life Insurance Companies			
Aggregate Total	**370**	**1,049,653**	**293,903**

Note: SIC stands for Standard Industry Classification.

Exhibit 3 List of CSAS Competitors

Company/ location	SaleSoft, Columbus, OH	Action Systems, Golden. Colo.	SalesBook Systems, Pittford, NY	Sales Technologies, Atlanta	Saratoga Systems, Campbell, CA	Penultimate, Irvine, Ca
Product	PROCEED	Heatseeker	SalesBook	SNAP for Windows	SPS (Windows version)	SalesForce
Client/user base	5/500	7/1,700	5/3,000	27/1,500	80/3,200	15/1,600
l993 Est.imated/ 1994 Projected Revenues	$0/$0.3 million	?/$8.5 million	?/$5 million	$50/$50 million	$5/$10 million	$0/$3.5 million
Average Price 200 Users	$480,000	$250,000	$250,000	$400,000	$250,000	$260,000
Process- or data-driven application	Process	Process	Data; optional process module avail 6/94	Process	Data	Process
Primary system focus (account or opportunity mgmt.)	Opportunity and Account	Accounts	Accounts	Accounts	Accounts	Opportunity
Customization	Vendor-customized, client-customized (PowerBuilder source code is provided) or third parties (e.g., Affiliates) can customize.	Vendor-customized	Vendor-customized, or clients can add pieces using Visual Basic, PowerBuilder, etc.	Proprietary. Configurator tool for client customization, or vendor customized.	Proprietary. Saratoga Tools for client customization, or vendor-customized.	Proprietary tool for client customization, or vendor-customized.
Back-end System	Novell, Windows NT, OS/2, Unix	SQL Server, Windows NT, or any ODBC compliant database server	Back-end implementation available through mix of base product and customization	Unix, OS/2, Novell via NLMs	MVS, DOS, Windows under DOS, SCO Unix, OS/2, AIX	Windows NT (OS/2 and Novell available via NLMs)
Remote Communications Strategy	MAPI, VIM, (Microsoft Mail, CC Mail), Xcellenet	Remote LAN connectivity software (e.g., Microsoft's RAS, DCAs Remote LAN Node	Any network gateway product as a default, or any specialty product like Xcellenet or Intel	Xcellenet for OS/2 back end, proprietary for Unix back end, or standard E-mail packages	Proprietary or left to client's selection	Xcellenet; Microsoft's RAS for NT users; IBM's LAN Distance for OS/2 users

Source: Company records

Exhibit 4 Typical Issues Raised By Decision Making Unit As Regards To Order Cycle And Possible Solutions

Who?	Issue	Possible solution
Entire Organization	• It is impossible to keep track and schedule everyone's time. If a meeting requires several people we have to schedule it way into the future. If the meeting topic cannot wait, we end up making decisions without everyone's input.	• Group Calendar • Time management
CEO	• Sales, Marketing, and Service have their customer information systems. None of them have a complete understanding of what is occurring in the account.	• Sales, Marketing and Service activities are integrated into one database. This system shows every activity that has occurred with the account in the same format.
CEO	• My manufacturing cycle is greater than the customer backlog. Therefore, manufacturing tries to anticipate customer product demand and they always forecast wrong. We end up with to much of some products and not enough of the products we need to meet demand.	• Detailed product forecast with trend analysis and confidence indicators.
CEO	• I cannot tell if sales are doing their job.	• Sales management gives anyone the visibility to see everything that is going on in the sales cycle.
CEO	• Channel conflict is hurting my profits. When we do not effectively communicate amongst channels, we usually end up giving the customer two prices. In effect, we lose face with the account even if we win the business.	• Give your channel the same system. Allow sales people in the channels to have visibility to each other's activities.
CEO/CFO	• Sales and Marketing cannot identify their constraints with the demand and sales cycle. Therefore, resources are being allocated to perform the wrong activities	• Order Cycle management
VP Sales	• We are not sure if the sales reps are using a sales process.	• Sales and Marketing method/process steps
VP Sales	• When a sales person leaves us, it takes a year before we can effectively manage the territory again. This ends up costing us a lot money in training and lost revenue during the start up period.	• Develop a database that has a complete history of event by account and opportunity. This in combination with the marketing encyclopedia system will get new reps up to speed faster.
VP Sales	• We do not have a means to understand our wins or losses. Therefore, we cannot learn from either.	• Record the wins and losses for each opportunity. Use the information gained to enhance the appropriate areas of the system.
VP Sales	• The sales cycle is getting longer and longer and we are not sure why. This forces us to make decisions to close business that is not in our best interest.	• Measure each step in the sales cycle. Understand early on if the opportunity is taking too long or if the step is not being responsive. •

Exhibit 4 (continued)

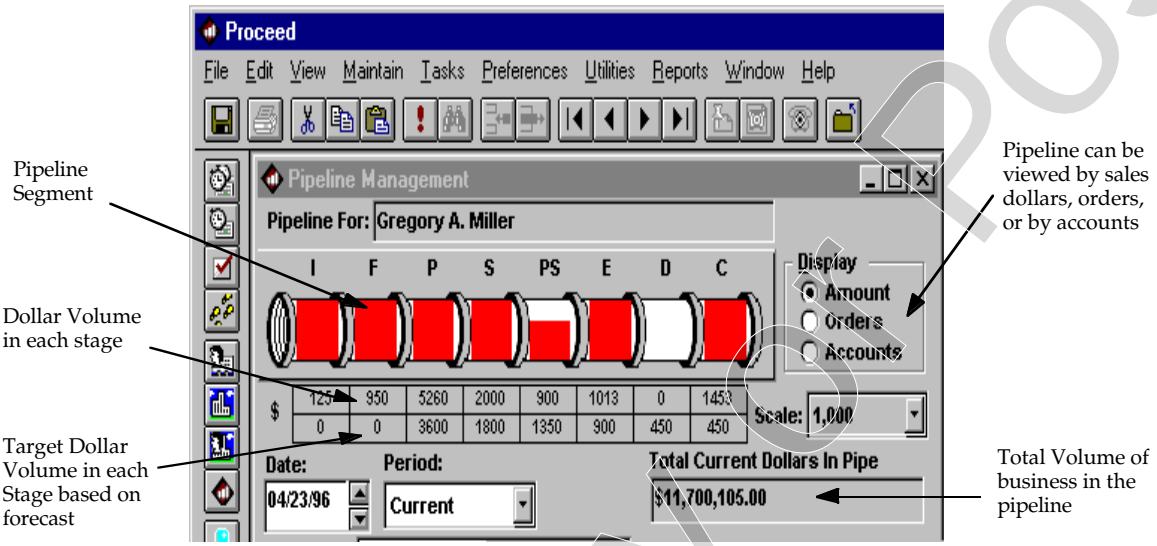
Who?	Issue	Possible solution
VP Sales/ Sales Managers	• We are not sure the reps are taking the right step to move the account through the pipeline.	• Process and activity review by opportunity.
VP Sales/ Sales Managers	• Forecasting and call reports are the only way I can see what activities are taking place in the field. These items consume too much time away from selling.	• These items are a by-product of the sales person using the system to do time management.
VP Sales/ Sales Managers	• It takes us too long to acknowledge the receipt of an order from a customer. The customer thinks we are being unresponsive.	• Print a copy of the order acknowledgment for the customers to sign before you leave their offices.
VP Sales/ Sales Managers	• Sales reps must come in to the office to get access to the information to do their jobs.	• Provide them with a store and forward remote client server platform. This platform allows the rep to do business anytime, anywhere.
VP Marketing	• Telemarketing sends leads to the sales person and never hears anything about them again.	• Give the telemarketers visibility into the sales cycle. This allows them to understand status without getting the rep involved
VP Marketing	• Sales reps do not know which accounts are in their territories. They end up wasting resources on opportunities that belong to a different channel.	• Populate the local databases of all the accounts in each territory. This provides the ability to perform account, contact, and territory management in one system.
VP Marketing	• Competitor information is out of date before it can be distributed.	• Marketing Encyclopedia System.
VP Marketing	• We cannot measure the effectiveness of our marketing dollars or the messages they send. We know we are wasting resources, but where? and why?	• Keep track each campaign, response rates, costs. Record this information by account. Allow the user to review before and after pipeline status.
Sales Reps	• We spend too much time verifying and chasing down expense reports and commission checks.	• Provide status of these items on their local database.
Sales Reps	• Every year the company raises my quota, which forces me to do more to keep my compensation the same. We need the ability to manage more opportunities at one time.	• Give the sales person tools that allow them to manage more tasks. Address their administrative needs.

Exhibit 5 Typical Concerns Regarding CSAS Solutions

Who?	Typical Concerns	Benefits Sought
CEO, CFO	• Are the costs justified? • Who else is using it? Give us a reference list. • What's the guarantee that you will be around after a few years? • Can you prove that it will work in our selling environment?	• SG & A cost reductions • Process control and improvement • Sustainable competitive advantage • Reduced salesforce turnover • Reduced sales cycle • Increase in opportunities addressed
VP MIS	• Is the system compatible with our existing systems? • Can you customize reports to our formats? • Who is going to maintain the system? • What is the guarantee that the system will work? • How do you know that our salespeople will use the system the right way? • Can you guarantee that sales will give us all the information required?	• Integrated with our other systems to allow for bi-directional information transfer • Transportable to the new hardware computing environments that we plan to buy in the future • Minimal increase in load on MIS department to support these systems
VP Sales and Sales Managers	• Will my reps use it? • Will my salespeople use all the functions? • Will they spend all their time playing with it rather than using it properly? • Will my salespeople censor information that they need to report?	• Improved visibility of opportunities • Better forecasts • Better sales management • Improved work habits of salespeople • Improved coaching tools through exception reporting • Reduction in paperwork
Sales Reps	• Will this lead to management trying to keep an eye on everything I do? • Is this extra work? • If I give away information about my customers then the firm will not need me anymore. • What is in it for me? • I do not need to be told how I should handle my customers. • I like working on my own and I do not like intrusion into my privacy. • As long as I deliver results, why should they care?	• More freedom through better and more efficient forecasting, call reporting, and account reviews • Better information flow on team accounts, new leads • ·Better and prompt customer service • Ability to identify areas/skills that need to be developed

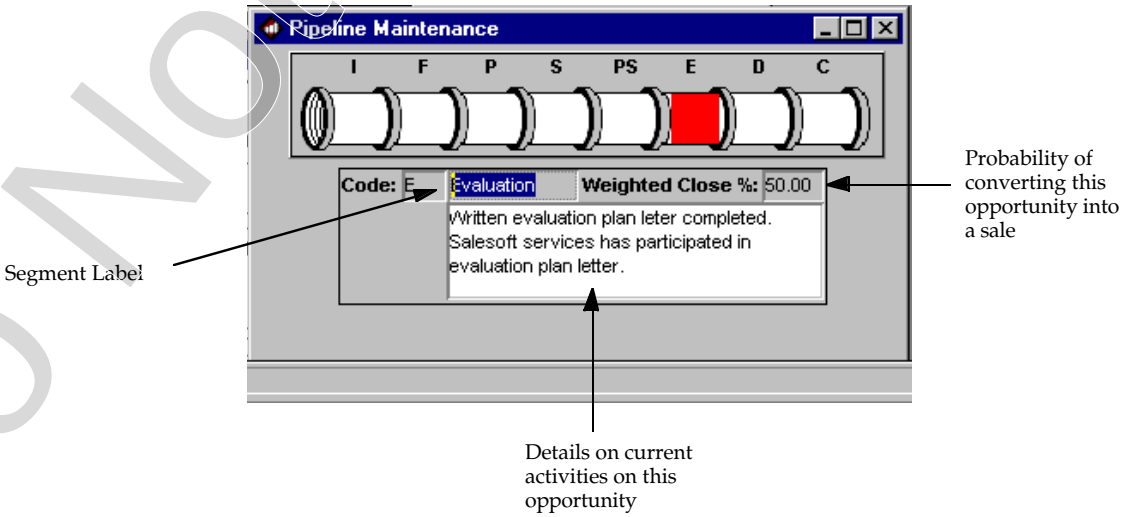
Source: Company records

Exhibit 6 Opportunity Pipeline Management in the PROCEED Sales System



Note: This pipeline is for Gregory Miller as of 23rd April 1996 for the current quarter. The pipeline has 8 segments labeled I, F, P, S, PS, E, D, and C respectively. Currently, Miller has opportunities worth $125,000 in the first segment (labeled I) against a target of $0. Similarly, he has opportunities worth $900,000 in segment PS against a forecast of $1.35 million.

For each opportunity, its current status in the pipeline, all associated current activities, and the probability of converting this opportunity into a sale can be input into PROCEED. For the example shown below, the opportunity is currently in pipeline segment E and has a fifty percent chance of being converted into a sale.



The number of pipeline segments, the name/label of each segment, and the probability of closing the sale can be specified based on user requirements.

Exhibit 7 Profile Of Two Prospects For PROCEED

		Company A	Company B
1	Industry	Financial Services	Computer Hardware
2	Annual Sales	$120 million	$350 million
3	Selling costs (% of revenues)	30%	35%
4	Variable Component of sales expense (e.g., commissions)	10%	4%
5	Number of sales reps	120	250
6	Annual Rep turnover (%)	20%	35%
7	Time for New Reps to become productive	60 days	90 days
8	Number of PROCEED users	250	600
9	PROCEED License Fee	$600,000	$1,440,000
10	Implementation and Training Costs in the first year	$180,000	$430,000
11	Annual Software Support and Maintenance (% of license fee)	20%	20%
12	Hardware costs	$1,500,000	$3,600,000
13	Project start-up costs	$200,000	$450,000
14	Annual Cost of Internal Resources	$150,000	$350,000
15	Current Selling Cycle	120 days	180 days
16	Estimated reduction in sales cycle using PROCEED	6 days	15 days
17	Estimated reduction in start-up time for a new sales person using PROCEED	14 days	20 days
18	Estimated % reduction in rep turnover using PROCEED	10%	15%

Source: Company records

Note: Costs and benefits were estimated by the customer in each case.

Exhibit 8 Organization Chart

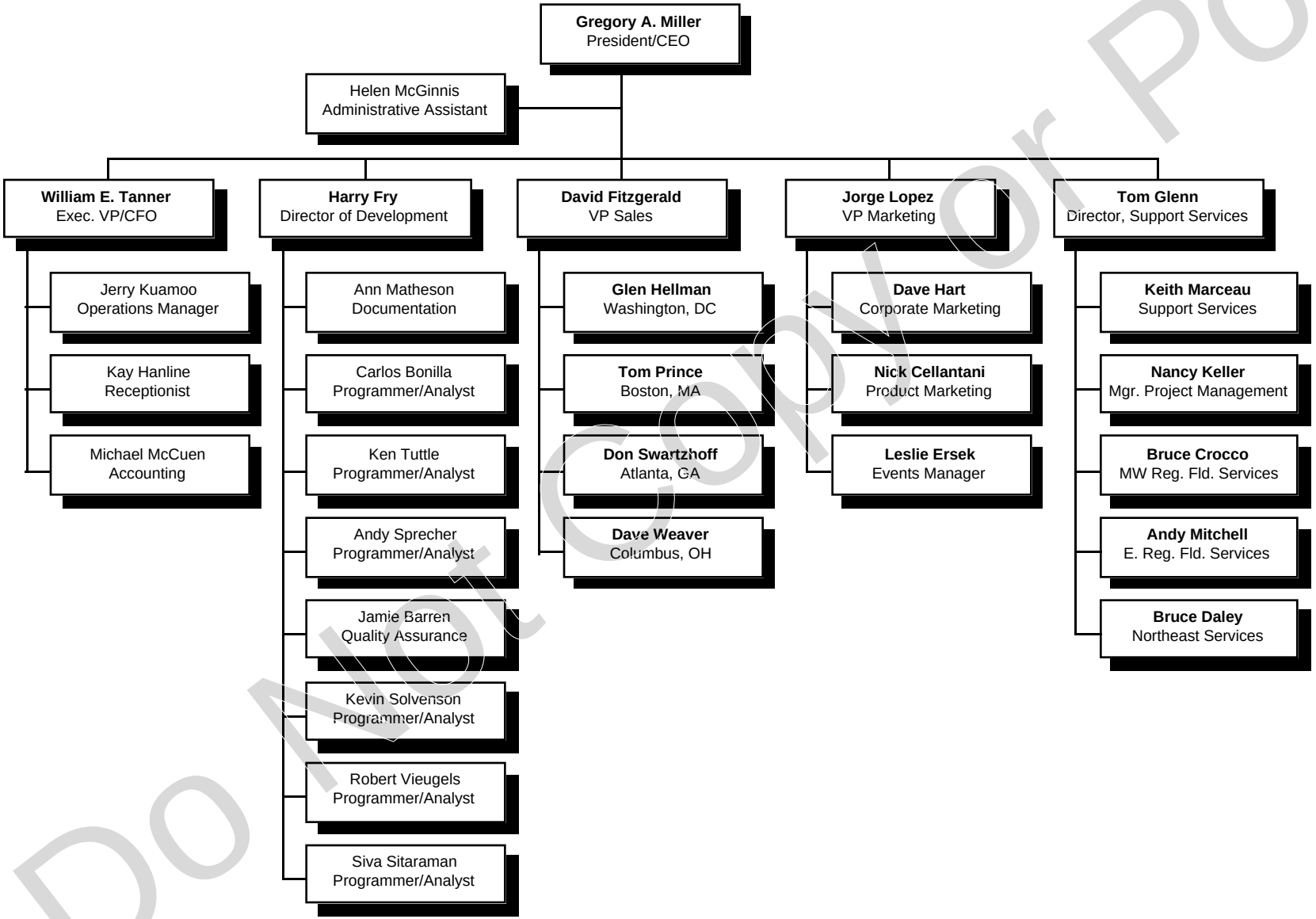


Exhibit 9 Statement of Operations

	1993	1994	1995[a]	1996[a]	1997[a]	1998[a]
Revenues:						
License Fees	0	203	1,659	4,813	10,500	21,000
Services	0	102	350	1,937	4,500	9000
Total Revenues	0	305	2,009	6,750	15,000	30,000
Expenses:						
Cost of License Fees	0	0	143	546	1,155	2,310
Cost of Services	0	0	377	1,146	2,700	5,400
Sales & Marketing	3	192	1,527	3,524	5,700	10,500
Product Development	90	384	516	1,007	2,100	4,200
Interest Expense	2	4	0	0	0	0
General & Admin. Exp.	8	288	774	940	1,950	3,000
Total Expenses	103	868	3,337	7,163	13,605	25,410
Income Before Taxes	-103	-658	-1,328	-413	1,395	4,590
Provision for Income Taxes	0	0	0	0	0	-1,393
Net Income (Loss)	-103	-658	-1,328	-413	1,395	3,197

Source: Company records

[a]Projected

Exhibit 10 Balance Sheet

	1993	1994	1995[a]	1996[a]	1997[a]	1998[a]
Current Assets:						
Cash	171	146	330	1,300	281	365
Accounts Receivable	0	50	750	2,118	4,726	9,452
Other Current	8	7	10	40	121	242
Total Current Assets	179	203	1,090	3,458	5,128	10,059
Equipment & Improvements:		6	169	381	1,206	2,856
Less Accumulated Deprn	0	0	-43	-145	-386	-957
Net Equip. & Improvements	0	6	126	236	820	1,899
Capitalized Software, Net	0	0	0	0	0	0
Other Assets	1	9	9	16	122	182
Total Assets	180	218	1,225	3,710	6,070	12,140
Current Liabilities:						
Acts Payable & Accr. Expenses	5	25	254	481	1,379	2,645
Income Taxes Payable	0	0	0	0	0	557
Customer Deposits	0	0	80	302	300	600
Deferred Revenue	0	17	193	681	750	1,500
Total Current Liabilities	5	42	527	1,464	2,429	5,302
Debt	180	110	0	0	0	0
Stockholder Equity:						
Common Stock & Paid-In Capital	99	829	2,789	4,749	4,749	4,749
Retained Earnings	-103	-763	-2,091	-2,503	-1,108	2,089
Total Stockholder Equity	-4	66	698	2,246	3,641	6,838
Total Liabilities & Equity	180	218	1,225	3,710	6,070	12,140

Source: Company records

[a]Projected