

Top Six Reasons Why Central Marketing Fails to Reach the Mid-Market

By *Crimson Consulting's Rick Sklarin*

Reaching the mid-market is a challenge for centralized marketing departments within enterprise software companies. Selling to the mid-market is very different from selling to large, *Fortune 100* firms, and enterprise software companies regularly struggle to get it right. Messaging and value propositions that resonate with enterprise customers are frequently misaligned with mid-market customers pain points, and the transition from a direct sales model to selling via channels is quite complex. The result is that lots of time and money is wasted from the fundamental lack of understanding of both customer and partner needs.

A marketing vice president at a well-known enterprise software company recently told me that he wastes about \$15 million a year in addition to spending a quarter to half of his time re-purposing existing materials so they can be used by partners and the field organization with target customers.

Well, I had to say I understood. In my experience, most centralized marketing departments (in conjunction with their outside consultants) create marketing value propositions towards customers and business propositions towards partners that are aimed at the mid-market, but they never effectively line up with the true segmentation of customers or the true ecosystem of partners that deliver to those customers.

There are 6 reasons why this happens.

1. First, let's talk about Market Sizing and Categorization. Enterprise companies frequently don't take the time to fully define the mid-market category –and there are actually at least three different size tiers to the mid-market:
 - The top tier – these are large mid-market companies that are scaling rapidly – their needs are similar to those of enterprise companies – i.e. they have emerging IT organizations, sophisticated infrastructure, etc.
 - The middle tier – these are small, rapidly-growing companies with a need to focus on scale but don't yet have the breadth or resources of the enterprise. They need solutions targeted to their needs, but can't afford or support enterprise solutions that are highly customized, or that require ongoing management, training, etc.
 - The bottom tier – these are companies that until recently were small businesses, and are only just starting to put in place the capabilities to provide more robust processes and effective business management.

2. Many organizations take a one size fits all approach to vertical markets and Customer Segmentation. Central marketing will look at customer needs and then categorize customers in vertical markets at the broadest level – like automotive or communications or financial services. However, there are many differences within a particular vertical category. For example, a “discrete process manufacturer” can describe not only a milk farmer who has broad operations in the central part of the U.S., but also a machine tool maker or a metal bender. Even though all three manufacturers “fit” within the same market segment, they all have unique business needs, processes and issues. Automotive provides a good example of the importance of segmentation within verticals. When companies say they are targeting the “automotive market” what do they really mean? Are they targeting regional equipment manufacturers? Assemblers? Distributors? Electronics manufacturers? You get the idea.
3. Organizations often fail to fully understand their Ecosystem of Partners. They try to reach the customer through a broad ecosystem of partners, but don’t do a good job in differentiating between the different categories of partners – nor do they develop programs or materials geared to specific types of partners. For example, in the bottom tier of the mid-market, some partners may be geographically focused – they have a storefront, or an office that serves a local, regional customer base across multiple industries. Or they may only serve small companies in a specific broad category, like automotive. In the middle tier, partners are frequently categorized within a broad array of Value Added Resellers, Independent Software Vendors or Solution Providers. They can also be geographically focused. Finally, at the top, some partners can be nationally or internationally focused players such as large Value Added Distributors. Each type of partner, like the customers they serve, has very different needs, and the ecosystem of partners can vary greatly by size, geography and segment.
4. Companies must also provide their partner ecosystem with the Business Propositions that will make them want to consider working with their firm. Most marketing departments understand the requirement that a value proposition clearly align with a target customer segments needs. On the other hand, few take the time to think through the financial, marketing, operational training and management needs of their partners and craft a business proposition that aligns with these need creating strong incentives for partners to work with your organization instead of a competitors. Needs can vary greatly depending on the various partner type – and different types of partners require business propositions tailored to each type. Ignore this, and partner recruiting and partner retention will become a painful drain of time and resources.

5. Once an organization has determined the unique partner business proposition, it must provide its ecosystem of partners with the unique and compelling Value Propositions that meet the needs of their end customers and align with the market structure and customer segmentation.

This is easier said than done, and there are three areas that can really trip things up:

- A mismatch in the product or solution – how does a software company work with their partners to create effective solutions that meet the needs of their customers? For the small business market, a one-to-many type of solution is usually needed – called Commercial Off-the-Shelf software or COTs – but how do companies sell COTs when their customers are looking for vertical solutions? For the mid-market, the challenge is even greater when customers feel that they have unique business processes and specialized industry needs but they don't have the resources to invest in customer solutions to meet these emerging needs. There are ways it can be done with technology today like solutions-oriented architecture, collaboration and communities – but it's hard to manage, requires flexible product development and extensive solution generation teams to manage so often there's a misalignment of products and solutions by segment.
- Challenges associated with pricing – because many enterprise software companies approach the mid-market as if those customers were also enterprise companies, the perception can be that their solutions are too expensive. On the flip side, if they had previously served small companies, and then try to address the mid-market, they can be perceived as cheap or as not understanding the needs of the market – because they're used to pricing towards an out-of-the-box solution. Their pricing is then perceived as not relevant to the mid-market.
- Communication and messaging of the value proposition can also be out of alignment. Many central marketing organizations hear from their field sales groups that the content they create does not effectively land in the field. Either the messaging is too high-level to effectively communicate with the customer sitting in front of the field sales rep, or the process is not effective and the sales rep cannot find, access and utilize the right information for the right customer at the right time.

6. Effective selling – Admittedly, it’s a massive challenge to align a Go-to-Market organization with the target customers and ecosystem of partners. Many large enterprise companies are very strong at having direct sales forces aligned on a one-to-one basis where they have a deep understanding of the account, a deep understanding of the industry and the core business processes. Hence, their solutions are clearly aligned with the customer’s business processes. Their organizations however are NOT aligned when they are in the one-to-many business model where the enterprise company doesn’t get to directly touch the customer – their ecosystem of partners evaluate customer needs, etc. However, this type of organizational transformation does not happen overnight. Software companies need to migrate from an organization designed to sell directly to large enterprises to a mix of direct and indirect sales, key account management and key partner management. Yet, there are very different organizational capabilities required to be in the business of direct selling vs. the business of partner management. This requires thought planning and balance to maintain the existing revenue stream from enterprise customers while nurturing the one-to-many partner relationships to effectively sell to the mid-market.

When I finished my conversation with the enterprise software executive, we concluded that central marketing organizations and consulting firms do indeed have a very difficult time understanding the complexities of marketing enterprise software to small and mid-sized markets. Clearly categorizing those markets, effectively segmenting the mid-market customer, developing a clear “marketecture” of the partner ecosystem, creating clear business propositions to partners and effective value propositions to customers and, finally, wrapping these together with an effective mid-market selling machine, can go a long way to solve these challenges.

About the Author

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