

Measure up: AtTask lands \$7mm funding and 3X sales growth, with an eye on metrics

by **Bruce Hadley, Founder, SoftwareCEO**

In 2001, Scott Johnson started a software company called AtTask. Like most entrepreneurs, he used what might be called “ATM financing:” startup funds from his own pocket.

Johnson wasn’t rich, and the company didn’t get a dime from outside sources, not even family.

“Those early days were brutal,” Johnson says. “We were short of cash, and everybody sacrificed. The original VPs and I went without pay for 14 months.”

This summer, the sacrifice and hard work was validated in a very big way: AtTask received \$7 million in venture funding from OpenView Venture Partners.

Of course, the VCs at OpenView don’t throw money at sacrifice; they invest in success.

AtTask, based in Orem, Utah, will do a little better than \$7 million in revenue this year — that’s triple last year’s number. The company is profitable. And, Johnson says, 2008 will see another 200 percent sales increase.

The company provides on-demand project and portfolio management software to help teams access business intelligence and work together. Its client list includes household names like Apple, CBS, GE, Monster.com, and Toyota.

How is this kind of run-up possible? What’s AtTask got that makes VCs open their wallets? Most important, what is Scott Johnson doing that you can mimic at your company?

Critical success factor #1: If you’re going to scale, you need to measure.

Johnson is a staunch believer in metrics. You know the cliché: You can’t manage what you don’t measure.

And if you can’t manage it, you can’t grow it.

“One of the things that you really have to be able to do — especially if you want to scale the business — is have some semblance of predictability,” Johnson says.

“For example, a couple years ago our sales team was very small, and we brought a new rep on. We knew it would take eight to 12 months to get that new rep up-to-speed selling the product, and our average close time was three to four months.”

Add it up: Even if the rep was a quick study, that meant AtTask was looking at up to a year after hire date before that sales rep actually contributed anything to the bottom line.

Expecting anything more or less would just be an exercise in frustration.

Critical success factor #2: Investors look for momentum; metrics make the milestones manageable.

“We’re an expansion-stage IT investor,” says Scott Maxwell, Managing Partner at Boston-based OpenView Investments.

“What that means is we target only software and related companies; whether it’s SaaS or installed software doesn’t matter to us, as much as the fact that the technology has high margins, meets a market need, and the market size is enough to grow a large company.

“The companies we invest have already hit a number of milestones. You have a product, you have some customers, and you have at least an early distribution vehicle. We’ve been able to build capability within our firm to be really helpful to those companies.

“The metrics methodology allows companies to execute better. AtTask is metric-driven on their product development, on customer needs, and on sales. I think it is a great approach, but it’s the momentum they have that is really the reason for our investment.

“There are other approaches to execution that aren’t necessarily metric that still work — but we’re big believers that the metrics approach works, and we will spend a lot of time getting a company to adopt it.”

Critical success factor #3: Break the big chunks into tiny, manageable pieces.

Johnson didn’t think a 12-month acclimation period for sales reps was a very scalable model.

So he broke the sales process into smaller pieces that could be measured and standardized.

“We started measuring and refining each stage, so that we could streamline the sales process. Now, when we hire a new sales rep, that person is doing demos after three days, and they’re fully ramped up after a month’s employment.”

And, there’s another significant benefit to the measurement and streamlining: AtTask’s average close time is now 33 days.

This means Johnson and his sales VP know, within a month and a few days, whether a new hire is going to be a contributor or an anchor.

“Sales cycle time is a great metric,” Maxwell says. “I love it when people calculate this. Ultimately, that’s what you are trying to minimize. If you get that down to the lowest possible point, you’re getting your costs, your waste, out of the system.”

Critical success factor #4: Simplify your pitch for the majority of prospects.

In AtTask’s analysis of its sales process, a key discovery was that reps were trying to satisfy every customer’s every whim — a big mistake, Johnson says.

“We discovered there was an 80/20 rule: 80 percent of our customers were looking for the same thing. We really didn’t need to complicate the process.

“In our old approach, sales demos were a shoot-from-the-hip kind of conversation. We felt like every customer is unique, with their own set of needs, so we had to be able to think on our feet and sell them the solution they needed.

“Now, post-refinement, we have a script that every sales rep learns — and it’s basically the same script for every customer.

“We know that when we deliver this script, 28 percent of all prospects are going to close. If that number goes up or down — and we look at it monthly — we know there’s something we need to tweak.”

Critical success factor #5: Big-picture predictability beats small-scale percentage points.

Close rate is an important metric, and we know that some readers may cock an eyebrow at AtTask’s 28 percent rate.

While 25 percent is an accepted industry average, we’ve talked to some software CEOs who claim 40, 50, or even higher. So we put this to Johnson as a challenge: Is his close rate good enough?

“Maybe some software companies do close a higher percentage,” he says, “but we know we’ve got sales reps up to speed very quickly, and I know that they’re profitable very quickly.”

Johnson says he would much sooner have that predictability, rather than a slightly higher close rate.

“I don’t want to wait for more than a year to know whether a rep is any good — and whether the process is any good.

“We’ve got something that we can predict, that we can rely on; before, we didn’t have that. We were always inventing, with every rep doing something different. There was no basis for

improvement.”

It isn't terribly relevant to compare numbers among different companies, Maxwell says; it's internal momentum that counts.

“The metrics methodology really has nothing to do with the numbers; it has to do with what you're doing with them.

“Everybody uses different numerators and denominators — and as long as you're consistent with both, you'll be able to see whether you're doing better.”

Critical success factor #6: Don't fall for the excuse that your software is “too complex.”

Here's another devil's advocate question, because we can already hear some readers muttering, “Our software is far too complex for a standardized, 10-minute demo.”

“That's exactly what we thought,” Johnson says. “With our @task software, we cover ERP, to document sharing, to process improvement, to scheduling and tracking and management functions.

“It's very deep and broad, and it goes into all kinds of business applications. We thought it's impossible to boil this down to a 10-minute sound bite that works for all people.”

OK, so how did the AtTask team transcend this thinking?

“We stopped thinking we're special, and started figuring out what is the common goal of every customer,” Johnson says. “Coming off of that, we were able to focus on what 85 percent of our customers were looking for.

“For us, it meant this: They're looking for a centralized place to manage tasks and issues, centralized reporting, and business intelligence.

“Knowing that, it's pretty easy to come up with a sales solution that is going to resonate with most of them.”

Critical success factor #7: Your demo must be professional, easily accessible, and short.

AtTask offers two basic demos: A Flash-based web demo that anyone can access online, and a guided demo over the telephone.

In both cases, the demos are slick, professional, and polished. AtTask created the demos in-house, but that doesn't mean every software company should do the same.

“In my previous life, I founded an interactive agency, so I’ve got some background in marketing and these kinds of things,” Johnson says. Narration is professional, hired locally.

The web demo is just eight minutes long, and moves quickly. “I would hesitate to go longer than that,” Johnson says.

Phone demos are 30 minutes long. “Prior to our streamline, they used to be about two hours long,” Johnson says.

This doesn’t mean, of course, that demos are set in stone.

“We’ve been using the same one for about six months,” says Johnson. “Right now we’re in the process of a change, because we’re in the middle of product release with lots of new features that need to be incorporated in the demos.”

Critical success factor #8: Don’t let mixed audiences and smart-alecks derail your script.

Johnson admits that AtTask’s phone presentations often stretch out much longer than 30 minutes — but only after the demo is complete.

“Sometimes you get mixed audiences,” he says. “A buyer will invite four or five or six colleagues, and we learned that you’ll sometimes get the smart guy in the back of the room who will interrupt with questions.

“Our response is always, ‘That’s a great question, write it down, and we’ll address it at the end of the demo.’

“Sometimes those guys are just playing devil’s advocate, or trying to think of something that will make them look smarter. That’s fine; we like the questions, but only after the scripted demo is complete.”

Critical success factor #9: The CEO needs a daily dashboard of key metrics for sales.

Included in the “dashboard” of sales metrics that Johnson watches everyday:

- * Individual sales reps’ conversion rates

“If a rep follows the process, he will hit the 28 percent close rate in no more than two months,” Johnson says. “If we hire someone new, and they aren’t coming close after a couple months, we part ways.”

- * Individual sales reps’ pipelines

“There are a few stages of opportunity we look at,” Johnson says. “We have six stages, and there’s a probability attached to each.

“Maybe, for example, a rep had a good pipeline in the past, and a respectable close rate. But now he’s got a big gap in the middle stages — well, you know he’s going to have a terrible month next month.

“Maybe he got too busy doing negotiation, and didn’t do the other activities. You want to see people with a nice spread of stages, and a nice variety of opportunities in each stage.”

By the way, this focus on sales reps’ stats doesn’t mean that Johnson micro-manages that department.

“The VP of sales manages all of this,” he says. “I just get to look at it.”

Critical success factor #10: The CEO needs a daily dashboard of key metrics for marketing.

Johnson gets a window on the success (or not) of AtTask’s marketing activities by watching the following:

- * Source of leads

“A couple years ago in marketing we had no good way to measure the source of leads,” Johnson says. “Now we do.”

More on that in the next tip.

- * Web traffic

“We use a web analytics package called Omniture,” Johnson says. “We’re new on that, and think it will be a good step up. We had been using Google Analytics — mainly because it’s free.

“With the website, we’re focused on the end goal. We don’t care about web traffic as much as we do leads; we look at leads as a ratio of web traffic.

“Recently we had a website redesign and our traffic went down, but we weren’t too worried because number of leads tripled. Why? I think because we cut out some crap content that was giving us irrelevant search results.

“The old site didn’t have a clear call to action; that’s something we’re very big on. What we’re trying to do: Get leads. Try the software.”

To try the software, prospects have to provide a name, company name, phone, and e-mail

address, which the signup system checks for structure.

Johnson says that AtTask gets about nine percent blind alleys — i.e., the e-mail address provided is a valid structure, but has no actual recipient.

* ROI for marketing programs

This is a simple calculation: How many dollars of revenue come in for each dollar spent on an individual marketing campaign?

“We use salesforce.com to track this,” Johnson says. “Our system starts with the first contact. We can determine where they came from and what campaign they’re associated with.

“So, we can see how much traffic the campaign drove to our site, how many leads it generated, and how those leads converted compared to other campaigns.

“It’s important to track this all the way through to the sale; you can drive traffic and get lots of leads, and still not have enough interested potential customers.”

Critical success factor #11: The marketing VP needs to track which programs pay off with the best leads.

For AtTask, the best source of leads has been industry-related portals: websites for people who are actively looking for solutions. For example, Johnson cited Web-Based Software.

“If someone who is on their site clicks a sponsored link, we’re looking at a very high conversion rate,” Johnson says. “We get upwards of 50 percent.”

What do those sponsored links cost?

“Prices vary,” says Johnson. “We measure it in cost per lead; our rate is \$35 to \$100.” Since the average AtTask sale is around \$9,000, that’s a pretty decent ROI.

For sheer quantity of leads, Johnson says his best source is Google Adwords. He didn’t divulge his budget there, other than to say “We’re spending too much — this is why Google owns the world, I think.”

AtTask also buys ads with Yahoo! Sponsored Search (formerly Overture), but in a lesser amount.

“We’re kind of young as a marketing organization, so there’s a lot we haven’t tried yet,” Johnson says.

Trade shows?

“There are some trade shows that are kind of hit and miss; you need to bring some brand

recognition and maturity to really make it work for you.

“We recently went to a show called PPM that was a total bomb for us in the past, and this time, in June, it was spectacular. We’ve already closed more sales off it than it cost us to go, and we’ve got more in the hopper.”

Print and web ads? “We have had zero luck with print advertising,” Johnson says. “Banner ads have had limited success.”

“We didn’t have a marketing team in place last year, so this is a case of our company growing,” says Johnson. “Our sales team has been completely swamped. We just do not have enough time to respond to all the leads we’ve got now.”

That’s a nice problem to have, if those are quality leads and the sales team can consistently convert 28 percent of them.

Headcount at AtTask is now 60, and Johnson says the firm plans to add 25 employees in the coming year — nearly all in sales.

Critical success factor #12: The CEO needs a daily dashboard of key metrics for site saturation and retention.

Johnson doesn’t watch only the metrics that affect prospects and sales. He also keys on success with existing customers, namely:

- * Customer adoption rates.

“We have a client services department whose job is to stay in touch with current customers,” Johnson says, “and their goal is to grow adoption of our software.

“By adoption rate, we mean the number of people within the organization who are potential users of the product, compared to those who are actually using the product.

“We sell on a per-seat basis; it’s \$395 per user per year. We like to shoot for 80 percent saturation of potential users — that is, people who have tasks assigned to them, people who report time.

“What typically happens is we will start out in a department, everybody will start using the software, and it will grow from there.

“We have incentive programs for our client services department tied to adoption rates; in fact, we’re about to roll out a new program with some account services attached.

“Customer adoption is a complex question, because you have different dynamics at different organizations. What it comes down to is whether you have a willing champion who has some decision-making ability.

“When you have that, you can make it happen. If the buyer is separated from the people actually using the software — well, those are a lot harder to deal with.”

To encourage adoption, AtTask offers onsite training, phone coaching, and packages that include both. For example, a customer can buy five phone coaching sessions for \$1,000 per month, with an unlimited number of attendees.

At the next level up, AtTask sells “expert services” at \$2,500 a month. “In addition to helping you understand what needs to be done, we’re actually doing it for you,” Johnson says.

Critical success factor #13: Look for ways to get customers to “self sell,” then track whether it works.

There’s a new metric on Johnson’s dashboard:

* Self-signup conversion rates.

This year, AtTask began a new “30+30” program: Sign up for a 30-day free trial, and agree to have a 30-minute coaching session with one of the AtTask customer support pros.

Because the cost of sales on these trials is very low, Johnson is keenly interested in the conversion rate: How many buy the software after the trial period?

“These are young numbers, because we just began the program at the end of April, but we’re running about 38 percent,” Johnson says.

When customers sign up for the 30+30 program, a bill is generated at 30 days.

“If you do it on your own, on the website, you have to put in a credit card,” Johnson says, “and if you don’t, you have to talk to a sales rep.”

Critical success factor #14: Share your data with the entire company, regularly and often.

All the AtTask metrics are available to the entire company, not just the managers.

“We have a company meeting every two weeks,” Johnson says. “We have a lot of fun; we provide lunch, and the meetings last about an hour.”

All of the numbers go up on the board, presented by the manager of each department responsible for the metrics in question. For example, the sales VP will share close rates and pipelines, the marketing VP will talk about cost of leads, and so on.

This creates a unique level of involvement and empowerment, Johnson says:

“It’s kind of funny to hear a junior software developer — he’s got his calculator with him there in the back row, checking everything everybody says — calling BS on the VP marketing for some number he just tossed out.”

Critical success factor #15: Don’t avoid or just accept change — actively seek it and embrace it.

A few years ago, AtTask came to a proverbial and expensive crossroads. Had they taken the path of least pain, they would have failed, Johnson says.

“We were four years into our product at the end of 2003. We had an OK customer base, and sales had grown, but we could see our current software architecture wasn’t going to be scalable enough, and our adoption numbers weren’t as high as we’d like them to be.

“Our software was breaking sooner than we wanted to. It’s a Java application. We had a do-it-yourself mentality and had written our own persistence layer. It wasn’t going to scale to 100,000 users.

“It also wasn’t going to scale to multi-tenant architecture, which allows for the lowest-cost deployment as well as the most reliable customer maintenance.

“So, we mothballed our current product, and started a rewrite from the ground up. Almost nothing was retained. We adopted Oracle’s TopLink.”

The cost of this decision? Two-and-a-half years in a virtual holding pattern — that’s how long the rewrite took.

“We continued to sell the existing product,” Johnson says, “though it didn’t have much feature growth during that time. We released the new product in the middle of 2006, and that opened a lot of new doors for us.

“Back in 2003, it was obvious we were going to hit a wall. I think some companies tend to turn away from those kinds of wrenching decisions, because they’re just too painful. But this has given us an entirely new springboard.”

Critical success factor #16: Don’t over-think problems that have, at heart, simple solutions.

“Over-thinking problems leads to complicated, difficult-to-use solutions across the board,” Johnson says.

“In fact, we’ve branded this as ‘The AtTask Mistake’ within our company: You sit down with a problem, and you want to think through every possible scenario.

“But when you’re considering every possible need, you end up delivering something that’s way too complex. Nobody gets it, and nobody wants to use it.

“There’s a real art to identifying the 80 percent of the solution that can be delivered with 20 percent of the work. You build something, then look at customer feedback, and the overall trend, and make changes from there.

“No matter what kind of software procedure you use — focus groups, storyboarding, whatever — when it gets into somebody’s hands for actual day-to-day use, everything is subject to change.

“Therefore, why try to accommodate everybody’s possible scenario out of the box? Instead, rely on what 80 percent of the people need, and look at the feedback reports for what needs to be enhanced.”

To get that customer feedback, AtTask relies on a variety of channels, including beta programs and open forums where people can submit their comments — “the good, bad, and ugly,” Johnson says. “And where there are issues, they can talk directly with our client services people.”

So what happens when a prospect company wags a really big potential purchase in front of you, if only you’ll tweak the software their way?

“We do plenty of those sorts of strategic deals,” Johnson says. “But first we’re going to talk to you, to get to the crux of what you really need.

“We’re going to try to put the feature you want in the product in such a way that it’s usable by everybody. To date, we have not run into a situation where the company says, ‘That’s no good.’ They usually say, ‘Oh, that’s perfect.’”

Critical success factor #17: Don’t pretend that gut feel is a substitute for research.

This falls under the “Do as I say, not as I do” category.

“With AtTask, we didn’t do a lot of research,” Johnson says. “It was just a lot of gut feel and stick-to-it-iveness. I wouldn’t recommend that as a way to start a company.

“The first thing you need to do is solve a problem. That’s how we got started with this company — by working with and observing that there wasn’t a valid solution to an existing problem.

“However, if I were doing it over again, I would send a team to go out and find a problem.”

And now? Does the recent infusion of \$7 million change the AtTask game plan? Johnson says he has no plans to look for additional investors, but neither does he have a preordained plan.

“We are cash-positive right now, and we’ve got money in reserves, and hopefully that will carry us through to IPO or exit. What we’re focused on right now is execution.”

Critical success factor #18: When you’re pitching investors, show them you’re acting on the numbers, not just recording them.

OpenView, like most VC firms, hears from hundreds of software companies looking for funding.

The presentations nearly always follow a pattern, Maxwell says: “The first layer is always the financials — but that’s kind of a rearview mirror that doesn’t really tell the whole story.

“The way we think about technology companies, there are basically three aspects: product development, sales and marketing, and customer service.

“Product development is a cost that doesn’t move with sales; it’s fixed relative to number of customers.

“Customer service gives you a number that moves with the number of customers, but you can do things to control the variables — web-based support, for example.

“Sales and marketing costs, on the other hand, move quite heavily with new customers.

“The best CEOs are coming in saying something to the effect that they understand this. Then, they’re telling us what they’re doing about it: How they manage the development group, the sales and marketing effort, and the customer service department.

“The most important piece of that, easily, is sales and marketing. The best companies have a very clear point of view on what their sales process is, and they have a very clear set of metrics to manage that process.

“There are entrepreneurs who reject metrics — generally, they’re early-stage guys — but I think every company can benefit from the methodology.

“You may not need metrics to get to a successful end point, but if you had them, you’d be able to get there quicker, and with a better end result.”