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Founders' Guide

Building a scalable sales function

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Introduction

Building a high-performing sales function is one of the most crucial steps a founder can take to ensure sustainable growth for their niche software company. However, due to the unique challenges inherent in the software industry such as long sales cycles, reliance on personal relationships, and evolving market trends it's easy for companies to fall into inefficient sales practices. Founders must create a sales structure that balances the company's roots with the evolving demands of modern markets. In this chapter, seasoned sales leader Bernd Mährlein explores how to optimise your sales function to maximise growth, efficiency, and long-term scalability.

Understanding the sales landscape

Niche software businesses often find themselves caught in a transition between traditional selling models and newer, subscription-based, scalable sales models. These companies tend to focus on high-value deals, often providing customised solutions rather than off-the-shelf products and face a number of challenges:

Sales structure and size:

Small sales teams are typical in niche software companies, with team members often taking on multiple roles, including prospecting, demos, negotiations, and post-sales support. This flexibility allows companies to be lean and efficient but may sacrifice specialisation. For instance, one salesperson might be responsible for handling the entire sales process, from lead generation to product onboarding. This multi-functional approach helps companies manage their limited resources effectively but can be challenging when scaling up.

Relationship-driven sales:

In niche markets, where customer bases are smaller and more specialised, trust and personal relationships become paramount. Salespeople often work on a handful of key leads, spending months nurturing relationships with potential clients rather than relying on broader outreach to find buyers with immediate pain or initiative leveraging some level of automation. This relationship-driven model often works well in sectors where products require significant customisation and where long-term partnerships are valued.

Sales cycle and deal size:

Due to the nature of niche markets, sales cycles tend to be longer, and deals are usually more complex and higher value. Customers expect tailored solutions and may require extensive proof of concepts before making purchasing decisions. For example, in the niche market of French tax compliance software, clients may want a custom demo or detailed proof of concept rather than relying on a freemium model or free trial. Founders may find themselves in lengthy negotiations with clients, often working with smaller teams and longer implementation periods. These longer cycles can lead to significant resource strain, especially when large deals are not closed quickly.

Slower adoption of digital tools:

Often the adoption of digital sales tools (such as CRM systems, email automation, and LinkedIn outreach) tends to be slower compared to less mature or more digitally native firms. Salespeople often rely on face-to-face interactions, phone calls, and emails to secure deals. While this approach has been successful in the past, modernising sales processes with digital tools can increase efficiency and provide scalability.

Sales challenges faced by founders

Revenue model dependency

Businesses that continue to rely on perpetual licenses for revenue might face difficulties in terms of cash flow predictability. In an environment where SaaS competitors are rapidly gaining traction with subscription-based models, sticking to one-time sales can put your company at a disadvantage. A subscription model provides more stability and predictable revenue streams. Furthermore, recurring revenue allows companies to manage customer relationships over a longer term, ensuring continuous engagement and growth.

Inefficiency in sales processes

While relying on traditional methods like trade shows or local prospecting without automation or CRM tools may work for specific audiences, digital tools such as LinkedIn, email automation, and easy to operate CRM systems can improve efficiency and help prioritise high-value leads.

Economic vulnerability

When a large percentage of a company's revenue depends on landing big deals, economic fluctuations can dramatically impact cash flow. If clients delay or cancel large contracts during a downturn, businesses with subscription-based SaaS models can remain more stable. SaaS competitors who can scale more efficiently may also have the advantage, leveraging lower customer acquisition costs (CAC) and the ability to sell at a larger scale. For instance, if a company is overly reliant on landing a few large, one-time deals, an economic downturn may significantly disrupt cash flow.

Resistance to change

Long-serving salespeople with entrenched processes may resist the shift toward subscription sales or the adoption of new digital tools. They may be accustomed to the old ways of doing things and uncomfortable with change. Without retraining or replacing these reps, a company may miss out on new sales opportunities or fail to stay competitive in a shifting market. For example, a long-serving sales team may be reluctant to shift from selling one-off, perpetual licenses to a recurring subscription model, especially when they are not confident in managing the ongoing customer relationships required for subscriptions.

Short-term focus vs. long-term strategy

Founders often focus on closing high-value deals in the short term, leading to a lack of focus on building scalable sales processes for the long term. This short-term focus can hinder the development of a reliable, repeatable sales system that would allow for predictable, sustainable growth. Embracing long-term strategies, such as transitioning to recurring revenue, investing in digital tools, and building a scalable sales team, is essential for growth. Mistakenly prioritise long-term, large customers over expanding into new markets or nurturing smaller, high-potential customers, results in missed opportunities for scalable

Foundations of a successful sales function

To develop a sustainable and scalable sales function, niche software companies must build a solid foundation. This foundation is made up of several key elements:

Defining your ICP and value proposition

Step 1: Define your ideal customer profile



Step 2: Identify their primary pain points and desired outcomes

Step 3: Develop a value proposition directly addressing those needs

- **Deep niche expertise:** One of the greatest assets in a niche software business is the in-depth expertise that salespeople bring to the table. Reps must understand not only the product but also the intricacies of customer pain points, industry standards, and regulatory requirements.
- **Hybrid revenue model:** To stabilise cash flow and foster long-term relationships with clients, founders should consider transitioning to a hybrid revenue model. This involves blending the traditional one-time sales approach with recurring revenue options, such as maintenance contracts, cloud services, and optional subscription upgrades. Offering recurring value without alienating legacy clients helps to create a balance between long-term growth and customer satisfaction.
- **Efficient sales process:** The sales process should be tailored to focus on quality over quantity. This includes rigorous lead qualification and a consultative sales approach. Founders should ensure that the sales team follows a structured process, such as discovery calls, tailored demos, business

- case presentations, proposals, and negotiations. Sales should be tracked via a simple CRM system that prioritises high value leads and allows for better management of long sales cycles.
- **Strategic Use of digital tools:** Digital tools like LinkedIn for lead generation, email automation for nurturing relationships, and lean CRM systems for managing deals can greatly enhance sales efficiency and reach. These tools are particularly useful for scaling beyond local markets and engaging tech-savvy buyers. By training reps to use these tools, businesses can expand their lead pipeline and reduce dependence on traditional methods like trade shows.
- **Building a versatile, skilled team:** A successful sales team in a niche software business must combine industry veterans with modern, tech-savvy, highly driven talent. Veterans bring in-depth industry knowledge and relationship-building skills, while younger talent may bring fresh approaches to digital selling. Pairing these two groups can help the team adapt to evolving market conditions and new sales models.

Ensuring a clear value proposition

A clear and compelling value proposition is essential to differentiate your product in a competitive niche market (see Chapter 2 Go-to-Market). It's crucial that your sales team can articulate why your product is a must-have for your target customers and why it justifies its price.

- **Articulating a clear niche-specific value proposition:** Sales reps need to be able to clearly communicate how your product addresses the unique pain points of the customer, how it fits into their workflow, and how it stands apart from competitors.
- **Highlight ROI and client success:** Use specific client success metrics to show the tangible value of your solution. For example, a company might use case studies from existing clients where their software reduced processing time by 30%, or where a customer successfully navigated complex regulations using their solution. These success stories help solidify the product's value proposition.
- **Proving ROI and value:** Before committing to a sale, establish a clear process to demonstrate the return on investment (ROI) for potential customers. This includes showing clear metrics, such as incremental revenue generated or costs reduced, which can justify the customer's investment in your product.



Pragmatic metrics and incentives

Setting the right metrics and aligning them with appropriate incentives ensures that your sales team focuses on the right goals. Here's guidance on how to structure them:

- **Short-term metrics:** In the short term, track deal volume and revenue. These metrics give you immediate feedback on whether your sales efforts are leading to the desired results. However, ensure that these numbers are achievable and incentivize good behaviour, such as working on high-value deals instead of focusing solely on hitting quota in any way possible.
- **Long-term metrics:** Longer-term metrics should include customer health, retention, and upsell rates. These reflect the success of your sales process in building lasting relationships. SaaS Metrics like Net Revenue Retention (NRR) and Gross Revenue Retention (GRR) are critical here, as they show how well you're maintaining and expanding existing accounts.
- **Incentives:** Align compensation with company goals. For example, use a base salary structure with significant bonuses for achievement, but without caps to avoid limiting performance. Incentivise recurring revenue, such as subscription-based contracts, as these are key for the long-term stability of the business.

Best practices for sales success

Sales models and strategies must evolve to ensure long-term growth, best practices that will equip your commercial team for success include:

Consultative selling: Sales reps should focus on acting as trusted advisors rather than pushing products. This involves diagnosing the customer's specific needs and tailoring solutions accordingly. For example, a sales rep selling software for hospital sterilisation might first ask questions about the hospital's sterilisation process, the negative consequences of the current setup and the desired (measurable) future state before recommending a customised solution. This method builds trust and demonstrates a deeper understanding of the customer's unique needs.

Value-based selling: Focus on connecting your product's features to the customer's desired outcomes. If a product improves compliance, reduce operational costs, or enhances efficiency, these benefits should be clearly articulated. For instance, if your software helps businesses comply with complex regulations, highlight the value of avoiding fines or penalties as a key part of the value proposition.

Channel sales: Use resellers and consultants to extend your reach. Channel sales can be especially helpful when entering new markets or verticals, as third-party partners often have local expertise and established relationships with potential customers.

Sales hints & tips



1. Qualify early: Prioritise leads based on budget, authority, need, and timing. Do not waste time on unqualified prospects.



2. Leverage digital basics: Use tools like LinkedIn for lead generation, email automation for nurturing relationships, and platforms like Gong for tracking and optimising sales calls.



3. Upsell post-sale: Once a customer is onboarded, ensure that you're continuously identifying opportunities to upsell them additional products or services that meet their evolving needs.

Bernd on hiring a 'builder'

"A builder is someone who's incredibly resourceful – give them a phone, a laptop, and a little training, and they'll find ways to get things done. They're proactive, seeking out what they need by engaging with the product team, the customers, and anyone else necessary to make things work. If they spot a gap, they'll drive change, take ownership of tasks whether they're in the job description or not, and do whatever it takes to build the business. Builders thrive in environments where they can wear many hats and get things done quickly."

– **Bernd Mährlein, Advisory Board Member, Uplift**



Compensation tips



1. 50/50 or 60/40 split: *The compensation structure of sales reps should include a balance between base salary and performance-based bonuses.*



2. Incentive for recurring contracts: *Make sure the sales team is rewarded for securing subscription-based contracts, as this will ensure long-term stability for the company.*



3. Adjust yearly based on performance: *Evaluate and adjust the compensation structure annually based on performance and market shifts.*

Rules for developing sales plans and setting goals

When developing sales plans, ensure that your strategy is both realistic and aligned with company goals. Here are some rules to guide the creation of a strong sales plan:

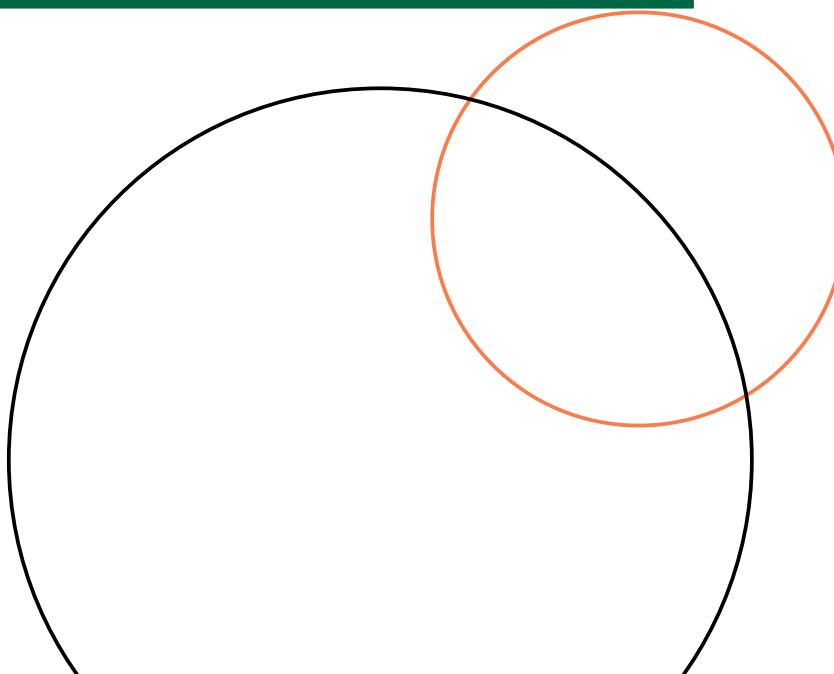
Use past deal sizes and close rates to set realistic goals: By examining historical data, you can set achievable goals based on past performance, closing rates, and deal sizes. This avoids over-ambitious expectations and ensures that your team sees success.

Adjust for market trends and one-time sales reliance: Be mindful of shifts in market trends, especially if your business is transitioning from perpetual licenses to a subscription-based model. It's important to segment your goals by revenue type (e.g. perpetual licenses vs. subscriptions).

Focus on key accounts: In niche markets, quality is more important than quantity. Target high-value clients that are likely to yield larger, long-term returns. For instance, if you are targeting hospitals, prioritize the larger networks that might have multiple locations.

Keep numbers achievable: When setting quotas, go for reasonable growth, factoring in long sales cycles. This ensures that goals are motivating but also attainable given the complexities of the sales process in niche markets.

Avoid over-ambition: Ensure that your sales team sees success and earns well if they are doing the right things. Goals should be challenging but not discouraging, and compensation should be structured to reward good performance, especially in the transition to a recurring revenue model.



Sales metrics for tracking performance

Measuring sales performance is essential to ensure that the sales team is on track and aligned with company goals. The most important metrics and KPIs to track are:

Revenue	The most direct indicator of sales success.
Average deal size	This helps assess how effectively your sales team is closing larger deals and can also indicate pricing effectiveness. You want this to grow consistently.
Win rate	The percentage of closed deals versus total opportunities. A low win rate suggests that your sales process may need refining.
Sales cycle length	The amount of time it takes to close a deal. A long cycle can indicate inefficiencies in your sales process.
Recurring revenue ratio	This is especially important as you transition from perpetual licenses to subscriptions. This metric measures the proportion of revenue coming from subscriptions and ongoing customer relationships.
Customer acquisition cost (CAC)	How much it costs to acquire a new customer. The goal is to keep this cost lower than the customer's lifetime value (LTV).
Upsell rate	Measure how often customers purchase additional products or services after the initial sale.
Retention rate (GRR, NRR)	These metrics measure customer retention and expansion over time, which is critical in subscription-based models. High retention and upsell rates indicate a healthy customer base and long-term growth.

What to aim for:



Consistent revenue growth



Recurring revenue share



Gross margin



CAC vs LTV ratio: Efficiency and ROI are important indicators for investors.



Sales efficiency: Metrics like the magic number, CAC payback period, and win rate.



Churn rate and market penetration: Low churn and high market penetration indicate a strong and sustainable business model.

How Uplift can help

At Uplift, we understand the challenges niche software businesses face when scaling sales functions. Whether transitioning to a subscription model, building a versatile team, or optimising sales processes, our expertise can drive your growth. With deep industry knowledge and a strong network of advisors, we can help founders navigate market shifts and achieve sustainable success. By leveraging our experience in scalable systems, digital tools, and aligning your team with both short- and long-term goals, Uplift empowers your business to reach its full potential and accelerate growth in competitive markets.



About Uplift

Uplift is Europe's leading permanent equity investor focusing on niche European software businesses. We're software industry experts who work with founders to create better deals for better companies. We make long-term investments that unlock growth potential and enable founders to fully or partially exit, while preserving their business' brand and culture.

For more information, visit www.uplift.com