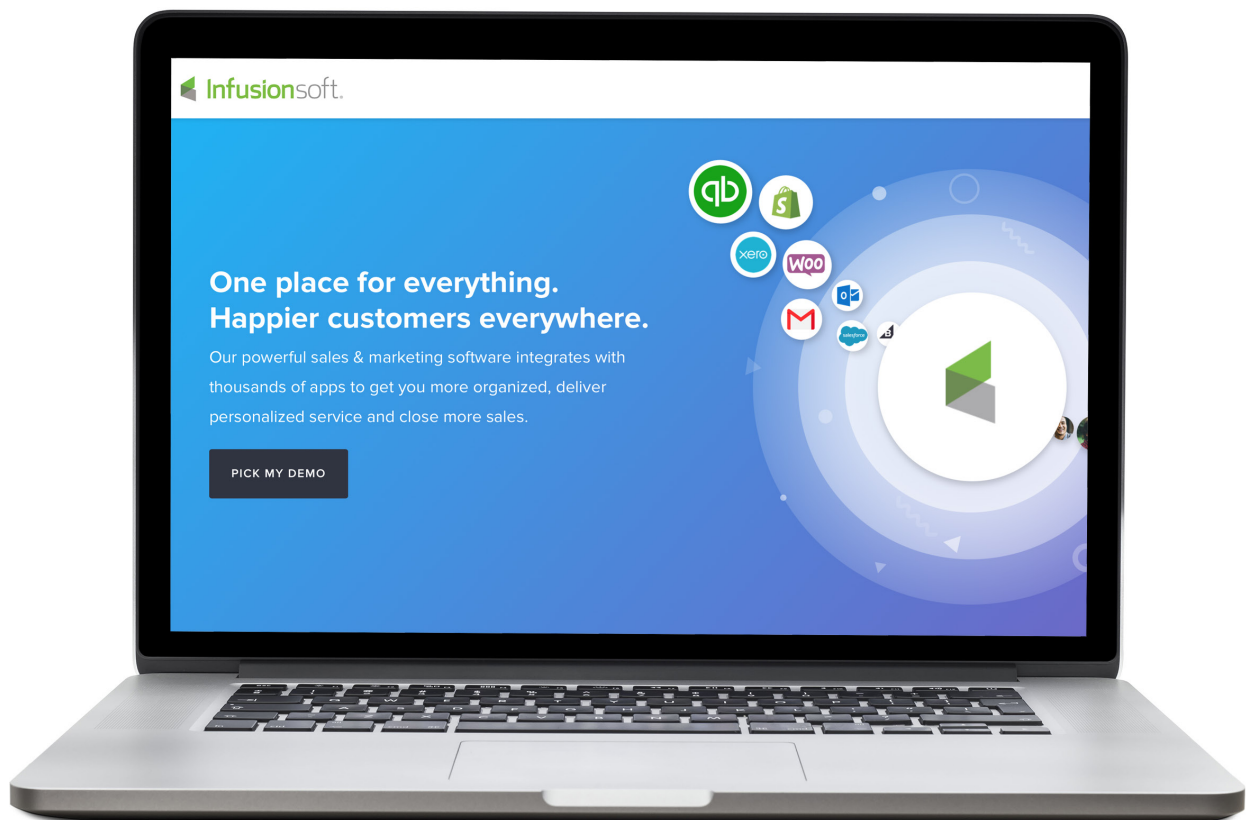# THE INFUSIONSOFT
# **SCALING** SECRET



A Close Look At the Strategy That Took a $15 Million Software Company to $100 Million in 5 Years

SCALING POINT

If you're an early-stage CEO or founder with BIG plans to make an impact on the world, this short story could completely transform your future.

In the next few minutes, you'll discover the secret that one Arizona software company used to push through a plateau in sales and grow from $15 million to $100 million in just five years.

The secret is their discovery of what I call the "Scaling Point."

The Scaling Point is the single biggest point of leverage that can quickly create serious growth in any company or start-up.

Most early-stage companies are looking for it. Few of them find it. Even fewer know what to do once they have found it.

Infusionsoft (Infusionsoft.com) is one of the few. They discovered their Scaling Point, they put it into action and the results speak for themselves: growth from $15 million to $100 million in five years.

That's **serious** growth. And I'm going to explain to you how they did it. I know, because I was there.

(You might be wondering how the lessons of a $15 million venture-funded software company apply to your startup or smaller company. The Scaling Point potential exists in **every** company—but most don't have the energy to make it to $15 million before they discover it. My work is focused on helping you discover your Scaling Point sooner, with less effort.)

My name is Greg Head. I'm a 30-year veteran of fast-growth software businesses. I've helped turn three startups into global brands as a marketing or business leader. Two of these exceeded $100M in revenue and one reached IPO. In total, I've helped raise over $150M in venture capital.

More importantly, I've faced pretty much every entrepreneurial hurdle under the sun. I've run a software business and led teams both large and small, in marketing, sales, and product. There isn't one part of the early-stage business I don't know from personal experience.

So let's get started…

## GETTING "STUCK:" THE TRAP THAT KILLS SERIOUS GROWTH FOR MOST BUSINESSES

Most businesses start with a hopeful entrepreneur and a few ready customers. If they're lucky, they find a few more customers, add some employees, and furiously execute to deliver their products or services. This is survival mode: selling hard and working long hours to keep growing.

Once this small business or startup is up and running, the entrepreneur typically looks up to the big companies they most admire for a model of future growth. Unfortunately, being "many things to many people" may work for large companies like Amazon, Facebook, or Walmart, but it never works for small companies and startups that are struggling through adolescence.

I call this mismatch between tactic and ambition the "Yes Trap." When a small business falls into it, they get stuck. Very few ever figure out how to get "unstuck."

But that's exactly what Infusionsoft did. And I'm going to walk you through the process they used to do it.

Understand it wasn't luck and it wasn't by chance—and I didn't do it alone. It was a **process**. And the good news is that it is a process YOU can repeat once you learn how.

## CLIMBING TO THE PLATEAU

Clate Mask and Scott Martineau founded Infusionsoft in 2001. Within a few years, it started doubling in sales annually, scaling to over a hundred employees. Clate and Scott were off to a great start. Then, in 2010, that steady upward trajectory leveled out.

Any entrepreneur will tell you how unpleasant such a plateau can be. All of a sudden, no one was happy: not the investors, not the execs, not the customers. Loyal employees openly wondered whether the company's grand vision for itself would ever be achieved.

I came on board during this unsettled time to lead Infusionsoft's marketing team. My first goal was to diagnose the root cause of faltering growth and flat revenue. Thankfully, it didn't take long for an outsider like me to spot it. The primary drag was clearly coming from the vicinity of sales and marketing. Simply put, the company wasn't bringing in—and, critically, holding onto—enough of the right kind of customers to maintain its initial rate of growth.

"If we spent enough time with a prospect, we could demonstrate value and get them to buy," Clate recalled to me, years later. "But we still hadn't found a simple way to

describe our product and the value it brought to small businesses." This is a classic indicator of a Scaling Point problem. If you have to stand over every customer's shoulder to explain your value proposition, you've already lost.

Clate went on:

*It was really frustrating! Our story was so complicated that it just couldn't spread on its own. We kept trying new tactics and messages. We always thought momentum would kick in once we got big enough, but it just wasn't happening.*

Once I understood Infusionsoft's growth problem as a Scaling Point problem, I could see the symptoms of it everywhere I looked. Complicated messaging that changed regularly. Salespeople who each said different things to different prospects. Faint brand recognition in the small business market. In the company's desperate quest to make its numbers and find something—anything!—that worked, nobody had the discipline to stick to a simple story of what the product did and the value it provided.

As a result, no messages were getting through. Fixing this would require more than ever-spiraling ad spending and relentless, high-energy selling. More messages, more tactics, more spending, and more salespeople were producing fewer and fewer results.

Another glaring indicator of a Scaling Point problem: Infusionsoft's chronic inability to say no. Across the board, the company would go after any potential customer or partner, no matter how poor the fit. The specter of stalled growth had instilled the habit of selling anything to anyone, even if the product clearly didn't fit needs and expectations.

Getting customer fit right is crucial when selling to small businesses, where there is such enormous diversity in size, maturity, marketing savvy, technology use, business experience, and owner ambitions. Get the fit wrong and failure is assured.

Infusionsoft had passionate and smart founders, loyal employees, adequate venture capital funding, a big market, and a breakthrough product. Despite all that, the rocket was sputtering. How could such a promising company find itself losing altitude?

As is often the case, it came down to the unrestrained and unfocused pursuit of more. While the founders knew in principle that the company needed to discover their Scaling Point, they didn't know how to actually "do" it on a daily basis. (Few do.) When in doubt, they defaulted to trying more, talking more, selling more. The net result, of course, was less. That was the challenge facing me in my role as chief marketing officer in 2011.

This is a picture of the Scaling Point Strategy Wheel. It's the framework I created to diagnose Infusionsoft's issues and then instill the organization with the strategic clarity it needed.
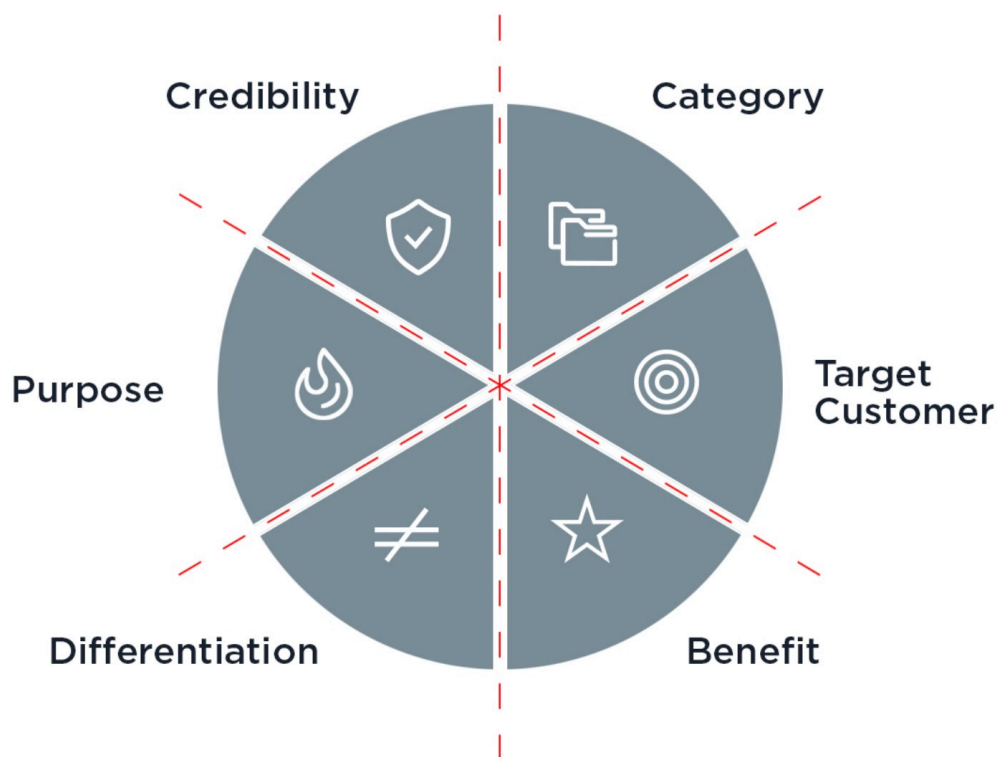


As with most robust tools, the Wheel is simple to understand but challenging to use properly and consistently.

It isn't easy, but the rewards of mastering the Strategy Wheel make the effort more than worthwhile.

Case in point: within **two** years of implementing it at Infusionsoft, the company was back to 50 percent growth, getting terrific press, and attracting great customers, partners, and employees.

**Three** years after that, Infusionsoft had grown to $100 million in revenues, 550 employees, and 40,000 customers, and had attracted major venture capital funding. Not bad for a methodology you can draw on a napkin.

Clate remembers, "It took some time and some tough decisions, but the results were profound. We actually decided who we served best, we identified the most effective way to talk about our new software to those people, and we developed a deep understanding of the real reasons our users would benefit from our software.

"After we started executing on our new strategy, our marketing started working better, our sales picked up, our product development became focused and we attracted new partners."

While Infusionsoft's level of success is rare, even among software companies, it isn't all that unusual among companies that discover their Scaling Point and then execute on that discovery.

The Scaling Point Strategy Wheel has served me well over a thirty-year career working with hundreds of companies of all sizes facing a vast swath of business challenges. Once you've learned it, it will serve you, too.

## PUTTING INFUSIONSOFT IN A CATEGORY

Categorization was the first challenge we faced at Infusionsoft when implementing a Scaling Point strategy. Our software offering combined website registration forms, mailing list databases, email marketing tools, e-commerce order processing, and more, all in one integrated suite. It automated online marketing and sales processes commonly used by small businesses. The only alternative to Infusionsoft was an awkward combination of other systems that led to missed opportunities and manual data entry.

So what to call this whole new kind of multi-function software that didn't fit into any existing category? The company searched for years for a simple descriptor: marketing automation, CRM, email marketing 2.0, un-CRM, follow-up software, and more were all tried. Some, several times.

The company homepage morphed regularly. Salespeople eventually resorted to creating their own descriptions and stories, often blowing through 30-minute prospect calls just describing the product. The message was neither simple nor useful. Even loyal customers and partners struggled to tell others what this amazing new software actually did. Marketing and selling got more and more costly in both time and money.

To kick off our work, we set out to create a simple category description for ourselves. We interviewed customers, tested messages, and held many strategy meetings.

One day, Clate, Scott and I were waiting for a flight in the San Jose airport. Standing in front of the gate, Clate turned to face the two of us.

"Let's settle this today," he said. "What's our category going to be?" "It's not just marketing automation, since that's just marketing and just for bigger companies," I said. "It's not just CRM, since our small business customers don't know what that acronym means." We debated the pros and cons for an hour while standing in front of the gate.

"I think we're overthinking this," Scott said. "It's really just sales and marketing software for small business owners. They don't know the acronyms and buzzwords, so let's just tell them what it really is." This was both descriptive and something we could imagine our customers repeating.

"Let's take it to the team in tomorrow's company meeting," Clate said.

Thus, after months of discussion and distillation, we'd settled on something as simple as possible—but no simpler. Infusionsoft made "sales and marketing automation software for small businesses." It wasn't just sales software, like a CRM, and it wasn't just marketing software, like an email marketing tool. It was both: one integrated system designed for the specific needs of small business. Our new category description finally worked because it was clear, practical, and memorable.

"Infusionsoft is the leading sales and marketing automation software for small business" came with a simple 30-second description. "Got it" was the typical response. That was enough. Word of mouth finally started spreading fast, leads increased, and our marketing costs came down.

Sounds almost too easy, right? Why couldn't we just say that from the start? The truth is, getting to that statement—and sticking to it over time—took tremendous discipline. Getting simple and staying simple is hard, as you have probably seen from your own perch time and time again.

For now, understand one thing: not declaring a simple category for your product or service is an attempt to defy gravity. You might push through in the short term, but your trajectory will tilt downward as you try to expand.

## FOCUSING IN ON INFUSIONSOFT'S TARGET

By the time I came onboard, Infusionsoft had fallen into the trap of trying to attract and please too many types of small business customers. Their ambition and their acute survival instinct had created a habit of selling to anyone willing to buy. Their ever-widening marketing messages and lack of customer targeting were weakening their marketing and sales efforts. Their pursuit of more sapped their momentum.

The only thing growing in 2011 was frustration. Ideal customers grumbled when the latest product enhancements or service offerings didn't meet their most important needs. Bad-fit customers felt over-sold and didn't stay long after they purchased, spreading negative feedback and hurting Infusionsoft's subscription-based business. Employees tried harder and harder while business goals drifted further and further out of reach.

Despite all this, there remained a group of happy long-time customers who loved Infusionsoft. The product delivered for them because they were ideally suited to the offering. These customers told everyone they knew about the "magic" software that

had changed their businesses for the better. They were never going back to the inferior tools they had used before. Many even attended the annual user conference to be with others in this enthusiastic new tribe.

We asked ourselves: Why weren't all our customers so happy? Why didn't all our customers get the same results?

We rallied the employees to help us understand and prioritize our customer types. We spent time talking directly to customers, brainstorming with salespeople and support staff, analyzing sales and marketing data, reviewing product usage statistics, and reading customer reviews. Throughout, our understanding of our customer groups became increasingly precise.

After several painstaking iterations, the full picture revealed itself: we could see three clearly defined target customer groups that were both happy with our software and cost-effective to target with our sales and marketing efforts. We would target these "best-fit" customers and stop marketing and selling to anyone else. We would say no to those small businesses that weren't ready for this level of sales and marketing automation software.

The company-wide understanding that "Infusionsoft isn't for every small business" was a huge breakthrough. It represented a profound change in mindset for the company. You could immediately sense the relief as people realized they could do their jobs better immediately. Finally, each team could focus 100 percent on true target customers.

Execution rapidly improved across the company. Marketing efforts yielded more qualified leads, simple messaging helped sales convert faster, more customers stayed longer (and told their friends about Infusionsoft), and product development continued to prioritize improvements that would make existing customers happier.

The company had stopped selling to everyone, or even most small businesses. Yet the company grew faster and faster. This counterintuitive breakthrough is a common milestone in companies that scale up fast. It's a magic trick that works every time.

## WHAT ARE CUSTOMERS REALLY GETTING FROM INFUSIONSOFT?

Only once your target customers understand your category are they ready to hear your message and evaluate your offering. Their first question will always be, "What's in it for me?" This is where the benefits (not features) of your product or service come in. These single most important benefit that is communicated on the website has to match the primary needs, desires, interests, and values of your specific prospect—or there will be no sale.

Infusionsoft didn't lack for features. Its all-in-one software for small businesses offered website landing pages, email auto-responders, marketing automation logic, a customer

relationship management database (CRM), e-commerce order processing, comprehensive sales reporting, and more. From first-time website visitor to processed order, Infusionsoft could handle it all.

When I interviewed salespeople, product managers, or partners, I walked away with a list of various features that we simply had to communicate in our marketing. Each person felt strongly that we should mention every feature that might be important to a particular type of customer.

Meanwhile, when I talked to customers I found that each one was passionate about different sets of features. Happy customers used 20 percent of Infusionsoft's features, but each one seemed to each use a different 20 percent.

Online marketers loved the powerful automation and e-commerce features. Services businesses loved the email and CRM features that fed qualified leads to their salespeople. Software-savvy entrepreneurs loved the product's customizable flexibility.

The more I talked to different groups, the longer my list of features grew. Even after consolidating and simplifying, the new webpage describing them ran far too long. Visitors didn't bother finishing it. Sales calls and demonstrations sounded like a waiter rattling off the specials at a fancy restaurant: "You can do this, and that, and this, and that." We tried to say more. Our prospects and customers heard less.

Two moves broke our chronic habit of trying to tell everyone everything. First, we narrowed down our target customer to the two types of small business owners most likely to need and love Infusionsoft: online marketers and marketing-savvy services businesses. These groups matched our biggest fans and there were plenty of each in the world.

Next, we simplified our long lists of features into just two key benefits that those target customers wanted: grow sales and save time. Every feature in the long list delivered on one or both of those benefits.

"It can't be that simple," one of our star salespeople complained. "Infusionsoft does so much more than that. Aren't we going to scare some people away?" Another salesperson raised a hand: "Shouldn't we create custom messages for everyone, like we do on sales calls?" These kinds of objections are common when you switch from an "all the features" mindset to a "key benefits" approach.

Meanwhile, the founders wanted to bring back the old Infusionsoft tag line: "Double Your Sales!" That claim had worked well with their first customers, aggressive marketers who sold digital products online.

"Let's just use that again," Clate kept saying. "I love that!" But as with every other aspect of a Scaling Point strategy, the key is to be as simple as possible but no simpler. The debate with the CEO was only resolved once I shared customer survey

results showing that half our customers prioritized time savings over any other potential benefit. These customers sold services, not products.

"For services," I explained, "doubling sales means doubling work or doubling staff. We'll scare more away than we'll attract. 'Grow sales and save time' will appeal to both groups."

Generating enough revenue and working too much are among the top concerns of small business owners. Our customers liked our features, but deep down all they really wanted to do was grow sales and save time. They wanted to achieve the vision they'd had when they started their businesses: a great business and a great life.

Finally, we had a strong and simple message for our website and our sales pitches. Lo and behold, our message began to be heard: website conversion went up, sales calls got shorter, marketing costs went down again. Six years later, these messages are still used on the website homepage.

## WHAT MAKES INFUSIONSOFT DIFFERENT?

High differentiation is required to create long-term growth and high profits. The Apple iPhone is the most profitable product ever created. Apple has surpassed $50 billion in annual profit in recent years with the iPhone contributing 60 percent of total revenue. They don't have a monopoly on the smartphone market, so people must clearly believe that the iPhone is different from and better than (cheaper) Android phones. It's easy, it's chic, it's reliable, it's popular, it's fun to buy, it works well with other Apple gear. Many people are buying iPhones for $700 when they don't have $500 in the bank. It's not "gotta have a smartphone" but "gotta have an iPhone."

The first step in creating powerful differentiation at Infusionsoft was to be clear about the competition. This was tricky because the product was an all-in-one system replacing many different software tools: landing page builders, email marketing, automation tools, CRM contact databases, and ecommerce software. There wasn't a directly comparable product in the market that did all that in one system, so salespeople often said "we don't have any competitors." That may have been true literally, but it didn't help people answer the differentiation question. Confusion ensued.

As we started to narrow in on our target customers, better define our category, and simplify our benefits, our real competition became clear.

Infusionsoft's best small business customers had previously used five to ten other software products in combination (along with plenty of manual effort) to accomplish what Infusionsoft could do in one product. For example, it was rarely the first email software a business owner would try. It was the one they'd grow into after getting tired of manually updating separate email, CRM, shopping cart, and fulfillment software tools.

After some long meetings, more customer interviews, and deep competitive research, we narrowed it down to a simple differentiation story. Unlike simple sales and marketing software tools that don't work together, Infusionsoft combines all of those in one system so small businesses can get data in one place and automate their marketing and sales.

How can small business owners grow sales and save time when their data is all over the place in different tools? These customers were spending a lot of time manually managing all their tools and it was killing their productivity.

How is Infusionsoft different than Salesforce.com? Simple. Infusionsoft is for small businesses. Salesforce is for big businesses. We told bigger companies to "go get Salesforce and a marketing software and have your IT staff build it for your business. Seriously, you should do that. We are for small businesses."

It sounds obvious now, but it took some serious wrangling and hard choices to simplify our story this way. There was a big hole in the market that Infusionsoft filled for millions of small businesses starting to outgrow the simple software tools that had gotten them started in digital marketing. That was the sweet spot. Now we could describe it quickly and effectively. Boom.

## INFUSIONSOFT'S HIGHER PURPOSE

In addition to achieving aggressive growth goals, Infusionsoft always had a higher purpose—to help small business owners succeed. Running a small business or a startup is one of the hardest jobs around and it doesn't always go well. Infusionsoft has always aimed to help small business owners beyond simply selling them software, especially when times are tough. Co-founders Clate and Scott know that if a business isn't successful, entrepreneurs can't help themselves, hire employees, serve their customers, and contribute to their communities. Small business is an important part of the economy, but it's not well understood by governments, politicians, or technology companies.

The intense level of commitment to small business owners at Infusionsoft is very real. In fact, it's so real that it seems unnatural. The company purpose is recited out loud at company meetings, managers fire capable employees who violate the code of values, and the founders come clean with sincere apologies when mistakes are made.

"Normal" companies don't take their missions statements seriously, so Infusionsoft's commitment to purpose and values looks weird until you get used to it. (The root of the world culture is "cult," after all.)

Infusionsoft's clear purpose and values constitute a genuine business advantage, but wasn't something we wanted to declare on the website homepage. It simply had to be in alignment with our category, target customers, benefits, and differentiation strategy. It had to be demonstrated in everything we did.

## BUILDING INFUSIONSOFT'S CREDIBILITY

At the time I came onboard, Infusionsoft was not well known by the small business community or by prospective employees in Phoenix. Despite a staff of one hundred people and solid venture capital funding, it continued to be a struggle to attract employees or local customers. If we were known for anything, it was as a "small" company that wasn't "well-organized" and thus "unlikely to be successful." Sound familiar?

We knew we had a credibility problem, so we set out to address it. First, we consistently repeated our irrefutable credibility proof points: 5,000 customers, 50 million emails sent each week, 10 hires a month, $3 billion in e-commerce sales the previous year.

We also simplified our messaging and declared our focus for small business owners who wanted to automate sales and marketing to grow sales and save time. We finally looked like a credible market leader, not a scrappy startup.

With consistency, simplicity, and clarity, everything we did started to work better. The company started growing again, faster than before. Several years later, Infusionsoft had 550 employees, 40,000 customers in 72 countries, 1,500 services partners and over $100 million in revenues.

It has a beautiful headquarters, has raised more than $100 million in venture capital, and has won many industry awards. Sounds more believable now, right?

When the founders speak now, the impact is entirely different. People have no problem believing them because their vision came true. Entrepreneurs and small business owners come to hear Infusionsoft's founders share their small business growth advice. Attendees write down everything they say. They are quoted as small business experts. They had been touting the same message for ten years. Same founders. Same message. Practically the same words and delivery, too. The difference is credibility.

## NOW WHAT? APPLYING THE SCALING POINT STRATEGY WHEEL TO YOUR COMPANY

Once I've covered all the aspects of the Scaling Point Strategy Wheel like I've just done with you using Infusionsoft's story, the real questions usually start:

- "How do we put this into practice?"
- "How do we get everyone in the organization on board?"
- "How do we stop saying yes to everything?"
- "How do we overcome the fear of being just one thing for one target customer?"
- "How do I do this and still make our monthly numbers?"

That's actually why I founded Scaling Point – to help early-stage CEOs and founders who want to grow a substantial and valuable business. We help them discover the Scaling Point hiding inside their companies and leverage that advantage to fuel serious growth.

Our clients are smart and savvy CEOs who want to achieve serious growth and build a market-leading company. They have revenues ranging from $500K to $10M and have some execution results that can be analyzed.

We offer two proven programs designed to facilitate maximum growth quickly: The Scaling Point Discovery Workshop and the Scaling Point Leadership Team Intensive.

I've implemented comprehensive Scaling Point Strategies at companies of every size. And I've dealt with the various scenarios business leaders might face in trying to bring sanity to a workplace addicted to crisis.

Discovering your Scaling Point and clarifying each section of the Strategy Wheel **will** transform your business. But it won't be easy. You will need to enlist the support of everyone within the organization to do the work of asking these questions and unearthing the right answers.

You'll also need everyone's support and buy-in on implementation, starting with the CEO or founder.

People resist focus. Customers require it, but entrepreneurs, salespeople, investors, and friends push back.

It doesn't seem natural—at first. This path requires action before the results are obvious, a leap of faith. Discovering your Scaling Point and then executing on that discovery often features counterintuitive behavior. It goes against our instincts in the early stages of creating a company.

Thankfully, it's hard, but not at all impossible. The world's most successful companies were right where you are now once, and they all managed to do it, too. Since my experience at Infusionsoft, we have helped dozens of companies implement focus, and if you think your organization has it bad, you haven't seen anything. All startups and early-stage growth companies have a form of "Startup ADD" as they try new things and make payroll at the same time. This is a requirement of startup up.

The problem is that Startup ADD won't scale, so at some point every startup has to make their own transition to "Scale-up OCD" to scale up. The Scaling Point process makes this transition from "ADD to OCD" happen quickly and permanently.

There is a systematic approach to getting where you want to go. And our work together, whether in private consultation or through one of our Scaling Point programs,

will show you the step-by-step approach for building out that aspect of your Scaling Point strategy no matter what headwinds you're currently facing.

My experience has taught me one thing: it's better to be it than to say it. There is a better business inside every business—if you're willing to discover it.

All the best to you,

Greg Head
Founder, Scaling Point