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From MBA to NBA: StratBridge slam-dunks success with a scrappy game plan

Before Matt Marolda founded Cambridge, Mass.-based software developer **StratBridge**, he took a by-the-book career path — even if he was a bit of an overachiever.

Marolda got his MBA from the Tuck School at Dartmouth, where he won the Adams Award for Excellence in Entrepreneurship. Then he took to consulting, with 120-employee **Braxton Associates**, a division of **Deloitte & Touche**.

So, when this guy started his software company, in 1999 — at the height of the dot-com lunacy, when "money for nothing" was indeed the norm — you'd expect him to put together a whizbang PowerPoint, leather-bound bizplan, and go on the money trail, right?

Wrong.

Marolda vowed to build StratBridge on revenues alone.

And it worked: Exact sales are undisclosed but are "in the seven-figure range" and growing 75 percent annually. Profits have been in place for 24 consecutive quarters.

Earlier this year, the **National Basketball Association (NBA)** adopted StratBridge's software for league-wide use, prompting media coverage from **ESPN**, **The Boston Globe**, **Computerworld**, and others.

Marolda's vision is to help organizations make sense of the flood of information streaming in from countless internal and external sources. The NBA teams appreciate how his software helps them quickly analyze ticket sales and maximize profits.

Here's another contrarian, not-by-the-book move:

Marolda did not hire an executive team. He still doesn't have one. But he managed to attract a world-class board of directors, made up of veterans who are workhorses rather than window dressing.

How'd he do it? What's this guy's secret?

And, more importantly, how can you emulate his success?

In a recent conversation with SoftwareCEO, the self-effacing Marolda offered a fascinating mix of insight and enthusiasm.

Big leagues tip #1: Write it yourself.
The first piece of software from StratBridge was written by Marolda himself. No crew, no consultants, no cubicles filled with computer-science grads.

Was it an elegant piece of coding? Hardly.

"It was a lot like the Millennium Falcon from Star Wars," Marolda says. "It got where you needed to go, but required a lot of duct tape and care."

But, remember, Marolda's goal was to get to revenues as quickly as possible. He didn't need a Death Star; he needed something he could show and sell.

Big leagues tip #2: Don't advertise; network.
Yes, to follow the self-sufficiency model, you need to sell product as quickly as possible — but that doesn't mean you need a marketing and sales department.

"To get our first customers, we did no advertising, and had no sales force," Marolda says.

"I used my personal networks, and was able to find people from my consulting past — that's how we got our first four or five customers."

Big leagues tip #3: When you find your niche, bet big.
This is jumping ahead a bit on the timeline, but it relates to the previous tip about early customers.

All of those early StratBridge customers were in the financial services industry — companies that needed the web-based instant analysis that StratBridge provides.

"From 1999 to about two years ago, we were busy building an analytic platform that was really generic," Marolda says, "but we never really had a niche.

"Then, two years ago, we zeroed in on pro sports. The **Boston Celtics** called us up originally.

"We quickly learned that the whole league wanted it — we have 80+ teams as clients now."

An added bonus: With a high-profile customer like the Celts, StratBridge got a ton of free publicity, which is proudly displayed on the company's "News" page.

Big leagues tip #4: Then, figure out how to expand that niche, quickly.
The NBA is a wonderful vein, but Marolda knows it isn't filled with infinite gold.

"We're going to hit a limit there, because there are only so many teams," he says.

"The next opportunity we see is in what we characterize as live entertainment — any event that sells a ticket. Concerts, sports, Ice Capades, you name it.

"The **Ticketmaster** market, if you will, is enormous and one that can fill our dance card for years."

In fact, Marolda says, StratBridge is in conversation with Ticketmaster right now, to see how — or if — an alliance might work.

Big leagues tip #5: Your product name should explain what you do.
After StratBridge discovered its new niche analyzing ticket sales, they came up with a product name to reflect this focus: StratTix.

The more generic product names are still there also — StratBridge.net and SB Charting — but the StratTix name helps to communicate, at first glance, what benefit the product brings.

Big leagues tip #6: Don't try to seed the market with freebies.
Even with that first handful of financial services customers — even when StratBridge had no clout, no credibility, and no cash — Marolda refused to cut special deals.

"We didn't give away the farm," he says. "That was an important piece of advice my dad gave me upfront. This was in the middle of the dot-com boom, when people were chasing eyeballs and clicks and you name it. He told me, 'That stuff doesn't keep the lights on.'

"Our survival was dictated by generating revenue. We took the attitude that we are providing our clients with significant value, and we should realize some of that value in our license fees.

"It was a negotiation, of course. We had a sense as to the value we'd provide, so we'd start with a price point. They didn't fall out of their chairs, but they had a bit of a start.

"But as far as I'm concerned, if you sell too quickly you're probably leaving money on the table. You want to see a little bit of an eyebrow raise.

"Never undervalue what you're offering. It's very tempting to give something away for free, especially when you don't have any — or very many — customers.

"Yes, you can come down off price, but it's very, very hard to go up."

Big leagues tip #7: Configure — but don't customize — your software.
This isn't a game of semantics; it can mean the difference between profitability and a never-ending development cycle.

"We've always had the same attitude," Marolda says. "We love to configure our software; we don't like to customize it.

"We try to incorporate many things that you might call features in our software, so that there are dials and levers we can tweak to get it to be exactly what the client is looking for."

Big leagues tip #8: Create packages the customers can understand.
It's tough enough to sell software. Don't make more work for yourself trying to sell your particular view of the world, too.

"What we do for them is very much a Package A, Package B, kind of thing," Marolda says.

"The software takes data from the organization and conducts an analysis, and the license price is based on the frequency of data refresh.

"With the basic service we pull that data once a night, and with the premium service we pull it every few minutes."

Right now, StratTix provides data analysis for sports team ticket sales, but Marolda says his company will soon announce new features to do player analysis as well.

Big leagues tip #9: Create pricing that applies to the customer's environment, not yours.
As with packaging, far too many ISVs stumble with price sheets that have no basis whatsoever in their customers' reality.

StratBridge makes it simple and direct: The software license price, which ranges from $8,000 to $70,000 per year, is determined by the configuration of seats in the customer's stadium.

"So hockey is different from basketball is different from concerts," Marolda says. "Also, of course, we do scaled discounts for multiple teams and events."

Big leagues tip #10: When you sell subscriptions, renewals are everything.
Another benefit of StratBridge's "Simple Pricing" — and that's the phrase they use in their sales literature — is that customers get no surprises, rude or otherwise.

An unsurprised customer tends to be a happy customer.

And a happy customer tends to renew, year after year.

"All of our license fees are annual fees, and our 'Simple Pricing' includes everything except travel," Marolda says.

"We invest a lot more in the first year, and our margins take a bit of a hit. We spend a lot of time upfront with people.

"We want to make the 'hook' or connection to their data as straightforward as possible. Still, it's a matter of days or weeks, not months.

"We're going to blow the doors off for the first year, and you're going to be so impressed you're going to renew for the next year. We have clients who have renewed for seven years in a row."

Big leagues tip #11: Sell via the phone as much as possible.
Lots of software veterans will tell you that when your package price gets into four and five figures, you need face-to-face sales reps.

Not true, says Marolda.

"We added sales and marketing people over the last three or three-and-a-half years," he says. "That's been a big part of my focus.

"We tried advertising; didn't like it. So, we went direct. We focused on inside sales, to move our way through an organization. The first person we hired was an inside sales guy who could crank out the calls, and he made the sales over the phone."

Today, well over half of StratBridge's sales are made on the phone alone, Marolda says. "If there's a need for an in-person visit, I usually do that myself."

StratBridge's phone sales reps are paid a base salary plus commission, which Marolda says averages "in the five percent range."

Big leagues tip #12: Forget sales reps; create client advocates.
Despite the success of phone sales, Marolda thinks his company needs to take it to the next level.

"We're in the midst right now of building out a longer-term sales model," he says. "This will not be a traditional approach for the software industry.

"The approach we will take is to treat every lead as an account, one that's already sold. In other words, give them all the respect they would have as if they were an established client.

"But by the same token, we will treat every client as a lead — so they get the same focus and intensity as a hot prospect."

More word games? In a word, no.

Look back to tip #10; it's all about renewals, remember? To that end, Marolda is determined to keep StratBridge customers happily locked in forever.

"We want you to renew. We're going to be following up with you, making sure you've got what you need, making sure you're aware of new modules, new features, and so on.

"And you're going to be dealing with the same person throughout your life cycle with us.

"I guess you'd call them account managers, but I think of them as client advocates. They are the ones who need to advocate for the client at StratBridge internally."

These advocates/managers will be paid in much the same way a pre-sales person is paid, Marolda says: Base salary plus a percentage of their portfolio revenue.

Big leagues tip #13: Forget sales veterans; hire Renaissance rebels.
The biggest difficulty with his new "client advocates" sales plan, Marolda admits, is finding the right people.

"It's hard to find all employees, but it's especially hard there," he says. "You're asking them to bridge a couple of different skill sets.

"Our best success is with young people — people we can train, people we can get to think our way. A place to *not* look is someone with 12 years of enterprise software experience.

"I like liberal arts graduates, people who are ready and willing to be trained. Young consultants are also good, because they've typically worked with a very broad range of people and functional areas."

Despite his predilection for young, trainable types, Marolda has no intention of being stingy with compensation.

"These people can pull in salaries and bonuses to match the big consulting houses," he says. "We have people here who are making well over $150,000, but a lot of that — over half — is at-risk pay."

Big leagues tip #14: Market where your demand already exists.
This is another common-sense notion, one would think, but it's amazing how many entrepreneurs waste a fortune trying to create demand.

Far better, Marolda says, to go where your potential customers already hang out — "where demand is aggregated," in his words.

For example: Trade shows. "Two years ago I would have said no way, but now I think they are great."

In the past year, StratBridge attended INTIX and the National Sports Forum. "We came back with nearly 200 leads," says Marolda, "and we've been able to convert more than 50 percent of those."

Big leagues tip #15: If your software shows well, look for new ways to show it.
In addition to the old-fashioned, in-person, pound-the-carpet trade shows, StratBridge plans to bet some marketing dollars this year on web events.

"Our stuff is extremely demo-able," Marolda says. "Once you see it, it tends to ring bells. We can give that experience over the web.

"Everything we do is hosted. A typical call is an info call: We set up a time, give them a URL, then let them log into the software.

"We also use **Convoq** as a backup; we like it because it doesn't require a client-side install. Sometimes, people like to sit back and watch, rather than operate the software. But 90 percent of what we do is log them into our own system."

Big leagues tip #16: Leverage PR for credibility and collateral.
StratBridge has used outside professional public relations firm for about a year.

Although Marolda admits he has "no metric whatsoever" for the return on his PR investment, he feels pretty positive about it. "As someone once said — I don't know who — 'Half of my marketing dollars are wasted, I just don't know which half.'

"PR adds credibility, something we wanted to establish. For years, we were under the radar. We were doing cool, sophisticated things, but nobody was aware.

"PR has given us exposure and credibility. And that PR has turned into our marketing material; instead of fancy brochures, we just use the article reprints and refer people to our website."

Big leagues tip #17: Do marketing to match your sales cycle.
"Our sales cycle tends to run four to eight weeks — it's very fast," Marolda says. "We've done things where it's closed in a day.

"Because we've a got a short sales cycle, we can convert a lot of people without actually meeting them. We are going to focus on lead generation, getting people aware of us. Our future is awareness-building.

"You're either making stuff or selling stuff; marketing is somewhere between the two. We're going to get more aggressive, but I don't know now exactly where we'll place our bets.

"Our whole business success is based on the fact that we've been experimental, and we'll take the same approach in marketing; we'd rather place a lot of small bets than one or two big ones.

"We're going to explore lots of guerilla-type tactics. For example, maybe we'll align ourselves with a thought leader who can champion our cause."

Big leagues tip #18: Don't hire VPs when you can get big-league directors.
One of the most unique aspects of the StratBridge success story is that it was accomplished without the usual gaggle of VPs for development, marketing, sales, and finance.

Instead of hiring an executive team, Marolda recruited industry veterans for his board of directors. (You can read their résumés on StratBridge's Leadership page.)

Why do it this way? Marolda says he had three reasons.

"First, I didn't want to take the responsibility of someone's career," he says. "I was willing to bet myself, but I didn't want to mix buddies with business, and jeopardize any personal relationships.

"Second, there's the practical piece: I recognized I was a young pup, and realized how much I didn't know. I was low on the learning curve as far as running a business; I hadn't done any sales or marketing.

"Layering on people like me didn't make any sense; they'd be in the same boat I was. So, I thought, let's go find people at the other end of the spectrum — people who had a lot of experience that I could leverage upwards.

"Finally, I didn't want to pay a lot of money for that experience. We were just too small, and we weren't a dot-com, so the funding wasn't there.

"To keep overhead at a minimum, it was much easier to create a hybrid executive out of three or four people. I targeted people who were already successful; they weren't in it necessarily for personal gain.

"The motivation for them was to be 'back in the game' — taking a young company from zero revenue up to the big time." Or the big leagues, if you will.

Big leagues tip #19: Don't sell to your directors; find a fit.

To find his directors, Marolda relied on his network from his consulting days, as well as his years at Dartmouth's Tuck School.

But his approach was far from a full-court press; he wanted to toss around the ball a bit first.

"I would try to get meetings with them, for some general advice," Marolda says. "I'd say, 'Let's get together and talk. Can you carve out 45 minutes to meet with me?'

"I would talk about the business, and when I do that I usually get excited, and the commitment I made hopefully came through. If we had a good vibe at the end of the meeting, I'd say, 'Would you mind doing this again?'

"If they say, 'I'm pretty jammed for the next five months,' that's a good clue that the commitment isn't there. But if they say, 'Let's get together next week,' well, you know they're interested in your story.

"No one went from phone call to board member in one phone call. Most were several phone calls and a few in-person meetings before an actual proposition was put forward to be on the board."

Marolda started with a standard compensation package for his directors: Equity vesting over four years that was "for the most part," he says, within the industry range of one to four percent.

"We were looking for people who weren't greedy. In fact, a couple of people said we were being too generous: 'Hey, pull it back a bit.'"

The first director was Marolda's father, Anthony Marolda; next was Thomas Doorley. "From Day One, my dad was there; he was an important guy on a lot of levels, obviously.

"Doorley also came on Day One. He had hired me into a consulting firm four years prior. He was sort of the model for the guy I was looking for going out. Palmer joined in very early 2001, Horvath in very early 2002."

Big leagues tip #20: Give your directors something to do.
On that Leadership page mentioned earlier, it's interesting to note that each director has a particular, publicized functional responsibility.

"Each director has a focus area," Marolda says. "We are trying to create a hybrid executive, or a couple of them. Each of those guys had specific skills I wanted to take advantage of. It helped focus their responsibility."

And they actually get the outside calls, just as the VPs and C-level execs in most software companies do.

"The conversations I mentioned earlier that we're having with Ticketmaster? Horvath is having those conversations," Marolda says. "Another example: I'm going on a plane on a joint sales call with Doorley next week.

"All of these guys have very, very active roles — much more than meeting once a quarter and looking a pie charts and going over numbers.

"Combined, they're contributing one to one-and-a-half or even two people years every year. A lot of these guys I talk to on almost a daily basis.

"Really, it comes back to the kind of personal relationship you're able to build. In my case, it runs from the extreme of my father, to Andy [Palmer] and Michael [Horvath], neither of whom I knew before I started the company."

And Marolda isn't finished; he says he intends to bring on one or two more directors for the StratBridge board.

"One that will be formalized in the next few weeks is very geared to software development — building a company from scratch," he says.

Big leagues tip #21: Whatever time and effort you've budgeted for building your team, double it.
"The hardest lesson I've learned has to do with the people part of building a company," Marolda says.

"Having a good idea is one thing — yes, it's important and critical — but we've gone through a lot of trial and error in building the team.

"The patience and discipline that requires is something I completely under-estimated."

StratBridge now has 15 employees; 2005 ended with 12, and 2004 ended with nine. But, Marolda admits, it hasn't been a smooth upward curve; there's been a fair amount of turnover in there.

"I actually recruited people as a consultant," he says, "but it's very different bringing someone into an existing organization with structure, schedules, training programs, and so on, and bringing someone in to an office where there's six of us.

"I think if I were doing it over, I would have a much different perspective. Nowadays, a lot of people we hire start out as consultants or contractors."

Big leagues tip #22: Don't wait until you're a real company to install real-company infrastructure.

It's neither sexy nor fun, but the basic structures that keep a company humming need attention at the outset, Marolda says.

"One of the biggest mistakes I made was that I was thinking too small from an infrastructure standpoint. Legal and HR are the two big ones; we had to go back and put that in place.

"As an entrepreneur, that's the least exciting thing to do, so I put the least amount of effort on it.

"For example, when we formed the corporation, they asked me how many shares of stock I wanted to authorize, and I said 10,000 — which was off by an order of magnitude.

"We also switched from a Massachusetts to a Delaware corporation, so all that stuff had to be rewritten."

Big leagues tip #23: Don't chase venture capital; chase sales.

"I really question the norm around raising venture capital," Marolda says.

"For software companies, there's no reason to raise money. If you can write the code, and start pulling in revenues, there's no reason to get money.

"This is not what the business schools advise, and I know there are many entrepreneurs are out there cruising up and down Sand Hill Road looking for money. I say raise revenues instead."

With StratBridge, that's exactly what Marolda did: He financed the company out of his own pocket until it could support itself on sales. Fortunately, he didn't have to wait long: The company was profitable within its first quarter.

Big leagues tip #24: Never, ever underestimate the power of passion.

"We've been opportunistic," Marolda says. "The whole sports thing was a small bet two years ago, one that we've more than doubled down on many times over.

"If I were starting a new software company today, or talking to someone thinking about it, I'd look for passion.

"If you're going out of the chute saying, 'I want to retire by the time I'm 40' — well, that's the worst possible approach.

"You need to be driven by what you're doing, by the desire to get people to change the way they're doing or looking at things. There's just no substitute for that."