Building a Scalable Sales Engine in the School Market

Q&A with Katherine and Vladimir Novikov (Co-Founders, Diamond Mind)

Context: *Diamond Mind is the nation's leading provider of payment processing software and services for independent K-12 schools, serving over 1,200 schools, including more than half of the largest 50 private K-12 schools in the country. The company's suite of solutions is specifically tailored to allow school business officers to consolidate, streamline, and reconcile payments across the campus to reduce costs, minimize risk, and improve the payment experience for parents. Diamond Mind's offerings include solutions for online tuition, giving, admissions, bookstore, summer programs, and purchase cards for school's staff use. Serent invested in Diamond Mind in July 2014; the Company was acquired by Education Brands in July 2016. Serent's Growth Team engaged with Diamond Mind to help scale the new school sales organization, build out cross-sell and account management efforts, optimize pricing and product bundles, and set up a formalized channel partnership network.*

What sales approaches worked especially well in the early days of Diamond Mind's growth?

Katherine: A consultative soft-sell sales approach worked best in our target market. Endorsements from associations (such as the NBOA) and speaking engagements helped build inbound lead flow, which was converted into sales using our consultative approach. This approach typically took 2-3 touches, and purposefully avoided a close on the first call in favor of building a relationship and understanding the prospect's needs more deeply. Formal written proposals reflected back on the prospect's areas of interest and concern, and spelled out shared next steps. This sales approach added value in and of itself, and resulted in later expansion of payments services within the same school as well as a flow of referrals to other business officers.

Impact: Diamond Mind grew from a start-up in 2003 to the largest national provider of school payments serving 850 of the nation's leading independent schools prior to Serent's investment (in 2014).

What did the go-to-market approach and organization look like after the company's investments in scaling the sales engine?

Vladimir: We first separated new sales from account management (i.e., growing business within existing clients.) Those two areas require different sales rep skillsets, sales approaches, and sales org compensation models. We then added lead generation reps and outbound sales reps to transition us from a predominantly inbound-focused sales organization to one focused on outbound sales. As the new go-to-market approach required a very different skillset from our reps, the sales organization went through meaningful turnover during the transition.

Impact: The outbound sales organization increased new schools acquired each year by 86% from 2013 to 2016. The cross-sell (account management) function separately increased avg. number of departments within a school served by Diamond Mind. As the customer acquisition model shifted from primarily inbound to primarily outbound, LTV / CAC ratio decreased from 5.5x (2012) to 4.2x (2016). That decline was anticipated as the company invested in its sales organization; despite those investments, Diamond Mind sustained strong customer acquisition economics.

How did partnerships with other education software vendors play a role?

Katherine: A network of relationships with software "friends" as we called them resulted in a flow of inbound leads. There was no revenue share in the early days of the company. Our reputation and value adding sales approach reflected well on our software partners, and that was enough to maintain the relationships. Over time, the company formalized the partnership framework and established revenue share arrangements to increase the flow of inbound leads from our ecosystem of partners.

Impact: A formalized channel partnership drove an 8x increase in referrals from software partners between 2014 and 2016.

What role did the bundling of your solutions play in improving customer acquisition economics?

Vladimir: The bundling of our software solutions enabled us to address the smallest segment of our end-market, which for us comprised of schools smaller than 300 students. These schools had previously been difficult to acquire and serve given their size, but through the bundling of our software and payments solutions into one offering, we were able to deliver a win-win to that segment of the market: customers got value from an end-to-end solution, while we improved the economics of acquiring and serving smaller customers.

Impact: Bundling and aligning cost to value drove an 80%+ improvement in economics from new clients, while increasing Diamond Mind's total addressable market opportunity (TAM).

What were some of the big lessons you learned in scaling the sales and marketing function? Is there anything you would have done differently?

Katherine: We should have invested more in sales and marketing even when we didn't "need" to. The time to double-down on sales investments is when you are riding high, enjoying strong growth. Once the growth rate slows (or in our case the size of the prospects we were receiving through inbound channels went down), the investments become tricky.

Vladimir: We would have greatly benefited from better HR discipline in scaling sales and marketing. Many of our original consultative sales reps were not good at outbound / proactive sales and had succeeded primarily because they were awash with inbound leads. Predictably, a lot of those reps didn't transition well to outbound sales. The lack of right outbound-capable sales leadership early on also hurt us.