



# How to Think About Political Sales

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At New Media Ventures, we invest in companies wrestling with the biggest challenges facing our democracy today. So it's not surprising that many of our portfolio companies are developing new products or services to support progressive action. These companies often have campaigns and other political organizations as their clients, and the ability to gain them as customers can be the difference between impact and irrelevance.

While a lot has been written about sales generally, we have observed that selling to political organizations has its own challenges and opportunities. Since we'd love to see more progressive organizations thriving, we've compiled some of our key thoughts on political sales. We hope this will help demystify the political sales process for the next wave of progressive organizations that will help our democracy thrive.

### Diagnosing an Issue

Startups often struggle with "sales." But if your sales are not going well, there can be multiple culprits. For example, there could be a problem with:

- How you productize your offerings, e.g. the way you're structuring access to your product is not a good fit for market needs
- How you price your offerings, e.g. the price is too high or too low, you're charging too much up front, you're asking customers to subscribe rather than to pay a one time fee
- Your sales team, e.g. they have insufficient industry experience, insufficient contacts, or are unable to effectively or authentically pitch the product

It's important to diagnose what the issue is with your sales before you start trying to problem solve. The implications, and thus the solutions available to you, are dramatically different depending on the root cause.

### Measure Everything

In order to best be able to diagnose a sales challenge, you'll need to be in the practice of measuring everything, including:

- Customer acquisition cost
- Customer lifetime value by channel, by type of lead, etc.
- Conversion rates at each stage of your sales funnel (e.g. lead > demo > trial > purchase)

NB: This helps not only when you are triaging an issue but also helps you figure out where to invest to grow your business when it's going well!

Part of this commitment to measuring everything is a commitment to getting feedback. It's important to treat buyers and their feedback (on everything end to end, from sales touchpoints to pricing to onboarding and training) the same way you would treat user design research for a product build. That is, be procedural upfront about asking for and collecting feedback, and iterating ASAP on that feedback.

## **Inbound vs. Outbound Sales**

You will better understand your sales if you separate out in-bound and out-bound in your tracking and analysis.

Inbound sales:

- Most startups start with inbound sales. Ideally, in the beginning you have more inbound sales than you know what to do with because early adopters love your product and they are telling their friends about it.
- Inbound sales will eventually run out and you'll need to build outbound sales. The challenge then is that making inbound sales doesn't really allow you to test anything about your actual ability to sell.

Outbound sales:

- Once you transition to outbound sales you must get intentional and strategic about where to focus, what customers to target, and how to reach them.
- Choose your sales channel. Most companies start-off selling directly to their end customer (e.g. campaigns or advocacy organizations) but in the political space it's much easier to sell via partners who already have relationships with campaigns (e.g. consultants, political parties, large superPACs, other tech companies you integrate with). Campaigns by their nature have little time and expertise to assess tech tools and so they rely on folks they can trust to make assessments for them. Building channel partnerships (folks who sell your product to end customers) is often key to success.
  - This also helps reduce the size of your salesforce, which can be a great way to control costs, and can be useful when salespeople are hard to find.
- Find out who your buyer is and what kind of budget they have. Ideally, there is a certain type of person who is always the person who decides to buy your product. Even better, this person has budget authority and can spend money to buy your product. Unfortunately, this is rarely the case on campaigns where your customer is the field director, but the campaign manager controls the budget for tech tools. The clearer you are on who needs to be involved to buy the product (who does the decision-making, who is the budget holder), the faster you can make sales without wasting your time talking to people who can't actually make the purchasing decision.
  - It also makes sense to align your pricing strategy with the budget authority of your buyer e.g. price within an amount they can put on a work credit card or their check signing authority.
  - Also, once you know exactly who your customer is, you can figure out which conferences/list-servs/communities they are part of and find them there.
- When building your sales team, trust matters hugely. Having people with deep expertise in the political or advocacy space vouching for you is critical – ideally, those are your salespeople.

We've generally seen better luck with less experienced salespeople with credibility and trust in the space rather than more experienced salespeople new to the space.

## Know Your Customers

- Many orgs in the space, once transitioned to outbound sales, will prioritize a core set of customers to learn from and to build out the business. However, don't underestimate nuances across customers sets, e.g. the purchasing process and windows for campaigns are not the same as for advocacy groups, large organizations within those segments operate differently than small organizations, etc.
  - Be especially mindful when moving from the nonprofit or political market to the commercial market; many viable businesses shift from one to the other, but demand on the nonprofit or political side does not equate to demand on the business side. The competitive set is often different and sales experience and skills required may be different. Pricing strategy may also need to shift (e.g. SaaS customers usually pay in arrears in the commercial space, but sometimes campaigns may be willing to pay upfront to combat cyclical – and the likelihood that if they don't win their race, they might not ever pay).
- A member of the NMV portfolio recommends spending time with FEC disbursement reports, which can help answer questions such as: How much are my competitors charging? What tools are my target client campaigns buying? Is a campaign already using a product we integrate particularly well with? How much money does candidate x have on hand?

## Consider Capital Efficiency

While you do have to spend money to make money once you switch from inbound to outbound sales, continue to prioritize capital efficiency.

- Most investors in the political tech space, especially if mission aligned like NMV, do not expect 10X returns like a typical VC does. So while it is important to be viable financially, you may have more leeway to take time to prioritize good product build (using feedback on UX, pricing, etc.) with core customers before expanding to other customers.
  - Since it is harder to raise big rounds of funding in the space, capital efficiency is key, and this type of iteration can help you spend smarter.
- Invest upfront in financial tracking infrastructure, with a person (or people) who can keep you capital efficient, ensure you're effectively tracking cash flow, and keep you honest on how much to staff up and down during campaign cycles.
  - While this can be costly, it is important to do this upfront and treat this like a core investment that will pay itself off down the road; while other functions maybe be able 'to figure it out' as they go on the cheap in the early days, finance often cannot.

## Plan for Churn

- We are generally taught to avoid churn in our customer base, but the political sales market can be churn-heavy due to the nature of your customers (e.g. campaigns that pop into existence and then disappear post election day).

- So, if the economics of serving these customers that you know are very likely to churn are still positive for the business (when you take into consideration sales, support, etc.), consider adding them as short-term customers even though you know they are very likely to churn.
  - Then track annual contracts different from short-term contracts in your annual recurring revenue (ARR) calculations (basically exclude the short-term contracts). Ideally you stay focused on ARR (the annual contracts) for planning – but the extra revenue is nice to have.
- Although it can be productive to focus on one group of customers, if yours are very likely to churn, being opportunistic is still often a good idea. This is especially the case if it's a different type of revenue, or a one-off project. Those learnings can be valuable in the early days (and again, for investors, you can track different types of revenue to help them understand what is steady vs. not).

## Offerings and Pricing

Figuring out how to package your value into a product or products and how to structure your pricing are critical, and are important places to experiment.

- Most successful startups either price low (low hundred \$ per month) and make onboarding self-serve with limited support, or price high (high thousands per month) so they can hire salespeople and customer success staff. Lots of startups with a “right in the middle” price struggle to find the right economics.
- There are a lot more complexities regarding pricing. For example, do you charge a subscription fee or on the basis of usage? Do you offer monthly or annual contracts? Do your contracts scale based on actual use, number of users, size of list, etc. At a high level, your pricing should align with the value you create and your underlying cost structure (e.g. share of fixed plus variable costs).
- Consider repackaging a core, high cost offering to fit short term or price sensitive customers in order to increase revenue without cannibalizing your core product's sales. Perhaps use video onboarding or offer less customer support to differentiate these offerings. You don't have to chase these customers (i.e. pursue outbound sales), you could simply have this option available for those who come to you (i.e. capitalize on inbound sales). And you can always nudge these lower value customers towards higher value or longer term contracts over time.
- Another option is to have low or infrequent usage customers pay a low annual fee with a usage fee if and when they use the platform. In this scenario they are your customers on an ongoing basis, and you don't have to do a new sale every time a new project or need comes up for them.
  - As usage ramps up for one of these customers, it might make sense for them to transition to an annual contract. For this to work, you have to price the usage right (and be able to track and invoice it effectively, which is complex) so that you can upsell folks.

Regardless of your pricing, remember cash committed is not the same as cash in the bank, and again, in the political space, asking campaigns to pay at least some portion upfront is key since there is a real risk they will not or cannot pay once the campaign ends (especially if they do not win).

## Hiring Salespeople

- The best salespeople are folks who have done this before, in your space. Unfortunately, those folks are hard to find. People who know others in the space and have built trust will probably be better at sales than folks with sales experience in a different field (though that's not always the case).
- Everyone on your team can also be a salesperson. Always have a forwardable email on hand and a list of ideal intros that people can make for you (name, company is much better than "any campaign").
- Sales roles can have very high rates of turnover. Some startups have had success devising consulting roles for potential sales leads before making a full-time hire. This enables both sides to try the relationship out, for the company to see whether the person has the network and ability to sell the product, and for the salesperson to get a sense of the size of the opportunity and to get excited about realizing it.
- Ben Horowitz's leadership and management book *The Hard Thing About Hard Things* has a detailed chapter on hiring salespeople.