

## How Stonefield grows steadily with software add-ins

by [Grant Buckler](#), Senior Writer, **SoftwareCEO**



In 1991, Mickey Kupchyk, Doug Hennig, and three other partners in Regina, Saskatchewan started **Stonefield Systems Group**.

The name comes from the founder's memory of working in the stony wheat fields of Saskatchewan. The company eventually broke in two, creating a successful **Accpac** reseller and a software developer called [Stonefield Software](#).

The software side had some growing pains. The software was priced too low. The company was in too many markets. And it was giving away source code and tech support for free.

But CEO Mickey Kupchyk and team hung in there, and the company's query tool is now a respected add-in to a dozen products like Accpac and ACT!

### Company Snapshot Stonefield Software

#### Basics

Founded:	1991
CEO:	Mickey Kupchyk
HQ:	Regina, Sask.
Headcount:	10
<b>Revenues (Cdn\$)</b>	
2002:	\$392,546
2004:	\$518,810
2006:	\$733,765
2008:	\$773,819
2009:	\$1.5 million (proj)

#### Major Clients

- [3M](#)
- [Hitachi](#)
- [Morgan Stanley](#)
- [Northrop Grumman](#)

#### Awards / Honors

- AccountMate Vertical Solutions Partner Award, 2008
- FoxPro Community Lifetime Achievement Award to Doug Hennig, 2006
- Developer's Choice Award, DevConnections 2000

Its clients include enterprises like [3M](#), [Hitachi](#), [Northrop Grumman](#), and public-sector clients like the [University of Nebraska](#) and the [U.S. Court of Appeals](#).

With only 10 employees, and sales less than \$1 million last year, Stonefield is smaller than many software firms we profile.

But with deals closing fast, more sales people, and promotions paying off, it's now poised to start doubling revenue every year.

Kupchyk sums up the key lessons he's learned in these 15 tips on how to flourish with an add-in software product.

### **Accounting for success tip #1: Get out of unprofitable products**

Stonefield's first commercial application was a pharmacy management package.

Launched in 1992, it became the fifth or sixth largest-selling software in its category. That sounds good, but it wasn't good enough.

"We found that it really wasn't making us a lot of money," Kupchyk says, "and we were just killing ourselves, spending a ridiculous amount of time on it."

Stonefield sold that product to a competitor, and got out of the pharmacy business.

Kupchyk says he learned valuable lessons from the foray into pharmacy software — including how to sell — but it wasn't the right direction for the company.

Ask yourself: Do you have any product lines that should be trimmed, or abandoned?

### **Accounting for success tip #2: Watch what customers do with your software**

Meanwhile Hennig created some database reporting software called Stonefield Query, launched in 1996.

Originally designed for software developers to create reporting tools for end users, it works with any ODBC or OLE DB-compliant database, such as Oracle, SQL Server, or DB2.

Then one of Stonefield's Accpac customers, the Illinois-based publisher [Country Sampler](#), developed a complex report using Crystal Reports. The only problem was: It took forever to run.

"They would start executing the report Friday night, and hope that the thing would be done by Monday morning," Kupchyk says.

When they re-created the same report with Stonefield Query, it ran in 20 minutes!

That was an "aha!" moment. Kupchyk and Hennig hadn't thought of building a custom version of Stonefield Query for Accpac.

"We took our SDK, pointed it at the Accpac database, put in all of the joins, relationship structures, and all of that... I believe there's 20,000 joins and fields available," Kupchyk says.

"So it was a huge task. But once we had that done, any end user could follow the wizard and create a report for themselves."

That became the first of more than a dozen custom versions of Stonefield Query, for products like ACT!, Sage CRM, and other non-Sage products.

It was a classic case of seeing an unexpected opportunity, and going for it.

Most software firms have customers using your software in ways you hadn't planned. Are you overlooking any opportunities to package a new offering to further that?

### **Accounting for success tip #3: Make it simple enough for Mabel with the blue hair**

One person has played a key role in Stonefield Software's success over the years, even though she's never worked there. Kupchyk calls her "Mabel with the blue hair in accounting."

"I know those Mabels out there," he says, "I've worked with these Mabels."

Hennig is a star developer, a Microsoft Most Valuable Professional (MVP) since 1996, and one of a handful to receive the [FoxPro Community Lifetime Achievement Award](#).

Kupchyk and Hennig each have their own roles in product development.

"He'd show me the new product, and I'd say, 'Listen, that's very nice... but Mabel with the blue hair cannot understand that.'"

Of course, the developers who work with the Stonefield Query SDK are far more technical than Mabel. But the goal is to make the custom versions of Stonefield Query so simple that anyone can use them.

"You can't think like a programmer," says Kupchyk. "You know programmers can understand all this stuff; but end users, they just don't get it, so we've got to keep making it simpler and simpler all the time."

### **Accounting for success tip #4: To find what to simplify, listen**

For Stonefield, the key to making its software easier to use is listening to its installed base of 220,000 users.

"We get feedback from people all the time. They say, 'You know, it'd sure be nice if it could do this,' or 'Can you make it a little bit easier here?'" says Kupchyk.

Stonefield maintains a wish list, and adds features to make the products easier to use in each release.

To encourage customer feedback, the company has forums on its website.

"We encourage that all the time," says Kupchyk, "for people to contact us and tell us what they want, and we deal with it as quickly as we can."

In fact, Stonefield started doing custom versions of Query in the late 1990s after people pointed out that the simple report-writers for Accpac under DOS had no counterparts in Windows.

"Anybody who wanted to create a report," Kupchyk says, "they would have to use a product like Crystal. Not knocking Crystal — fantastic product, great product — the only thing is... you have to be very, very much technically inclined.

"So we said, 'Well, there's got to be a better way.'"

### **Accounting for success tip #5: Do free research at industry events**

When you want to see if you've got a winning idea or product, there's no substitute for talking to people.

And Kupchyk did that in a rather unique way. When Stonefield was building Stonefield Query for Accpac, he headed to Toronto to attend a conference on EDI.

"To be honest, I wasn't that interested in the EDI conference," Kupchyk admits. "What I was interested in was that about 50 Accpac dealers were at this conference.

"And so I was pulling these guys aside, and saying, 'Hey, we're looking at building this new product, and I'll just show you an alpha version of what Query for Accpac would look like.'

"And they would look at it and say, 'Wow, that's great, that's fantastic!' And they gave me some great feedback on how the thing should be better."

Kupchyk says it was invaluable to talk to dozens of top Accpac dealers, and get immediate feedback from them while the product was still in development.

This is a handy tip any software firm can use: For quick, cost-effective feedback on a prototype, go where potential channel partners or experts in your niche are congregating. Show it to them, and see what they say.

### **Accounting for success tip #6: If possible, get tweaks from outside developers**

The heart of Stonefield Query is the SDK.

This toolkit for developers accounts for the bulk of sales, and is the foundation on which all the custom versions are built.

The developers who use the SDK to build their own query tools — often incorporated in commercial products of their own — have played a large role in Query's success.

Originally, Stonefield Query was an open-source product. Not that Stonefield called it that; the term wasn't heard much back in the mid-1990s.

Kupchyk says he didn't know then that his company was doing something that would become a trend in the software industry.

"We didn't even think about it," he says.

So when developers bought the SDK, they got source code.

"Because they could see the source code," Kupchyk says, "they would say, 'Well, I can tweak this, and make this a little bit faster, a little bit better.'"

"So they'd contact Doug, and say, 'Hey, we tried this and it works better.' So we'd incorporate that into the product."

These customers were skilled developers, remember, so that process resulted in many good ideas.

"The bottom line is we actually had thousands of developers around the world helping us with the development of Stonefield Query," Kupchyk says, "all by giving us little tidbits here and there, and helping us improve the product and the performance."

That meant the engine got faster and faster, so it could do things like run that report for Country Sampler in a mere 20 minutes.

### **Accounting for success tip #7: Don't offer too much of a bargain**

Even though making the source code freely available helped make Query a better product, in 2000 Stonefield pulled the product off the market, repackaged it as executable only, and reintroduced it at a higher price.

Why?

At a flat price of \$129 per copy, with no additional charges no matter what a developer did, Stonefield wasn't making any money.

Now, developers pay \$6,000 for a complete SDK starter kit.

That doesn't include source code, which Stonefield no longer makes available. Plus, developers pay around \$100 per seat — depending on volume — for end-user licenses for whatever they build with the SDK.

Of course, there was some backlash from developers, and Stonefield did lose a few customers.

But Kupchyk says developers still do well by them. Some get as much as \$2,000 per customer for the Report Designer license, for which Stonefield charges around \$100.

Anyway, he says, Stonefield would have gone under if it hadn't raised its prices. So that dramatic price change helped the company survive.

### **Accounting for success tip #8: Charge for tech support**

He recalls another example about charging enough, from the days of the pharmacy software.

"One of the big selling points with our pharmacy package was we wouldn't charge maintenance," he says.

"We would just say to our clients, 'You buy our software, there is no maintenance, and the only time you have to pay us after you've bought the software is if we come out with a new version, and you want to buy the upgrade.'"

One day Kupchyk was giving this pitch to a pharmacist.

"The guy looking me straight in the eye, and said, 'You guys aren't going to be in business.' I said, 'What do you mean?' He said, 'If you aren't charging me yearly maintenance on your software, you guys aren't making enough money to stay in business.'"

Kupchyk believes that pharmacist was right.

"Maintenance becomes a bigger and bigger portion of the revenue of the company all the time, and that's funding the new development and the new offerings of the software."

This is a lesson familiar to many ISVs: Support fees keep rolling in even during a downturn, even when you have nothing new to sell, even when your company is going through turmoil.

Support fees keep many software firms afloat. And they're a valuable revenue stream on your books during any sort of financing or M&A transaction.

**Accounting for success tip #9: For add-in software, price is perception**

Consider this. Stonefield initially sold Query for SalesLogix for \$495 per seat.

SalesLogix itself costs around \$2,000 per seat, and a typical installation might have 75 or so seats, Kupchyk says, so customers are investing around \$150,000 in software alone.

"Then for products like that, you're looking at one to two times that in consulting fees and training to get the thing up and running.

"So somebody that has a SalesLogix system probably has \$400,000 to \$600,000 invested in it. Now here we come along, and say we've got the greatest thing since sliced bread when it comes to report writers, and it's only \$495."

The typical reaction is, "What's wrong with it? Why is it so cheap?"

So in 2000 Stonefield raised the price to \$2,000 plus maintenance. And sales actually went up.

The custom versions of Stonefield Query carry different prices, depending partly on the cost of the products they work with.

For example, Query for ACT! is \$600. That's about three times what ACT! costs.

But Kupchyk sells it by pointing out that clients have far more invested in their data than the cost of

ACT! And Query for ACT! is a data-mining tool that helps them make the most of that investment.

Stonefield's deal sizes vary widely, from \$4,000 for a few Query for ACT! licenses, up to hundreds of thousands when a developer buys an SDK starter kit plus blocks of end-user licenses.

The small deals can close by the end of an hour-long webinar, Kupchyk says; the larger ones typically take around 60 days.

And these days, the deals are coming fast.

Kupchyk says one SDK client just ordered a block of 500 licenses, and plan to buy at least 3,000 more over the next year. Another big client with a new query solution for Oracle may buy \$500,000 in licenses this year.

A deal with Sage in Australia, and Stonefield's channel promotions (more on that in a minute) have both started paying off big-time.

"Multiple dealer sales are closing daily, and the sales funnel is growing larger. We have another salesperson starting next month with us in Vancouver (an ex-Sage employee who dealt with their dealer channel)," he says. And they intend to add more salespeople soon.

After years of slugging it out, Stonefield seems to be at a tipping point where it will double revenues every year. A big part of that was learning how to price products at the sweet spot that produced both good credibility and good revenues.

#### **Accounting for success tip #10: Don't charge partners a sign-up fee**

Being both a developer and a reseller, Stonefield can understand what a dealer wants.

So Stonefield offers its dealers a 40-percent margin on sales of all its custom query products, a 30-percent margin on maintenance renewals, and no sign-up fees.

"There's nothing I hate more than somebody charging me to sell their software," Kupchyk says, "and that happens. Probably 75 to 80 percent of the third-party products for Accpac or ACT! or whatever, these guys are charging you fees to sell their software.

"Well, I don't believe in that."

So his company doesn't do it. Does yours?

#### **Accounting for success tip #11: Offer dealers hands-free marketing**

What do Stonefield's dealers have to do to earn those margins?

Not a lot. If they can direct a customer to Stonefield, Stonefield will set up a webinar to show the customer the product, answer questions, close the deal, and send the dealer 40 percent.

The company even offers "hands-free" marketing campaigns.

This means the dealer provides a customer list to a bonded mailing house, and Stonefield arranges and pays for a direct-mail campaign on the dealer's letterhead. The partners follow up with e-mail to encourage the prospects to come to a webinar about the Stonefield product.

Why do all this?

There are so many products out there, Kupchyk says, that dealers can't possibly be up to speed on all of them. So Stonefield can do a better job of demoing and selling the software.

And the reseller can simply contribute its customer list and its existing relationships with those customers.

That way, everybody brings what's easiest for them to bring to the table. And hopefully, everyone comes away with a substantial cut of the resulting revenue.

### **Accounting for success tip #12: Sell with practical webinars**

"We find that the close rate goes up significantly once you can get somebody into a webinar," Kupchyk says.

Stonefield's favorite way to close a sale is with an online demo of the software.

Nobody has to travel, prospects get a live, interactive demonstration of the software, and they can ask questions to a knowledgeable Stonefield rep then and there.

Stonefield uses GoToMeeting for its webinars, so that one prospect or several can watch an on-screen demo while listening to a presenter.

"We will go through and show them the different types of reports they could create, show them how easy it is to go through step-by-step building a report," says Kupchyk.

"We show them some of the output options, how they can create a PDF, how they can e-mail a report, things like that."

### **Accounting for success tip #13: Sell 24/7 with recorded webinars**

Stonefield has started recording webinars, and making them into videos to put on the company website.

The nice thing about these, says Kupchyk, is that they're available any time, at a prospect's convenience. That helps Stonefield sell all over the world, in every time zone.

If you don't have some recorded demos on your site, it's time to get them.

### **Accounting for success tip #14: Sell using real-life scenarios**

Kupchyk says Stonefield tries to structure its webinars around a "day in the life" of a customer.

So rather than "building any old thing," the presenter will focus on what that particular customer might

want to do.

For example, says Kupchyk, "the economy's terrible right now. Everybody's having trouble selling.

"So wouldn't it be nice if you could have a list of all your customers who have spent at least \$5,000 with you in the past two years, and who have not had a phone call from one of your sales people in the last six months?"

Stonefield will show how to create that report.

Other real-world examples might be which products are selling well and which aren't, or tracking specific payroll information.

The point is to show something timely and relevant, not something canned two years ago by a developer who seldom spoke to a customer.

### **Accounting for success tip #15: When you find good people, hire them**

Stonefield faced a dilemma a while ago. The company needed to hire a developer.

But after talking to a number of applicants, Kupchyk says, "we ended up with two guys who were just both phenomenal."

It was impossible to decide which to hire.

"Finally," says Kupchyk, "We just said, 'Well, let's hire them both, and just work them into it, into the company.' We'll have to work harder to increase our sales, do whatever to make sure we can keep people on."

He didn't want to miss the opportunity, because really good people are hard to find.

"And when good people come available, I do believe you've got to grab them."

Kupchyk likes to hire people he knows and has worked with. Most of Stonefield's sales staff come from other software firms who've done business with the reseller side of Stonefield.

"I knew their work ethic, I knew what kind of people they were, and I had dealings with them, because I was actually buying from these people myself."

When Kupchyk decides someone is the sort he'd like to hire, he lets them know.

"I have no problem saying, 'Hey, if you are ever looking for something, you know we'd definitely be interested in talking to you.'"

With patience, he says, those people eventually become available. And when they do, you have to take the opportunity, even if it's not immediately clear where they'll fit in the organization.

A fast-growing company like Stonefield will find a place for a good employee soon enough.

*About the author: [Grant Buckler](#) is an award-winning technology journalist with 28 years' experience covering computing and communications news and trends. He has written for numerous publications and research firms in Canada and the U.S.*



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