

## The mid-market briar patch

by Jason Cohen on May 22, 2012

**Mid-sized companies: Small enough to lack budgets, big enough for bureaucratic nightmares.**

During the summer, one of the Capital Factory companies developed a plan to sell into the “mid-sized” corporate market. Uh oh.



“Unfortunately, in this job market guys like you have dropped to nine cents a dozen.”

The startup graveyards are littered with companies who tried to target this seemingly alluring market segment—customers small enough to be intelligent and nimble, young enough to embrace new technology, yet big enough to spend real money to alleviate real pain.

It sounds like it's the best of both worlds. But the reality is **it's the worst of both worlds**.

They're not “small enough to be nimble,” because at two hundred employees they've already established much of the lumbering process and bureaucracy of companies a hundred times their size. Shackled by budgets and internal politics, technology changes require expensive coordination and retraining, and **fear of change trumps potential rewards of improvement**.

All this makes for an arduous sales process just like with big companies. But although they have the process and controls of a large company, they don't have the budgets

to match; there's no large reward for successfully navigating the painful, Herculean sales adventure.

Worst of both worlds.

Why is it like this? Maybe they're stingy because they're still being run by a parsimonious small-business founder (like me!) who is still straightening used staples to save pennies. Maybe it's because with even a few dozen people, the segmentation of teams, departments, roles, and behavior is inevitable. Whether because of physical limitations of communication or a human tendency towards tribal behavior, we fall into semi-autonomous isolation coupled with formal processes to ensure command-and-control, and a bureaucracy is born, self-generating and largely inescapable. There are also genuinely good reasons for it.

Whatever the reason, it's a tar-pit.

Then there's the numbers game. There are 220,000 businesses in America having 50-500 employees, and only 18,000 businesses with more than 500. That's often the argument for going after those mid-sized businesses—look how many there are!

But the average employee count of the mid-sized is 119 and of the large is 3,100, so if your goal is to sell a copy of your software to everyone inside a company, you have to sell 30 mid-sized for every large. Or looking at it another way, the total number of employees of mid-sized companies is 26M, whereas large is 60M.

And since the sales effort isn't much different between selling 75 seats or 750, this is a lot more work for the revenue.

Even setting aside the internal machinery, “mid-sized companies” **isn't really a market segment anyway**.

“Mid-sized companies” have less in common than you’d think; it’s much more important to know what industry they’re in. A 100-person technology startup has a certain makeup of employees—ratios of developers, QA, tech support, sales staff, HR, etc—whereas a 100-person plastics manufacturing company has a very different makeup, for example having no software developers, probably not tech-savvy, and IT is run by a guy who is a Windows “power user,” runs Exchange, hasn’t heard of Google Apps, and doesn’t know how to open a port in the fire-wall “my Cisco guy” installed.

So for example if you’re selling server monitoring software, everything about how to sell into these two companies is different: How you find them, what pain you’re solving for them, what that user wants to see in the interface, etc.. The fact that both are monitoring 100 computers is only vaguely “the same;” there’s more differences than similarities<sup>1</sup>.

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<sup>1</sup> [This is a better way to figure out your target market.](#)

The most common argument I hear targeting the middle is:

“Small businesses have no money, and the large companies already use Entrenched Competitors X and Y, so the opportunity is in the middle.”

But there isn’t *necessarily* an opportunity. Maybe your competitors have figured out that it’s not cost-effective to sell to the middle.

WP Engine is a perfect example of this. My initial idea was to target the “mid-market” of the WordPress ecosystem—bloggers and websites big enough that cheap hosting was no longer delivering the speed, scale, and support they required, but not big enough that they could af-

ford full-time WordPress experts or the \$2500/mo (and up) cost of Automattic’s excellent but expensive “WordPress VIP” program<sup>2</sup>.

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<sup>2</sup> *Editor’s Note:* This observation was correct in 2012 when this article was written. In 2024, we intentionally expanded into mid-market and even enterprise, but only made that decision once we could spend tens of millions of dollars on marketing, sales, service, account management, compliance, and other things that made it work.

There are some drawbacks here to be sure. People with \$50/mo blogs have many of the same problems as people with \$2000/mo blogs but pay us 40x less, which might imply we should focus on the high-end blogger. But there’s lots of \$50/mo bloggers who never call and never have a problem where the profit *margin* is great (even if the absolute dollar profit is less), whereas a \$2000/mo blogger is constantly running into new speed and scalability challenges since even small changes to their configuration are magnified by 10,000,000 hits a month, vaporizing that so-called profit with expensive expert human time.

In other words, exactly the problems of “selling the middle”—with small-blogger budget meets big-blogger problems.

If we just chose one or the other, we could optimize the rest of the business around it—hiring, automation, marketing, sales—and maybe we should (*Narrator: They did.*)

So my immediate reaction to anyone “selling to middle” is always: Yuck. If you’re going to do it anyway, I hope you have some nice, extenuating circumstances that truly makes you the exception to the rule.

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