

When customers buy your competitor's product... and then buy yours

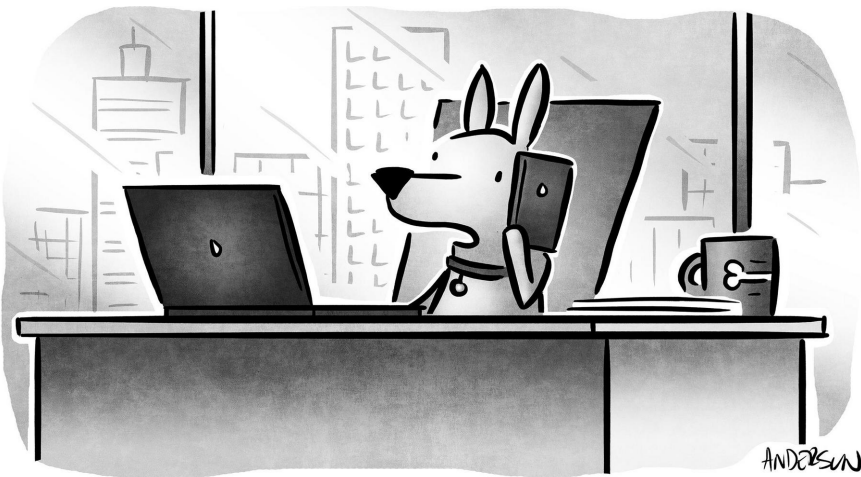
Why would someone pay millions of dollars for software, and then also pay a bootstrapped company \$700 for software that does the same thing?

How can you win those deals too?

“We’re not proud of bugs, but hey, it’s not life or death,” say most software developers. But we were in a hospital. So although this was the IT center (not an OR, not the ICU), it was a modern hospital where everything is digitized, so it is not an exaggeration to say that if the servers failed, patients could die. Certainly, the lives of everyone working at the hospital would become much worse, more harried, more stressful, and take longer to accomplish everything they need to do. So yeah, maybe life or death.

When Gerry and I walked into the hospital’s network operations center, our faces lit up with an appropriate level of awe. When on sales calls, the customer’s jokes are always funny, and you are always in awe of the customer’s workspace.

Compared to all the other activity at the hospital, our product might appear insignificant. At ITWatchDogs our web-enabled hardware* measured indoor weather—the environment of server rooms, factory floors, or hospital rooms—things like temperature, humidity, whether the door was open, whether power was flowing, whether there was a problem with the air conditioning. If it gets too hot in a server room, components literally melt, causing downtime and significant replacement expense and a *posts factor* realization that backups don’t always restore. We were selling physical devices that



“Buy. Sell. Sell. Buy. Bark. Woof. Sorry. Buy.”

* This was in the early 2000s, when “web-enabled hardware” was rare and interesting.

monitored those factors and alerted when an air conditioner needs to be serviced ahead of an actual failure, or respond to a failure in minutes rather than hours.

The NOC (Network Operations Center) looks like NASA Mission Control—monitors everywhere, with numbers and graphs and kaleidoscopic colors that only long-tenured employees could distinguish between “normal” and “concerning”. Relatively few people monitor thousands of devices in the main the data center and strewn about the hospital. This was more than twenty years ago, before the “mobile revolution”, so they weren’t monitoring iPads and smart phones, but rather pagers and medical devices and patient records and the front desk and back-end systems, and who knows what else.

This is the classic domain of the “Enterprise Software Buyer,” and indeed they had “Enterprise Software” doing the monitoring. In particular they used HP OpenView—a multi-million dollar software extravaganza from Hewlett-Packard, in case you thought all that company knows how to do is charge too much for printer ink. Well, it turns out they charge too much for printer ink *and* they charge too much to monitor hospital IT systems. This is a company that can focus² on more than one thing at a time! We were hoping they would buy our weather gear, link it via HP OpenView to the Shuttle-Launch monitors, and everyone’s happy.

But we noticed something else that surprised us. Something that turned into an instructive observation for anyone building a start-up and competing against incumbents,³ even Big Enterprise Brands.

They were also using **What’s Up Gold**.



You’ve never seen a more hideous logo.

Your first question should be: How could a hospital—that buys enterprise software—use a product with such a silly name? It wasn’t because of the logo—that was even more embarrassing. Modern designers are sitting here, stunned, mouth agape. Why is

it a ransom note? Why did the ransomer not have access to an apostrophe for “What’s”? Does design not matter at all?⁴ This is an existential crisis; let’s give the designers space to start breathing normally again.

Your second question should be: What does that product do? And the answer is at once surprising and not surprising. It’s not surprising because it monitors IT devices; hence “What’s Up?” And when you bought the more expensive version, you got “What’s Up?”... Gold.* It was a simpler time.

It was surprising because they had bought and were also using HP OpenView. So what were they doing with What’s Up Gold? What’s Up Gold was a small bootstrap company with shrink-wrapped software. How did they successfully sell a product when HP OpenView is sitting right there, at a cost of a million dollars?

So we asked them. This is already a lesson. You’ve got to proactively seek out potential customers⁸ and then talk to them,⁹ to find out what’s up. Whenever you see something surprising, that’s a signal that there’s something to learn. Dig in and learn it.

“Well,” the guy said, “What’s Up Gold has a couple features we like. There’s a few things we have to do a bunch of times every day, and it’s really quick with What’s Up Gold. And plus it’s only like five hundred dollars or something. We can just run that on our credit card without asking permission. So we just bought it.”

There’s a couple of things to notice here.

First, they bought two products to solve the same problem. We’ll fully unpack that next.

Second, the pricing comment—it wasn’t just that the pricing was *inexpensive*, it was that the pricing was *something that they could procure without effort*. You probably think about pricing in terms of the psychology of the buyer (“Does \$49.99 feel a lot less than \$50?”). But when you’re

* And you thought product names matter when selling to the enterprise? Maybe you also forgot our company was called ITWatchDogs and our product was the “Weather Goose.” And a few years later I founded Smart Bear and sold almost exclusively to the enterprise⁵ with more animalia. Do what you know!

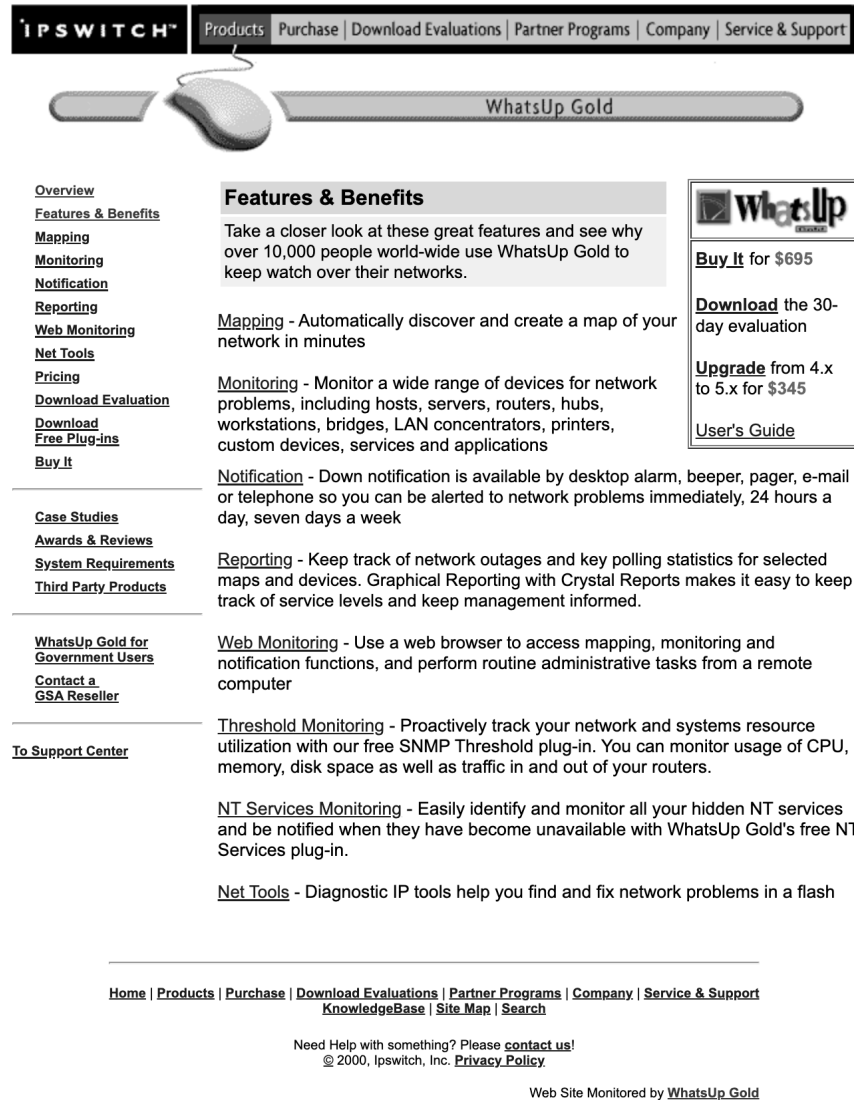


Figure 1: Can you believe this was the website for a product that costs \$700? These were the days when website design truly didn't matter.

selling to businesses—especially mid-sized to large businesses—it's often not so much the psychology of the buyer but rather how much of a pain in

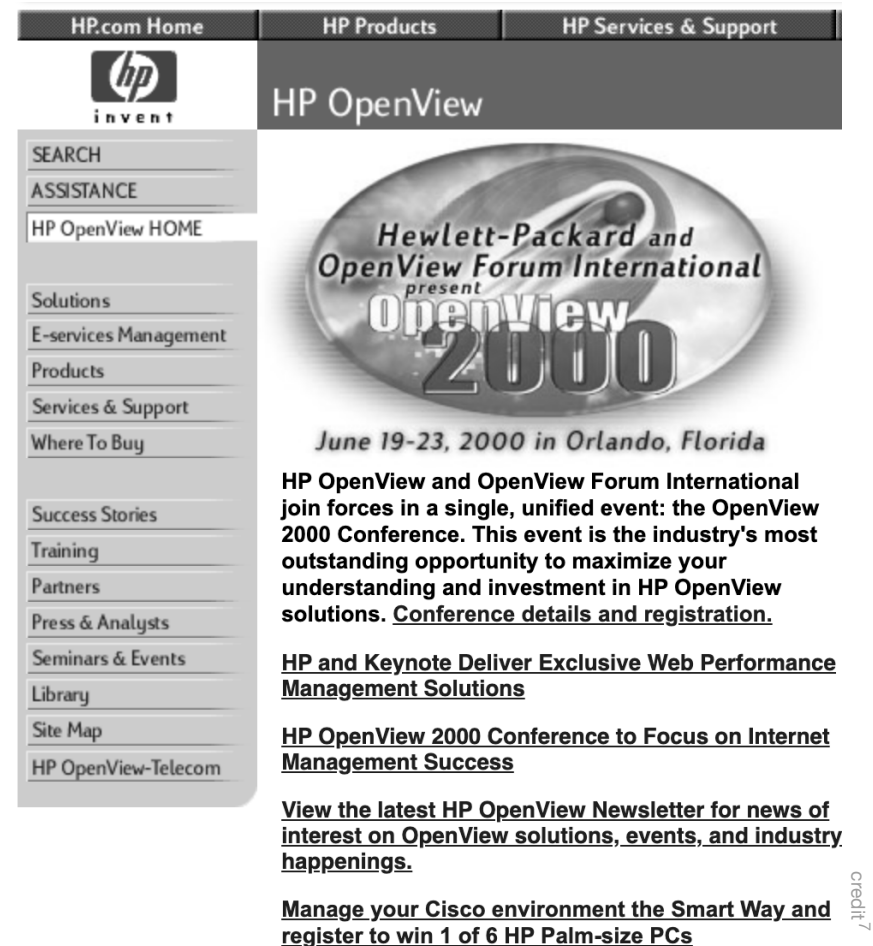


Figure 2: It's easy to forget how ugly the Internet used to be. HP was worth billions of dollars yet decided on this design.

the ass it is for the buyer. When you understand pain-in-the-ass procurement, you have a new understanding of pricing. And you understand that \$500 is the same as \$0 for them—not the same as \$499.99.

It's like voting theory. Suppose there are four members of a board, with voting shares of 7%, 16%, 17%, and 60%. How much voting power does everyone have? The answer is: 0%, 0%, 0%, and 100%, because the

last person always wins. The other percentages are irrelevant. Same with this customer: \$500 is the same as “free,” but \$1,000 might be the same as \$60,000.

And now you can see why they would buy a product that solves a problem that theoretically was already solved. Because from their perspective, What’s Up Gold is free, so if it adds even a little incremental value, they’ll buy it.*

Now consider this from What’s Up Gold’s perspective. Do they sell to the enterprise? Yes, in the sense that this customer is “an Enterprise”. But they’re not “selling to the Enterprise” in the sense that they were competing directly with HP OpenView. Other products competed directly with HP OpenView (e.g IBM’s Tivoli, CA’s Unicenter, BMC’s Patrol—see, you are required to use acronyms⁵ and a “serious” product name to sell to The Enterprise!). What’s Up Gold would never win against that line-up. But it doesn’t matter—they sold their product to the same customer anyway. And now imagine that they could do that to every hospital—indeed every data center—in the world.

What they did need was three things:

1. A product with a few unique¹¹ and delightful¹² features.
2. A price that solved for procurement. (Notably *not* “price to value” nor perception tricks.)
3. A way to get the attention¹³ of the right person (i.e. “distribution”).

On that third point: We were curious how What’s Up Gold managed to get in front of this IT person, especially considering they’d already bought

a solution. So we asked about that too.* “Oh,” the guy said, gesturing towards a ridiculous table smothered in paper, assorted wires, mangled Ethernet jacks, and loose CD-ROMs, “I’m sure I saw it in the back of one of those magazines, but I don’t know. I probably saw an ad in the back of one of the ones in the bathroom.”

So while you’re worried about SEO optimization and AdWords positioning, it’s easy to forget that the magazine you take into the stall for 20 minutes of solace and personal time and space might be the best medium of all.

And yes, we later went to the bathroom to see what magazines were there. And then we advertised in them. And that worked. The things we do for “success”.¹⁴ And you thought it was a good thing that magazines are dead!

We learned something that day about our own product. We learned that we could learn things even when we asked about a different product, as long as we were learning more about the **life of the customer**, even though it wasn’t directly about our product or our competitors or our market or any of those traditional things that you interview customers about. We learned about a magazine we needed to advertise in. We learned customers would buy two pieces of software to solve the same problem.

And we learned about the credit card limit. So we changed the sales pitch on the fly. We came in expecting to pitch a \$10,000 package. Instead, we said: “You could buy just \$500 worth of stuff from us today, and see whether you like it.” Maybe they’d give it a try if it was “free.” They did.

Each month they bought a little more. They were hooked—the product was good!—so they bought in a manner that was convenient for them.

It turned out that hospital was part of a larger hospital group. Eventually, we got orders for tens of thousands of dollars from their global IT center, because after it worked well in that one location, word spread in-

* This is sadly not always the case; here’s an in-depth discussion,¹⁰ including the alternate cases.

* Sub-lesson: Always ask⁹ about adjacent products and behaviors. Wherever they found What’s Up Gold, maybe they could have found us too.

side the company, and then they really did go through procurement and make a big order. That's how Enterprise sales often works. It's not always a large top-down deal; it can start small, start accessible, start simple, start affordable, and then expand outward once you're a proven quantity. "Land and expand," the insipid but accurate saying goes.

That was 20 years ago, and SaaS software is different, and markets are different, and customer expectations are different, and budgets are different, but the fundamental lessons of learning about your customer, are lessons for the ages.

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