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The Often-Neglected Term in the Entrepreneurial Equation—the Purchase Order

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Cover Page Footnote
From the "Practitioner's Corner"

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Many entrepreneurs are enthralled with their company's technologies, products and potential markets. Invariably these emerging ventures present bedazzling business plans with industry-wise vernacular, detailed market research, and sophisticated financial spreadsheets. They often flaunt their "optimized business models." Investors, however, typically want to know when and how the sales will start meeting the Plan. "Where's the purchase order?" is the refrain. In this article, our "Practitioner's Corner" associate editor Joe Levangie collaborates with a long-time colleague, Deaver Brown, to address how businesses should "make sales happen." Levangie warns that Brown's elitist education (Choate, Harvard College, Harvard Business School) should not be interpreted as a lack of "street smarts"; Brown's more entrepreneurially friendly credentials include winning Golden Gloves boxing medals and selling Fuller Brush products door-to-door! To ascertain how the entrepreneur can wrest an order from a prospective customer, read on.

The old adage is that "If you build a better mousetrap, the world will beat a path to your door." Don't bet on it! The reality is that the New Venture trash heap is piled high with cratered entrepreneurial initiatives that failed from sales shortfalls. Most entrepreneurial research studies suggest, however, that "lack of capital" is the overwhelming reason for business failure. This is true. But a closer look at the financial dynamics of the typical venture underscores the need for sales success: sales revenues generate gross profits (sales net of materials and direct labor) which help absorb company expenses, thus extending the venture's cash reserves. Investors, banks, and BODs encourage the conservation of cash! While it is ultimately the lack of cash that sinks a business, sales generation (early and often) can keep the doors open during the critical early stages of the venture and create an operational platform for profitable growth.

Let us examine the root cause of the success (and failure) in the entrepreneur's quest to generate sales:

- Where does an entrepreneur go to learn about selling?
- What are the requirements for sales leadership?
- What are the elements of building a winning sales team?
- What kind of "selling culture" needs to be established?
- What is the nitty-gritty of actually getting a purchase order?
- What lessons can be gleaned from real-world experiences?

Desperately Seeking the "Sales Mystique"

What Do the Traditional Sources of Advice to the Entrepreneur Provide in the Area of Sales Techniques and the Generation of Purchase Orders?

Disappointingly little has been published to assist entrepreneurs unlock the key to the sales mystique—that epiphany that may come to the entrepreneur and lead to success in closing sales contracts with customers. For aspiring entrepreneurs weaned from the safety net of a big company or thinking that a purchase order is akin to a government R&D grant award, the need for an injection of selling acumen is clearly present. Over the past two decades, the two authors have collectively interviewed hundreds of entrepreneurs and assisted them launch dozens of successful companies. More importantly, each author has been an active and serial entrepreneur, setting up several new and successful enterprises. Most entrepreneurs whom they have observed have displayed extraordinary capabilities in the areas of engineering design, strategic planning, "big-picture" strategic marketing, manufacturing, and finance. Often, however, selling competence is not part of the skill set. One-on-one counseling on selling from seasoned veterans is most helpful. It is not often available. Absent such hand-holding, these aspiring venturers have sought out written knowledge on the ABCs of selling.

Where might one direct these entrepreneurial wannabes? Practical "selling help" for the entrepreneur from conventional sources is, regrettably, difficult to obtain, as reflected by the following sampling of references many entrepreneurs routinely use:

- *American Management Association (AMA)*. The marketing management section of the AMA produced a classic text, *The Marketing Mystique* (McKay 1972), in which the author tried to defuse the "aura" of marketing. The objective was to persuade businesses to adopt a marketing concept that compelled them to be more customer-friendly. The five marketing tasks recommended were

1. development and maintenance of a marketing-oriented attitude and philosophy;
2. structuring and staffing of an effective organization;
3. initiation and conduct of strategic planning;
4. managing of a dynamic operating system; and
5. appraisal of marketing performance.

This AMA classic—useful for marketing guidance to the entrepreneur—never addresses, however, even the notion of a purchase order!

- *The Smaller Business Association of New England (SBANE).* SBANE produced a *Start-up Guide* (Hexner 1987) which included informational resource references for
  - strategic planning assistance;
  - legal and audit professional services;
  - BOD and other advisers;
  - marketing and product development guidance;
  - funding sources; and
  - government assistance.

This is a practical and most helpful entrepreneurial aid, but again, nary a word about selling and getting purchase orders!

- *How-to Book 2005* (Banks 2005). *The Boston Business Journal* produces an annual reference book for regional businesses and entrepreneurs that includes contact information in the following areas:
  - legal, audit, engineering, and construction;
  - VCs, banks, and SBA loans;
  - staffing and temp help;
  - education, training, and motivational speakers; and
  - sales training.

This is a great regional resource for small businesses, but has only one obscure reference to selling (sales training). Enrolling in a sales training course might get the entrepreneur closer to understanding how to secure a purchase order, but most entrepreneurs do not have the time or inclination for training courses.

With the Exception of Actually Taking Sales Training Courses, the Notion of Unlocking the "Sales Mystique" Remains a Mystique; Are There any Readily-available Hands-on Resources to Help the Inquiring Entrepreneur Better Understand Selling?

Obviously there are many books on sales management. Few of these have the entrepreneur in mind. There are, however, two entrepreneurial books well-known to the authors. Baty (1990), in his *Entrepreneurship for the Nineties,* has a chapter (1 out of 30) devoted to "selling" that addresses market research, pricing, PR/advertising/product literature, rep networks, and international marketing. While there is little discussion of selling techniques and buyer psychology, Baty does convey a useful message. He opens the chapter with: *"Nothing happens until you get a purchase order."* He closes with, *"Sell, sell, sell!"*

Coauthor Brown is particularly fond of *The Entrepreneur's Guide* (1980), a seminal reference he wrote a quarter of a century ago and is in its 18th printing as a book and 50th as a CD. All aspects of Brown's selling advice are still relevant today; key points are included in this article. Here's a sample:

> As a young man, I thought it was obvious that you had to know your deal. I learned that early as a Fuller Brush salesman. You had 30 seconds to get their attention; if you did, fine. If not, move on. I got to refine my pitch 50 times a day; I refined it so I made a lot of money. Most salespeople do not have that training in the beginning and do not realize they have just that 30 seconds in every sales situation.

Is It Ever Too Late for the CEO-Entrepreneur to Unlock the "Sales Mystique" and Become More Customer-oriented?

Not if the entrepreneur is still alive and breathing! Not even if the venture is an unqualified winner. Consider the case of Nike's Phil Knight. In an interview (Willigan 1992), this outstandingly successful CEO-entrepreneur admitted, "We used to think everything started in the lab. Now we realize that everything spins off the consumer. And while technology is still important, the consumer has to lead innovation. We have to innovate for a specific reason, and that reason comes from the market. Otherwise, we'll end up making museum pieces."

The Entrepreneur as a Sales Leader

Where Does the Entrepreneur Start in Introducing a Selling Concept to the Venture?

The best sales team usually wins in business. In new ventures, the sales task must start with the entrepreneur who may also serve as the sales team's quarterback. The toughest position to hire for is the lead salesperson. Why not do it oneself? Anecdotally, it seems that more than 90 percent of successful new ventures have the CEO-entrepreneur as the lead salesperson for key accounts.

When Brown wrote *The Entrepreneur's Guide,* after selling his Umbroller Stroller company (Cross River) to Rubbermaid in the late 1970s, he determined that the characteristic considered most crucial for new venture success was the sales skills of the CEO-entrepreneur and his or her willingness to employ them on a daily basis.

Selling is not a job that can typically be delegated successfully. The successful entrepreneur, therefore, must often start the selling process by looking in the mirror.

Why Is Entrepreneurial Leadership in Sales So Important?

The CEO-entrepreneur can provide executive-level attention and weight to key customer relationships. In contrast, established "Big Company" competitors generally cannot. These more "structured" companies have probably delegated the sales function down the ladder in their organization so that their leaders can concentrate on "more important things"—such as endless internal corporate meetings!

T. Wilson, the legendary CEO of Boeing who transformed the company into a worldwide leader in aircraft sales, when asked, "What he was," used to say, "I am a plane salesman. Why you may ask? Because if I sell a lot of planes, people *like* me; if I don't, they *don't.*"

Edwin Land of Polaroid, Bill Gates, and Ken Olsen of Digital Equipment positioned themselves in their respective markets as an "inventor," a "nerd," and an "engineer." They were, however, consummate *salespeople.* Neither Polaroid nor Digital generated much excitement after the two founders retired. Microsoft lost its mojo when the legendary Gates took a backseat.

What did these renowned entrepreneurs do to provide selling leadership?

First, these larger-than-life personalities were always entertaining and quotable. Land regaled his annual sales and shareholder meetings with his stories, inventions, and ideas; everyone looked forward to them, much as they do for the Warren Buffett extravaganzas of the present day (guess where Warren got the idea?). Land's prices for cameras and film were always somewhere between excessive and totally outrageous—but no matter. The purchase orders rolled in.

Olsen ragged salespeople up and down as he emphasized that "only" the engineering mattered. Of course, Olsen was selling to the best of all possible customers—other engineers. These kindred techno-spirits lapped it up and idolized him! He got his price, and closed on huge orders in the process!

Gates doggedly pursued day-to-day sales activities, with a dash of aggressive pricing. He essentially "encapsulated" the purchase order in the Microsoft operating system included in most personal computers sold, and became the world's richest man.

Sam Walton had a similar charisma. When George Bush Sr. went to Bentonville to present "Mr. Sam," as Wal-Mart people called him, with the National Medal of Honor, he could not believe the love and support of those Wal-Mart people for their leader. "Selling leadership" extends to selling the employees!

The authors have each (separately) had the opportunity to talk to or to meet each of the aforementioned celebrity-entrepreneurs. They were appropriately wowed by these entrepreneurial legends. Everyone in their presence basically took a ticket and got in line. And, as with so many other great leaders, to this day the authors still revel in telling people about these encounters with these leaders "who could close the deal." Wonderful…something out of the ordinary in a very ordinary world…and that is the key to why entrepreneurs must sell—*to make an ordinary day special and different for the buyer.* The ongoing flow of purchase orders is the natural consequence of executing the selling process correctly.

Why Do So Many Entrepreneurs Fall Short in Getting a Purchase Order?

Shortcomings in generating purchase order flow stem from a variety of entrepreneurial frailties, including

- lack of understanding the customer;
- confusing "hard work" with achievement;
- poor sales technique; and
- bad time management.

Salespeople who fall short of their quota in closing on purchase orders often provide a litany of *excuses* for unsuccessful customer interactions. Among their reasons are

- The customer was out of the office.
- We ran out of time in the meeting.
- They want us to tweak our design (or packaging or literature).
- They were my last call and I was running late.
- They want to take another look at their inventories.
- There simply was bad chemistry.
- Our pricing is too high.
- I think the buyer is in our competitor's camp.
- It's not clear who's calling the shots.
- I never got around to asking for the order!

As George Boule has written (Goodman 1997), "Salesmanship starts when the customer says no."

How Should the Strategy and Tactics of Selling Evolve to Avoid Such Shortcomings?

Most salespeople are burdened with a complex mission. Overlay the workload of the entrepreneur, and focus can indeed be difficult. Think of the mission as a battle plan. The excessively ambitious CEO-entrepreneur often has too many contradictory other missions in mind (IPO opportunities, new products, siting a new plant, patent applications, etc.). Any one or two might be doable, but the third and fourth complicate the end game, dilute the resources, and create the undoable task. For a simple image, consider Hitler as CEO. His despicable particulars aside, he perhaps could have beaten the British, the Russians, or conquered North Africa. He might have been able to do two of three of these missions. He tried, but could not do all three. His ultimate fate, of course, was the equivalent of the entrepreneur filing for Chapter 7!

When devising the sales mission, be sure it is a *doable task.* The flaws of talented entrepreneurs are often to try for too much. Remember, while entrepreneurs may know this reality, they may never admit it. This is especially a problem for the small business leader who must both devise the sales plan and implement it. The entrepreneur is the player and the referee, all in one mixed bag. So the entrepreneur must work very carefully not to overburden the tactical plan with too much strategic complexity. Pick goals consistent with existing (or contemplated) resources.

This practical approach to strategizing seems a simple matter in retrospect. Yet as the great UCLA basketball coach John Wooden said upon retirement:

> I always thought it was simple when I was young. I never understood why no one else did it. I looked at my players; I figured out what they could do and not do; and that is the way we played. When we had height, we played to that advantage; when we had speed, we played to that; when we had shooters, we played to that. It was always a mystery to me why so many coaches forced their game plans ("tactics") to fit their personal style ("strategy") when the players just couldn't do it. (Brown 1980)

One of the great problems about learning how to sell is that the great salespeople just do it and don't think much about how they do it. This is one reason the great hitters such as Ted Williams and Ty Cobb could never coach. Swinging a Louisville slugger was so natural to them that they could not understand why everyone could not do it.

The challenge is to dissect the problem and concentrate on what works. This is why so many coaches happened to have been mediocre (or worse) players. They became students of the game. Their weaknesses permitted them to evaluate; it almost forced them to do so. Our discussions in this article are efforts to get you to think about the process, the opportunity to sell, and the wonderful results if you are successful.

Tip: Sales results come from concentration on what's truly important.

How Do Real-world Customer Types Impact the Strategy and Tactics of Selling?

The CEO-entrepreneur who wants to be the leader of the sales team must acknowledge an important reality about selling. It is not just a matter of "you and the buyer." It is a matter of your organization and their organization. There may be a complex decision-making process involved within the customer's organization Consider some of the players who might impact the issuance of a purchase order.

Economic Buyer. This is the budget setter. This person is rarely available to the seller; he or she pulls the strings in the background by setting the general terms of the purchase order in terms of budget and needs.

The Technical Buyers. These are the people who are relied upon to keep the company or buyer out of trouble. They are considered gatekeepers and usually fiercely protect this role. It is a very rare buyer or economic buyer who will cross this person.

Buyer. This is the traditional person most salespeople think makes all the decisions. This person meets with you, but must check decisions with the economic buyer, carrying your message, and then checks it out—voluntarily or involuntarily—with the technical buyer.

Coach(es). This is the person or people who can lead you through all these organizational land mines. This can be everyone from an assistant, receptionist, to the buyer, technical buyer, or economic buyer themselves. Most salespeople spend far too little time cultivating these relationships.

Building a Successful Sales Team

What Are the Issues in Hiring Good Salespeople?

Much has been written on sales organizations. Throw an entrepreneur into the mix, however, and you have a challenging dynamic. Some entrepreneurs always try to go top-shelf in hiring staff. Others are biased in favor of technologists, but with regard to salespeople are willing to accept mediocrity. To avoid such potential mediocrity, consider hiring salespeople as follows:

1. *Hire someone experienced in your industry without too many biases about the market.* Of course, this statement has an inherent contradiction since all people in an industry have built-in attitudes and biases. There are several ways of getting around it. When coauthor Brown's company Simply Media was looking for a key account salesperson, it was decided to go after someone familiar with consumer products since Simply Media's products were sold as consumer entertainment, not software. Former computer salespeople, who would probably had been previously trained to overdemo, were avoided.
2. *Be alert and interview recently fired salespeople from your competitors.* Salespeople tend to be terrible politicians; many of them talk too much, sell too

much, and their bosses want them out of the way. Occasionally the bosses succeed. Look for these people; the good ones are jewels. At the Umbroller Stroller company the best salesperson had been fired by its largest competitor; at American Power, the new CEO had been terminated by his old company, had terrible references from several disgruntled venture capital groups, and was the perfect person to lead the company to more than $2 billion in sales. Successful entrepreneurs and salespeople typically learn from their mistakes.

3. *Watch out for "marketing people" who are trying to sneak into your company.* Marketing people know that you actually need salespeople; often they have the ability to do sales, but never will. They hope to sneak in, then move to another "more appropriate" position. Watch out for these people; they can outfox you.
4. *Look for "nice people" who are aggressive self-starters.* Niceness is sometimes overlooked in the set of skills recommended for good salespeople. Look for these traits in others. But be sure they are more than superficially nice!
5. *Look for people who don't like to sit down for too long.* Good salespeople keep moving. Marketing people get too comfortable in their leather-cushioned lounge chairs. You need people who want to go on to the next call, the next customer, the next deal. As a result, they have to close the sale to move on out. You want these people.
6. *Hire people who really, really like to sell.* While most competent entrepreneurs look at selling as a necessary evil, there are some selling "idiot savants" who get endorphin highs from closing the deal and walking away with the purchase order. As reported by Exley (1993), sales guru John Fenton has exclaimed, "Selling has to be the most exciting thing you can do with your clothes on."

What about the Folklore of Superstitious Salespeople?

The folklore is often a reality. Gellerman (1990) reported on an observational study he performed on 25 salespeople. He found that almost all the salespeople were convinced that there were good days for selling and that there were bad days, and that the outcome was basically predetermined (at the whim of the sales angels?)! "Furthermore, they maintained that they could usually tell what kind of day was in store for them after their first few calls," noted Gellerman. Of course, such thinking is confusing cause with effect, can be self-fulfilling, and sometimes is self-defeating. Early-in-the-day success can be uplifting and may bring out the best in the salesperson—confidence, attitude, adherence to the selling fundamentals, etc. Conversely, early-in-the-day failure can be depressing, bruising the ego and confidence of the less competent salespeople. Selling is a tough way to make a living, and the salesperson's ability to manage rejection will help determine success.

What about the Sales Manager Who Must Tend to These Salespeople?

The most productive sales manager for an entrepreneurial organization tends to be a nuts-and-bolts individual, suspicious of the chaotic, zealous new enterprise environment. The sales manager's natural inclination will be to bring order to the confused new enterprise. These individuals rarely share the entrepreneurial goals of deferred compensation, and well-paid retirement. They generally prefer immediate income gratification and a substantial expense-account budget as rewards for their achievements. These traits conflict significantly with the entrepreneur's hard-work ethic and long-range dreams. Despite the potential for personality clashes, the entrepreneur needs a nuts-and-bolts individual to manage the sales organization and bring in the purchase orders.

The really good sales managers try to understand their people. As GE's retired CEO legend Jack Welsh recommends (Collingwood and Coutu 2002):

> Get into the skin of every person so that they know that their ideas count. Celebrate small successes. Evaluate the people down to the lowest units, so they know that they count. It's critical that people know their achievements are constantly being measured and that they count. It's critical that people know that their contributions matter. It's critical that they know that they will be seen and rewarded.

What About Reps?

Early on, many new ventures cannot afford full-time salespeople. As a result, companies often turn to independent sales agents known as manufacture's representatives. They are paid strictly on a variable commission basis and therefore do not represent a fixed overhead burden to the venture. Reps also benefit the new enterprise by providing experienced sales coverage and bringing strong customer relationships to the venture. Most reps carry several lines and really don't have to follow the entrepreneur's directions. As the company's line becomes more important to the rep, this problem lessens, and benefits to the company accrue.

What Are the Mechanics of Selling?

The mechanics of selling should be perfected to improve your effectiveness. Most people generally underrate these procedures because they are seemingly so routine. Do not make this mistake. Here are field-tested suggestions on selling mechanics (with an emphasis on retail channels) from co-author Brown.

1. *Create a database.* Every salesperson needs a well-developed prospect and customer list. The first step is to learn to use a computer and use a sales contact program such as ACT!. You can store a variety of different lists (customer type, industry category, product developments, etc.) should your industry or area of responsibility change.

   Keep the old contact list, however. People have a way of resurfacing elsewhere. Interestingly, when you meet someone in a new situation, even a modest contact in the "old place" may make you seem much closer in the new one. This has happened to entrepreneurs many times. There is a wonderful New England expression for this phenomenon, "It isn't how well you know someone, but how long." Old contacts make for great door openers.

   There are essentially two kinds of buyers: (1) those who are paid to see you (e.g., retail or industrial buyers who are paid to see vendors and potential vendors); and (2) those who are not (e.g., individuals such as those to whom car or insurance salespeople sell). Retail and industrial buyers can be identified by various trade books such as Chain Age, Thompson, and other related periodicals. Another way to build a database is to enter names from trade periodicals in your field. If you do this for just 12 months, you will build up a surprisingly good file.

   Keep particularly alert for the top 50 to 150 accounts in your territory. This territory can be as small as a neighborhood of a city and as large as a worldwide list. Given the 80/20 rule, which is really 95/5 (i.e., 95% of your results come from just 5% of your customers), you should always be on the lookout for new customers that can make your top 50 to 150 accounts.

   In addition to the ACT! contact file, keep a customer clippings file. Any news or important events that includes quarterly results, if they are public company, should be retained. Get their annual reports if they are publicly traded. This attention to detail can pay off in getting your selling proposition, or your deal, in harmony with the business plans of your customer. If the customers are trying to increase margins, you can craft your product offering accordingly; if they are trying to increase sales, you can suggest promotions.

2. *Getting appointments.* Getting appointments with buyers paid to see vendors is relatively easy. You need to have a 30- to 60-second speech prepared as to why they should see you; in the contact stage, do not try to sell them on your product or service, just on seeing you. Keep at it; do not leave messages; just keep on calling until you secure an appointment.

   When first contacting customers, make it easy for them. Meet them when and where they want. Do not start by trying to get them adapt to your schedule—unless you believe this is the only way to get them to see you (i.e., "I will be in your area-town-city on a given date, can you see me at 10AM?").

   Keep your top accounts on a limited mailing list that keeps your products or services in front of them on an ongoing and updated basis.

Tip: If you want to reach the key customer contact, try before 9AM and after 5PM, which are often the best times. They are not expecting cold calls then; if they have gatekeeper secretaries these zealot impeders are usually not there then.

3. *Practice your two-minute presentation.* You must have your own deal down cold so you can respond to the customers' questions or interruptions. If you really understand your own deal, you can answer responsively, encourage their participation, let the conversation wander or evolve, and still close the sale. Very few salespeople know their deal; if you keep practicing the pitch on customers, you will find out what works and keep it; what doesn't and drop it; and what intrigues them and build on it.

4. *Carry a big sales bag.* Brown learned long ago to bring the big, bulky sales case to key customer meetings. That way it showed "I am serious," and not just another executive with a skinny elegant briefcase full of nothing. The symbolic value is important; it says, "You are serious; I have all the stuff with me."

   In your sales bag, make sure you indeed have all the right stuff: price lists, catalogs, customer support documents, necessary forms to set up a listing, and documents required to be filled out for the sale.

   If they say "yes," you want to be able to close. While most salespeople do not have the sales closing documentation, make yourself the exception. On a human note, buyers appreciate salespeople with the information. The number one complaint of most buyers is salespeople do not have the information. Astound them; bring the stuff.

5. *Respect the customers' time.* Do not take more than 30 minutes. As has been said to several buyers, "We are not selling Boeing 747s here." The implication is this is a simple, straightforward doable deal. This makes them relax; the longer the presentation takes, the more worried most buyers get. After respecting their time, tell them, "I am glad we could do this quickly so we did not use too much of your time."

They will appreciate the thought and remember you well for it.

Great Salesperson Story. When new long distance telephone services were coming out, many people tried to sell entrepreneurial businesses. Brown observes, "They never had the stuff, the details, the facts. One salesperson called and said he would take 10 minutes; when he arrived I took out my watch and said, "Go." At the end of 10 minutes he had sold me, completed the paperwork thanked me, and left. I just had to call his office and find out more. Yes indeed, this rather modest, quiet person was their number one salesperson. Naturally, I asked the office boss why. He gave me a bunch of reasons that really had nothing to do with it. The reality was that the man was quick-fast, modest, easy, and made the whole process seem natural. Speed, speed, speed. It is a great way to close."

6. *Appearance and manners.* Suits are the usual uniform. Sports jackets are okay in the more informal parts of the country. Be neat; orderly; quiet. Sit where they want you to; do not ask them a lot of questions. No jokes. No one can tell a good joke; even Jay Leno has a hard time connecting every time. Stay away from the yucks. If you are selling to women, do not move in on their personal space; this applies just as much to both male and female salespeople.

   Tell them why you are there; tell them when you will leave by; and be straightforward. Do not say anything to a new prospect that you would not say to your own grandmother. Miller (1986) noted that the great salespeople tend to be quiet on the sales call even if they are loud and talkative outside of that environment.

7. *Telemarketing.* If you are in the telemarketing sales business, this is an entirely different kind of selling and should be approached that way. A number of books have been written on the subject; an inquisitive entrepreneur might sign up for at least one seminar with AT&T or the local phone company.

Tip: When telemarketing is part of the sales process, remember that the prospect cannot see you. Use this to have all your notes and information spread out in front of you. The best telemarketing people have notebooks with sections key coded for objections such as "College-Aged children." So, if a prospect says, "I have college-aged children so…." the salesperson flips to the section that lists the benefits for that group.

8. *Be organized.* The image of the bungling salesperson is a stage prop in the movies and on TV. Great salespeople are absolutely the opposite. In fact, they are usually quite graceful. This makes sense if you think about it; no one wants a bumbling fool stumbling around their office, home, or personal space when you are out of the house. Your sales practice should include how to enter a room gracefully, present your materials, and withdraw when the meeting is over.

Tip: For every sales call, I prepare a short, tight presentation that I have out when I enter the office. My sales bag has the rest. This way I do not have to open the bag, pull out the papers and samples, and have the buyer watch me fumble around. Always have an order pad with the forms, and two pens with you (one might not work, and you always want to give the customer a pen with the paperwork).

9. *Start your day early.* The best salespeople get to work early, do their preparation in the morning, and leave at a reasonable time. They set up their key appointments for the morning; are wary of late-afternoon appointments; and do not overschedule themselves.

   Starting the day late is like trying to chase a train out of the station. You have to run faster and faster just to stay even with the train as it roars away. An early start lets you get prepped for the day. First you plan the work then you work the plan. If you start late, you have to do this out of order; plan the work and then work it the next day. Late salespeople who try to struggle with their paperwork at the end of the day when they are tired always have a feeling of "being behind." Get over it. Get to work early. Period. If you are on the road, schedule your first meeting as early as possible. Most productive selling work is done before 2PM. After that, most sales calls are just spinning your wheels—unless this is the only time they will meet you. Some nasty buyers schedule you for 4PM on Friday, just to test you. Meet the challenge; see them. But avoid setting future meetings for those times.

Creating a Winning Sales Culture

If Setting Up a Sales Organization Is Relatively Straightforward, Why Don't More Entrepreneurs Implement a Company Culture that Nurtures "Selling?"

Some CEO-entrepreneurs are going out front and leading the sales effort. The problem is that not enough are seizing the reins and doing it. That is why we need to continue to preach the Gospel of Selling in the attempt to convert a few more people! Instilling a winning sales culture requires, we would suggest, an understanding of societal issues such as work, relaxation, wealth, and respect.

We might reach back to the 19th century and Thorstein Veblen's (1899, 1970) *The Theory of the Leisure Class.* The essence of elegance, as defined by society, was to do and own useless things to demonstrate that you were above the scramble of the everyday hardscrabble life. In other words, you chose your hobbies, such as exercise, because you had too much food, too rich a life, and too much in general. You could get the same exercise by doing yard work, but that would be a "useful" activity and identify you as "having to do it."

Golf is a similarly respected activity. It takes a great deal of leisure and money to play a round of golf. Only those blessed with both time and money can do so; especially respected are those lucky few who can do it during the workday. Few people seem to comment on the fact that golfers generally spend their time on the course cursing their swing, the lie of the ball, their clubs, and their luck. Golf can be more work than the job itself; it is certainly more frustrating for most people than their jobs. Yet, few will admit that reality.

Some entrepreneurs—when they can spare the time—enjoy the game of golf as long as it remains that—a game. Yet one notices that most golfers take the game as seriously as anything else in their life. Each bad shot can become their particular crisis. They often don't seem to be having "fun," as one normally defines it. So why, one wonders, do they do it?

This golf metaphor provides an interesting conundrum for the prospective salesperson to consider: How to work on getting beneath the surface of things to understand people's true motivations. The ability to draw such insight reflects an ability to make the sale.

The premise is that people play golf for many, many reasons because golf is: (1) worthwhile; (2) what true leisure is; (3) part of being successful; (4) good for business; and (5) just something to do. Finding out, for example, why the potential customer likes, or dislikes, golf can provide important clues as to what is important to that person.

According to Veblen, manual work is "disdained" because it is so necessary. Think of where society would be without garbage collectors, dishwashers, phone repair people, and assorted other performers of critical tasks! The "most valued" work, in contrast, is theoretical or removed from specific necessity.

From this viewpoint comes the bias in favor of people aspiring to become professionals, especially professionals who do arcane and generally useless stuff. So, the divorce, probate, and criminal lawyers get little respect because these are mundane and necessary activities; Wall Street lawyers get a lot of respect because they do complicated work that generally has no practical impact whatsoever other than winding up in musty files. Doctors who act as GPs or pediatricians, who we all need, get little respect compared to the fancy surgeons. Marketing people are admired; sales managers are tolerated; but road salespeople are looked down upon even though the business would fold without them. Who wants to be a Willie Loman? See the point? An entrepreneurial culture that ignores those "lowly" salespeople who actually bring in the purchase orders is more than a little dysfunctional. As with most obvious points, they tend to be disregarded.

In many businesses, the sales, production, and customer service people who make stuff (customer service people "make stuff" by communicating with customers) get little respect. "Marketing gurus" and "strategic planners" get the lion's share of the respect. As Tom Peters has often suggested, a sales or customer service person who talks to five people will find out a lot more about customer opportunities than most marketing gurus or strategic planners in their daily routines. The golf analogy would involve talking to the starter or the caddies to get the scoop on the inside stories of the country club! The entrepreneur needs to talk to the *real* workers and the *real* customers! The entrepreneurial culture needs to be biased in favor of the sellers in the organization.

What Is Needed to Introduce Sales-oriented Problem-solving to the Entrepreneurial Culture?

What does all of this analysis have to do with sales? People, people, people; motivation, motivation, motivation; otherness, otherness, otherness. *Not* me, me, me. That's the sales culture the entrepreneur needs.

To sell, the entrepreneur must absolutely think about why people act as they do, not take things at face value. Few people admit that they pay attention to advertising. Yet most routinely buy consumables like Crest toothpaste and think a Rolls Royce is a pretty neat car—despite never having driven in one! The seller must interpret and understand such behavior.

The entrepreneur's challenge is to keep an open mind so that opportunities can flow in. You need to look at things creatively to seize the opportunity and make the sale. How often have you heard salespeople say about the customer: "He had a lot of stupid comments"; "She didn't understand"; "They weren't listening." The real message, of course, is the salesperson was not listening.

"He had a lot of stupid comments." Message: The salesperson discounted the customers' points because they were not deemed reasonable or warranted in his or her judgment. *Solution:* Customer objections to sales presentations suggest that something could be learned; something new is going on; this is precisely the time to be listening.

"They weren't listening." Message: You turned them off like a light switch. *Solution:* Listen and regroup if they are not paying attention. Find out why. Something is going on; the salesperson just missed it.

Tip: Just because you do not understand the customers' feedback does not make them "wrong," "crazy," or "stupid." In fact, if you believe those things, you are the one who is wrong, crazy, and stupid.

What Is Needed to Turn the Tables and Pursue Selling from the Customer's Viewpoint?

Think about your sales situation from the buyer's perspective. A simple thing, usually overlooked, is that most buyers (just think about yourself when you are about to buy something) are most concerned about *not* doing something stupid. They are not as concerned with the right answer as avoiding the wrong one. They are not seeking the ideal answer, but just a reasonable one. Addressing this concern is always of top-most importance.

If you play chess, the perfect approach is to stand up and observe the board from your opponent's point of view. The perspective is startling. The same goes for most sales situations. Consider the sales proposition from the customer's perspective.

Search out the differences between appearances and reality. To sell effectively, you must labor hard on this mission. Think of the simple example of the agreeable prospect, nodding at your every point; then think of another who challenged you sincerely on various points. On the surface, the agreeable prospect "appears" the more likely buyer, but experienced salespeople know that a challenging series of questions from a buyer is a much better prospect.

As a wise professional once observed about becoming an executive or a lawyer, "First learn about *people;* the business or lawyering part will then be a lot simpler." Understanding how people work, and responding to their needs, is how you match the benefits of your product or service to their situation. In simple terms, God gave you two ears and one mouth—good salespeople use them in proportion.

Brown notes, "Many salespeople who have worked for me have commented that I talk at length about selling, the customer account, the prospective orders, and the dynamics of the overall buyer-seller situation. Yet, they notice that I keep it quick and simple with the buyer themselves. The reason is it takes a lot of work to make the presentation simple, clean, and effective. Or, as Franklin Roosevelt once apologized in a letter, "I am sorry this letter is so long; I did not have time to write a short one."

The Nitty Gritty of Getting the Order

Does the Entrepreneur Know His Own "Deal?"

Consider co-author Brown's personal experience.

> My first real-life explanation of the importance of the "deal" came at The Hardware Show in Chicago during the early 1970s. While covering the booth, I was approached by an elegant looking gray-haired man, with a country boy demeanor, who put a tape recorder in my face and said, "Tell me your deal, kid. You have two minutes.
>
> I did. I got the order. I asked him what was the big hullabaloo, why the tape recorder? He said, "No one knows their deal. Let me show you." So, he put me in tow and we went to other booths and asked the same question. After the sixth failure, he winked at me and said, "See. You'll do fine; just remember your deal. And always pitch it the way you did, from my point of view, not your own."
>
> That was the late, great Sam Walton—when he had only 22 stores.

How Does the Entrepreneur Develop a Sales Team with the Right Temperament that Is Presentable, Is Disciplined, and Gives the Customers What They Want?

As Oscar Wilde once said, "Experience is the name we give our mistakes." He also said that people rarely lament their mistakes. In effect, if and when you made a mistake you were in the game actually *doing something.* It might not have worked; but you were there. It was real, something happened, and you felt real and human.

If you do not share that point of view, and have a glass jaw where one hit knocks you out, sales and entrepreneurship are certainly not for you.

Tip: Salespeople are like dogs, kick them and they come back again. Cats are like buyers, one bad look, and they are gone for good. Good salespeople have to be more like dogs than cats.

The best writer on business is arguably Peter Drucker. His book, *Managing for Results* (1964), remains a landmark some 40 years after original publication. He gets most things right. The one area where Drucker may be off-base is his conviction that good managers can be good entrepreneurs. The reality check is that good managers may have skills to be good entrepreneurs—but will they actually take the risk to get into the game? Is their temperament suited for the job? The exact same problem exists in getting people to perform the sales job.

Many people can do sales; but will they? In this case, will the entrepreneur? Does your temperament permit you to do the nitty- gritty job of selling versus the more elegant, but less useful task of managing or marketing? One must deal with this temperament issue before starting to refine other talents. A few key points are worth emphasizing and reemphasizing.

- *You must genuinely like and care about people.* Today, people are experienced and worn out by all the sales pitches and ads machine gunned at them. They have become more skilled in filtering the real from the phony. The first turnoff is if they feel the salesperson or advertiser is not genuine or real.

  Gerstener, former CEO of IBM, and Bill Gates of Microsoft may be busy doing a lot of sophisticated things, but they obviously get a kick out of people. They like to mix it up. Gates even played golf with President Clinton! Gerstener simply loved to talk to people.

In contrast, there are the examples of Palmer and Olsen ex-CEOs of (the former) Digital Equipment, both of whom were known as elite nonsocial types. They did not enjoy mixing with people. Palmer was known as a fashion plate; Olsen as a down-home, red-shirted Maine type. People were not their thing. If they would not sell, they had to let someone else try. The same goes for every entrepreneur. Don't force-fit misanthropes into the selling process!

- *You have to be able to listen and reevaluate based on new information received.* A salesperson is like a waiter who starts out with a menu and comes back with a tailored, individual order. If one diner likes steak and the another chicken, neither one is right or wrong. The same principles apply to dealing with customers; each has particular requirements. These needs are neither right nor wrong. It is especially not the function of the waiter, or salesperson, to pass judgment on customer requirements. Far too many salespeople spend time criticizing the issues raised by buyers instead of addressing them. Instead, they should be linking product benefits with customer needs.

  One reason French restaurants have really never worked in the United States is that Americans do not like to be told what is right and what is not, and to be made to feel foolish because of their choices or suffer the condescending attitudes of the French waiter-type. All too many salespeople come off like French waiters!

- *You should be quick, short, and respect the customers' time.* Nothing is respected by a buyer as much as brief, concise, documented presentations. The number one complaint of buyers is that salespeople do not have the facts. The number two complaint is that salespeople take too long and do not get to the point. Nothing is remembered better than giving buyers the gift of their time back. Just because you have flown 3,000 miles does not mean you should spend a long time on the sales call.

- *Stick to the customers' needs, not to your opinions; knowledge is king.* Keep "I" out of your presentation and put "you" in. This is not trivial. Learn their business; understand how your products or services could better their situation. Tailor your presentation accordingly. Some might view this as phony. Buyers acknowledge that, yes, this is an obvious tact; but they also state that it is all too rare and the salespeople who do bother to scout the territory always make better recommendations. In other words, it is a blunt, bolder approach; but it works for both sides.

- *Do not interrogate the customer. Do your research in advance.* If you have questions, call the library. The buyer should not be subjected to cross-examination. It is *not* the inalienable right of the salesperson to ask or the requirement of the buyer to answer. Questions usually frustrate and irritate the buyer; most want to just say, "Tell me your deal and get on with it." This advice is contrary to most sales advice. Most of that advice relates to trapping buyers with questions. Bad idea; overused. Good salespeople do not need it.

  Do not fall off the other side of the horse and never ask *any* questions! Ask appropriate questions as a sign of respect and interest, but not as a means of entrapment and false empathy. Comments indicating that you know the essentials about their business are good; for those prospective customers which are public companies, get the annual reports. Read the chairperson's letter. Good companies have a clear-written mission; bad ones do not. The best companies follow through on the leader's comments; most do not. Indirectly test whether the customer decision-maker has "hot buttons" aligned to the company's promulgated mission statement.

- *Do not demo unless required; then do so cleanly and quickly.* Modern technology has a lot to answer for with regard to the assault on the senses. Don't overwhelm the buyer. Tell the story. Have a written presentation and wait for interest before demoing. Demo to close the order; do not launch into it. It tends to be a "me, me, look how smart I am/we are" thing. Be cautious here.

The first step in improving any high-tech approach is deteching the sales force. Stop the techno talk. "People talk" counts the most. What will all of this techno virtuosity do other than cost a lot of money, possibly blow up, drive the salesperson nuts, require a lot of feed and caring, and potentially make the salesperson the laughing stock of the company? Keep it simple. Nice, clean facts are appreciated and remembered.

As Tom Hopkins (1984) says brilliantly in *How to Master the Art of Selling,* "People buy with emotion and defend with logic." They want to be satisfied emotionally that this buy-decision is not just another dumb deal they should have passed on. They worry that the proposition is too good to be true; that it will cost a lot more than quoted. Use your facts to answer these key emotional questions. If you doubt the validity of this premise, just think about your purchase of most big-ticket things such as a car or a house. Didn't you worry: (1) it was "too much," (2) you would "change your mind" later, or (3) there is a better "deal somewhere?" Your customers are no different. Deal with these questions directly, not by trying to outdemo or outsmart them. The "techno-speak" approach just raises the anxiety level of the buyer—"Whoops, I am being taken again."

- *Good manners.* Good manners are universally appreciated by the customer. If they ask you to have coffee, have it. Take your coffee black; the fuss-free option will endear you to the buyer. Do not hassle the receptionist, secretary, or assistant. Brush up on your manners. Think of your visit as going to a foreign country. Don't be the ugly American. Fit in.

  The pleasant, polite salesperson is all too rare a phenomenon. Cut the jokes; most buyers cannot remember the last funny one they heard. Watch out about crossing the line into personal subjects. Most buyers feel vulnerable enough without being questioned on private matters. Well-mannered people have the best luck in getting the second or third appointment.
- *Minimize or eliminate your corporate rulebook.* God used just Ten Commandments to run the world. Do not add more of your own rules for your customers. Be easy to do business with. Do not treat your customers as potential bad debtors. Check out whether you will sell them before you see them; no credit applications should ever be inflicted upon potential customers in this day and age. Enough information is available today to get a D&B (Dunn & Bradstreet report) on most customers. At a minimum, you should know a few vendors that they buy from to check out credit, if required. Casual inquiry can get you their bank and a trade reference or two.

  The Credit Applications department often seems to be a sorry institution intent upon harassment and putting customers "in their place." All of that customer credit information is available elsewhere. Once you get the customer's first check, you have access to all of it anyway. Do not be self-deceived; most credit managers do not do your firm any good. Otherwise, why the large bad debt balances? Big bad debts occur because credit managers do not check back on the story with your customer base. You do not lose money on new customers. You lose money on good customers that go bad—and the folks in credit rarely pay attention. So don't try to bail out your credit department by harassing prospective customers with forms. Excellent examples of this credit manager failure are Pharmor and Ames. Both showed signs of huge problems 18 months before going into Chapter 11 bankruptcy reorganization.

  Find out customer needs; get the order written; and then fight with your beloved credit department to get the order approved. Do not waste time on jamming a rulebook down the customer's throat. If you handle the first part successfully, you can usually get the customer to conform to a few relatively minor rules later on.
- *Practice and refine your pitch.* It is imperative you keep working to refine your presentation. Find out from buyers afterwards what worked and what did not. Be careful about the analysis since a lot of success comes from emotion and that is both hard to describe and hard for people to admit they are susceptible to. Again, as Tom Hopkins (1984) says, "People buy with emotion and defend with logic."
- *Be organized.* Let us reemphasize some details. Use a contact manager software tool such as ACT! Have your travel case packed. Use the big salesperson type of travel case—it looks serious and there is always room for one more thing. Always have your data there so you can fill out the forms on the spot, close the deal, and get the order.

  Again, with reference to Veblen and the desire to be above "actual work"—most salespeople like to look sleek with a small, thin briefcase. They never have the information required to complete the deal. Buyers love the information right there. Brown comments, "As one buyer said to me as I pulled one thing after another out of my salesperson case, 'Got a corn muffin in there too?' He loved the joke; told it often; and loved all the data I packed in the case. He especially liked it because I was the president of the company and thought enough of him to pack completely for the sales call. Do not let Veblen get to you here. Have the nitty-gritty with you."

Real-World Lessons

Co-author Deaver Brown is the consummate salesman—a closer who generally gets the purchase order. Someone who's been selling his whole life, Brown held part-time sales jobs during his college years. After earning his MBA, he worked at General Foods, marketing Cool Whip (differentiated brand) and then Birdseye Vegetables (commodity "plus" brand). After a couple of years in the cocoon of Mother GF, he was bitten with entrepreneurial fever. In the 1970s, he sold baby goods (Cross River); in the 1980s–1990s, he sold UPS units for PCs (American Power Conversion); and in the 1990s–2000s, he sold low-cost, general interest information via CD-ROMs (Simply Media). These experiences provide a context for understanding how to "close" in the selling process and obtain the purchase order.

What Was Learned from the Cross River Umbroller Stroller Experience?

Addressing the juvenile furniture marketplace, Brown cofounded Cross River, Inc. (CRI) in 1971 to manufacture, market, and sell the then-revolutionary stick-folding baby strollers to Macy's department stores, the Bloomingdale's of their day, and K-Mart, the Wal-Mart of its day. What were the lessons learned?

- *Pick names with a good image.* Brown picked "Umbroller" as a contraction of umbrella and stroller, and the name was extremely well-received. "Cross River" derived from a sign on 84 Route North in New York, a local town near the plant. It had the perfect 18th-century sound to help disguise the venture's newness.
- *Analyze and understand the size and structure of the market.* CRI determined that 1,400,000 baby strollers were sold annually according to the 1970 Census. Total wholesale sales were about $25 million. Despite the visibility of the category, with products rolling down the streets, the market was quite small, fragmented between 20 manufacturers, and the birth rate was in decline in the 1970s with only 3 million babies born per year (most purchases were for the first born; the rest hand-me-downs; first-born births were about 1,400,000 as well). CRI determined it was also a niche market with only 5 percent of the population at any time having any need whatsoever for a baby stroller in their family or extended family.
- *Target accessible channels of distribution.* Initially, CRI was selling primarily through small stores, but had secured a few small chains such as Bradlees in New England with 100 stores and, eventually, Wal-Mart, then having only 60 stores. The primary method of distribution was through the major chains, Sears, Wards, K-Mart, and JC Penney—very similar to Wal-Mart, Target, and Sears/K-Mart of today. A secondary form of distribution was through the growing regional discount chains, most of which have now been severely marginalized or gone out of business, such as Ames, Bradlees, Caldor, Hills, and Zayre. In the 1970s, department stores were a formidable force and had representation by stand-alone retailers in most major towns and cities in the United States. These outlets would later become marginalized, rolled-up into May or Federated, and stop selling anything but apparel. In the 1970s, outlets like Macys were an important influence and sold a lot of strollers.
- *Know the product costs.* The production costs worked out to be $8.00 per stroller in small quantities and declining to about $6.50 each for 10,000 units per month. The assembly process was reasonably complex with a frame consisting of 12 pieces of tubing, 8 wheels—2 per strut, 42 rivets, a specially sewn seat that had to be free-hanging, plastic-dipped handles to be cool in summer and warm in winter, various steel brackets to hold the product together, and a flexible footrest.
- *Set a price that assures a profit.* CRI sold $13.50 per stroller which retailed at $25.00 representing a 40 percent markup for the retailers. Some stores like Saks sold the Umbroller Stroller for $30.00. CRI's variable cost came in at $9.35; $8.00 for the stroller; 5 percent of the sales price ($13.50) for commissions, and 5 percent for other discounts, returns, and the like. So CRI netted $4.15 per stroller.
- *Know the operation's break-even.* Within a year, CRI was selling 2,000 strollers a month, enough to break-even on the entrepreneurs' low overhead costs. Knowing the break-even volume allows the entrepreneur to have information to make better decisions.
- *Set up a rep network.* Distribution did not seem unduly difficult with a very fragmented system. There were free-standing stores in most states; no major competitor that could stop CRI; lots of independent reps to help. The CRI entrepreneurs very early on attended their first trade show and got purchase orders for about 2,000 strollers, a one-month breakeven. Such early success in "closing the deal" provided a certain cachet that allowed them to attract and hire a group of commissioned sales reps around the country, and even landed an opening order from Bradlees, a small discount chain in New England.
- *Land a major account.* CRI's challenge was to land a major account to reach the 4,000–6,000 unit per month to get operations out of "the land of the living dead." CRI figured the old-line retailers would not budge. CRI was new and so was by definition "bad." CRI felt that the Young Turks were the discounters, trying to get big and successful. CRI had sold to Bradlees and that had gone all right; but the buyer left and the new buyer didn't give CRI much more business. CRI also saw an opportunity with department stores that flourished picking up new and interesting lines of merchandise. CRI had done well with them in a lot of small cities, though not in New York, Chicago, or Los Angeles—the major cities of the time. CRI targeted two possible major accounts: Macy's in New York and K-Mart, the Wal-Mart of its day, in Troy, Michigan. (Brown closed on both!)

  –Macy's was the Bloomingdale's and Neiman Marcus of its day (and before there were many specialty store chains) and was a dominant player in selected markets across the country. The New York buyer would help CRI get into its Midwestern and San Francisco stores if CRI was successful in doing business with him. Closing this account would give CRI a prestige boost in the large cities where the population was still centered in the 1970s. Macy's also had outlets in surrounding suburbs, of course, but the real action tended to be in their downtown stores where women pilgrimaged to have the fun of the shopping experience. The buyer was willing to see CRI because of past discussions and because he had seen the Umbroller Stroller in some of the smaller department stores in town. Further, he had an ongoing relationship with CRI's salesman who had sold him carriages, a big business in cities in those days. The buyer was a long-term employee and of a conservative nature. He was quite knowledgeable about the industry and Macy's methods and objectives.

–K-Mart was the lead dog in the industry. It was at least five times larger than its next competitor, Zayre, in New England, and the Woolco division of Woolworth in New York. K-Mart had no pretension of high-end merchandise and positioned its products toward blue-collar workers. If others, lured by the cachet of value pricing, wished to buy there so be it.

- *Price points.* K-Mart had three strollers: $9.99; $19.99; $29.99. They took slightly more than 40 percent markup or paid their vendors about $5.90, $11.80, or $17.40 or thereabouts for these products. CRI knew K-Mart worked a little tighter on margin at the low end and higher at the high end. So CRI's first question was, "What price point to pitch at?"
- *Choosing the right slot.* The idea of going "up" was absurd. The high price points have all the bells and whistles and generally sell darn little stuff in the major discounters. They are there principally for show. They also are subject to be changed-out continually as the next big thing hits—which always does. So the second price point, $19.99, made sense. This was especially appropriate since K-Mart had pretty good sell-through even at $24.99. CRI's price at the $19.99 retail slot was $11.80. With a $9.35 variable cost at low margins (with $1.35 built into that figure for rep commissions, returns, promotions), a clean $11.80 would deliver between $2.45 and $3.80, or 20 percent gross margin up to 32 percent—not bad. One might overlook the notion that $11.80 is an acceptable number. If volume were to soar, as CRI desired, the $8.00 cost would drop further to $6.50 at a minimum. That meant the upside was a 45 percent margin. So why not do it? The largest problem can be ego. The entrepreneur might forget that the objective is to close the deal and create a favorable platform to grow from. Agreeing to the $11.80 CRT price point (and the $19.99 K-Mart price point), could create a platform for future trust and more purchase orders.

- *Picking up on hints from the decision-maker.* The K-Mart buyer was seasoned, conservative, and liked the status quo. He had become a millionaire through K-Mart stock options, a situation for which he was famous. Although loyal to K-Mart, he was clear about his objective to finish up his last couple of K-Mart years smoothly and retire. He said, "Don't make a special trip to see me." Brown had previously called him from the New York airport saying he was in town and could he see the buyer. Several times before the buyer had said, "No." The one time he said, "Yes," Brown flew to Detroit and saw him. Since this buyer didn't like sales reps, Brown went alone. He told Brown this was an *informational* meeting only. Brown determined he would therefore inform him. The buyer said 10 minutes would be enough. That was a "buy sign." Brown indeed got the order. Did he know why? Not really! It is about *getting the order,* not explaining the rationale. It is about *listening* to the customer. And this brings the reasoning full circle as to why the entrepreneur must lead the sales charge. He or she must listen intensely, and often painfully, to buyers' responses to recalibrate the company's products, services, and organizations, as well as its presentations and selling habits. The sale to K-Mart was the beginning of this lesson for Cross River. CRI gradually learned what K-Mart "really" wanted: An aggressive packaging goods orientation to the staid baby furniture business. It took years before the buyer admitted to Deaver, "I bought from you in hopes you would drag the industry by its ears out of the dark ages of all the brown packaging and products of yesteryear."
- *Exploit the first key orders to establish long-term sustained relationships.* CRI got the initial POs from both Macy's and K-Mart. The trick is to make the opportunity snowball.

  –The Macy's unit was also slotted at $11.80 for CRI, $19.99 for Macy's, providing Macy's with a 42 percent gross margin. From an initial test order of 100 units, the ongoing relationship flourished for well over a decade, until they discontinued hard goods.

  –CRI closed the initial K-Mart deal for only 48 units in a four-store test, of 12 pieces per store. Within a year, however, K-Mart was buying 25,000 units per year. Within three years, 50,000 units; and the bragging rights helped catapult CRI to a 40 percent market share or 560,000 units per year. The lower price point expanded the market substantially and the company soon sold 1,000,000 units per year as the market expanded.

How Was the American Power Conversion Corp. (APCC) Experience Different?

American Power, founded by three MIT engineers, created the small–sized Uninterruptible Power System (UPS) to capitalize on the growing importance of PCs in the early 1980s. With Moore's law doubling chip speed every 18 months, PCs were about to replace minicomputers in the workplace because they were simpler and easier to operate. Managers and entrepreneurs were preparing spreadsheets (Lotus 123) on their new processing tools.

The sales and marketing challenge was to locate the right distribution channel through which APCC could gain early dominance, and grow with the market to a substantial size. Interestingly, that market had not been created yet. The VARs (value-added resellers) were the ideal customers, but were just coming into being, putting together entire systems for companies. The first inkling of VARs emerging was with VARs selling point-of-sale and inventory control software, hardware, and peripherals to retailers.

This was a perfect market for APCC since retailers had important data to protect and lots of locations, which meant both a substantial need and lots of potential orders. While this was all transpiring, coauthor Brown led the effort to stabilize sales by selling to small computer retailers, distributors, and direct end-users. The effort was quite difficult and produced modest results in the early years; however, APCC's early entry to the VAR market meant the company ultimately kept its market leadership role as PC sales grew. The purchase orders eventually started rolling in. Profitable growth soon resulted. To help fund this growth, coauthor Levangie brokered through Wall Street APCC's IPO. The happy end to this selling story is that APCC is now at the $2 billion revenue level and has a $4.5 billion market capitalization.

What Market Traits Make the Current Simply Media Selling Experience Different?

Simply Media (SM) experienced brand consumer software sales channel challenges similar to that of APCC. The primary area in which consumer products were sold was the mass market grocery, drug, and mass merchant retailers segments. Most software was too high-priced to sell well in these locations. As a rule, nothing much more than $5 sells well in groceries or drug chains (other than drugs themselves), and not more than $10 in mass market retailers.

This was best reflected in the fact grocery and drug chains sold 40 percent of the books and magazines sold at retail while they sold less than 1 percent of the software. This 39 percent differential was very appealing as a sales opportunity. The first step was to engineer costs out of the product system to reduce a $7.99 low-priced line aimed at computer stores such as Best Buy, Circuit City, and CompUSA and drive the price down to the $2.99 to $3.99 level.

As CEO, co-author Brown set up a series of rep groups to assist in this effort, but, as with Umbroller and APCC, they were of limited value since reps are best at servicing existing accounts, not opening them. Once he got the price point down to $3.99, Brown started to get modest distribution in these channels that includes grocery, drug, and mass market chains—opening up some sales with Kroger, Ahold, and RiteAid. Even though SM's sales were small, it became the leader in this distribution channel—the key to long-term survival—market share dominance—and being #1 or #2, as Jack Welch preached to the American business community (Peter Drucker agreed; so this wasn't bad company in which to be aligned).

As SM's made cost-saving improvements and gained outright ownership of its own titles (which its primary $9.99 price-slot competitors did not), its cost structure was reduced further so it could then sell the fastest-growing sector in retail—the dollar stores and dollar zones within multiple price point chains.

No software company had yet entered the dollar zone. SM therefore figured that if it reached this price point, the company would gain early dominance and establish brand image. In most consumer markets, this leads to long-term dominance (whoever really replaces M&Ms, Crest, Cool Whip, Cheerios, Rubbermaid, and the rest, despite the repeated blunders of their management teams?).

Simply Media accomplished dominance by reconfiguring its products into thin colorful sleeves for its CDs; selling only in preassorted displays; and emphasizing large order customers, but supplying smaller ones if they made the supply issues simple. The SM brand became the market leader in the $1 software business.

Parting Thoughts

Does the Entrepreneur Remember How Professional Investors View Sales?

Wall Street is constantly on the prowl for growth companies. Wall Street is notoriously unforgiving about failures. Wall Street forgives a lot with regard to fast-growing sales companies because increased sales cover a lot of sins in other areas. Wall Street is always trying to hitch its star to the "next" '49er's Gold Rush, whether it be multimedia a few years ago or the Internet today. Why? Because emerging markets produce all kinds of large, financially successful companies.

Many companies have grown quickly without any genuine profits at all. This is because their financial backers have allowed them the luxury of growing by subsidizing their lack of profit and usually their even greater lack of cash. Why do hard-boiled financial types permit this? Simply because sales are the top line that create the bottom line. Without substantial, growing sales, a company is apt to decline into mediocrity, to be followed by slow attrition and eventual extinction. The long-time credo of the Boston Consulting Group (and its many offshoots) is that profitability is a function of market share. Sales growth is key!

Tip: Don't ever forget that good sales performance keeps companies fresh, profitable, and happy! Too many entrepreneurs and executives forget this. Just get the purchase orders! Happy investors make for happier entrepreneurs!

Does the Entrepreneur Remember to Keep an Open Mind to Allow Opportunities to Flow in?

Every business started with its first sale. Virtually every entrepreneur remembers his or her first sale as people remember their first love. Coauthor Brown, for example, recalls:

> My first sale in my own company was a 600-piece Umbroller stroller order to Bradlees, a major Massachusetts discounter at the time. I remember the buyer, Barry Cohen, the place, a corner of a One Park Avenue Showroom in New York City, and the circumstances—the quick demo, the sales negotiation, and getting the paperwork (before computers, one could actually get orders on the spot). This order was my initial training ground at my first trade show. After each order, or nonorder, I reviewed my success or failure, revised my approach, and pushed on. By the end of this first five-day trade show, I was much more effective by being more responsive to buyer needs, quicker off the mark, and faster to close.

The objective is to adjust continually your selling approach to be more responsive to customers and more effective in closing. This comes from listening to your customers with an open mind about everything surrounding the sale, and responding with better information, processes, and products or services. Each selling experience has the potential to give you more knowledge to move forward and be a better salesperson. You can either "dig in" and get ornery, or be one of those rare salespeople that stay fresh by being open to the new experiences and knowledge that is newly available to them.

Tip: You have two ears and one mouth—use them in proportion. Bad salespeople seem to have two mouths and one ear.

Does the Entrepreneur Fully Realize that the Customer Is a Gold Mine Whose Ideas Can Lead to Additional Purchase Orders?

All customers have a potentially mutual stake in the outcome of the sales call. They can become the salesperson's partner. Remember, your customers have horizontal knowledge; you only have vertical knowledge. Retail and large industrial buyers see virtually all the important industry players every 90 days. They hear and are told virtually every industry story. This gives them a breadth of knowledge even they do not always appreciate. You, on the other hand, are caught in your vertical world of knowing your company very well, but not knowing as much about your competitors and their plans.

Buyers will rarely tell you directly about your competitor's plans. But they will respond to what they think will work best; much of this knowledge comes from their horizontal knowledge. Access this knowledge. Use it.

Timing is key. The above advice regarding intelligence gathering is to be used only *after* you have made your presentation, have their commitment to the concept, and then are filling in the details. Potential customers hate to be cross-examined or buried in questions.

The customer feedback and advice that the entrepreneur does receive can be quite constructive since it means that there is a seriously committed buyer who shares an interest in refining the deal so it is the best it can possibly be.

Does the Entrepreneur Know "the Deal?" If Not, Why Not, and What's the Damage of Being "Off-deal" (Wal-Mart Example)?

Just consider Wal-Mart's profitable growth generated under Sam Walton's leadership. Mr. Sam spent a seemingly inordinate amount of time telling the Wal-Mart story ("the Deal") to his customers, suppliers, salespeople, bankers, Wall Street, and communities at large. His deal for consumers was the lowest price; his deal for everyone else was to share in the glow of the resulting prosperity coming from satisfied consumers. The proof about the power of Walton's simple, clear message was the fervor of the commitment he created. Just as clearly, once Walton was slowed down with cancer and gradually became less associated with Wal-Mart prior to his death, the company slowly became just another big firm mired in controversy with no special feeling around it. The Deal had been forgotten!

Now many communities sue Wal-Mart about siting new stores. People fear Wal-Mart, wary that their newly earned killer reputation will harm the local economy. Vendors fear Wal-Mart because Wal-Mart is exercising its muscle with tough terms, markdown money, chargebacks for small mistakes, and aggressive price negotiations. In other words, Wal-Mart now has the tough guy image that Sears had in the 1960s and 1970s which brought them low.

The final problem is all of this has slowed down Wal-Mart's sales growth. This, in turn, has slowed down its stock performance making employee stock options represent less value. So employees may become less committed in the field and at headquarters. A Wal-Mart job is no big deal now. As a result, the dry rot continues—just like it did at Sears in the 1960s and 1970s. It can be argued that the company no longer "knows the deal!" It has made the company vulnerable. Consider the four rules put forward by Maier (2005) on how to beat Wal-Mart:

1. *Hit 'em where they ain't.* Costco targets a higher economic demographic segment—people with cash who want cachet on the cheap. Result (2004): Costco sales per store was $115 million; Sam's Club was $67 million.
2. *Outdiscount the discounter.* Dollar Tree tries for straightforward pricing and a less painful shopping experience. Result (2004): Dollar Tree enjoyed a 9.7 percent operating margin; Wal-Mart's was 5.9 percent.
3. *Recreate what "the Deal" used to be.* In the grocery segment, Save-A-Lot stores bring back the old-time sense of Main Street and focus on underserved neighborhoods. Result (2004): Save-A-Lot's profit margin was 3.5 percent; Wal-Mart's was 2.6 percent (groceries only).
4. *Win the service game.* Dick's Sporting Goods has developed in-store sales teams that have both in-depth product knowledge and treat customers with TLC. Result (2004): Dick's Sporting Goods experienced revenue growth of 34 percent; Wal-Mart's was 16 percent (sporting goods only).

The player with the best "deal" generally wins.

Does the Entrepreneur Know How to Define a Selling Proposition by What His or Her Company Does Not Do?

In reviewing successful companies, one is struck by the clarity of their deal proposition. Hertz rents cars, McDonalds sells hamburgers, H&R Block does your taxes, Southwest Airlines offers low cost travel, PricewaterhouseCoopers does corporate taxes and accounting, TRW makes parts, H-P develops computer-related products and instruments. GE stands out as the exception that proves the rule—that rare company that does many things well.

Successful companies generally offer excellent quality at a reasonable price. Many may have slightly higher prices than their competitors, but not by much. Each one has a solid value proposition. Occasionally they wander from their mission. This "wandering-off-deal" syndrome erodes the selling proposition.

An amusing case-in-point relates to the fast food business. McDonalds and Burger King joust with each other on premiums, new products, and the like. Yet, when desperate for increased sales and profits, every six months or so, they return to their low cost/high value roots and just put out lower prices on their basic menu. And, about a month later the CEO appears in the *Wall Street Journal* stating, with some surprise, "It worked. It really did." There is better food than McDonalds and Burger King; but quick, courteous service, and low costs got them to the party. Forget your deal at your peril, folks.

Just consider the failure of Sears (before Arthur Martinez) and later K-Mart to retain the ranking as the number one American retailer. Good quality at a great price got them to the party and to the highest industry ranking. They then started to nibble at the edges of their "Deal." They took a spoke out of a bicycle here, a double stitching out of a garment there, and replaced a brand name with a no-name over there. Then the price of the goods moved up a percentage point over here, then over there, then overall. Result: They forgot their *deal.*

The consumer does not catch on all at once. The first thing that goes is excitement about shopping there. People waited for their Sears catalog; they checked it out before buying almost anything, anywhere. That excitement disappeared decades ago. The catalog only expired a few years ago. Leadership was lost when the excitement disappeared.

The same "wandering-off-deal" happened at K-Mart. The company stopped looking for great value for their customers. They discontinued their blowout pricing. And they became just another store.

As detailed previously, the same thing is happening at Wal-Mart these days. As one consumer who went into a new store said, "I was expecting something special; it was not there." The success or failure of Wal-Mart's 2006 image campaign ("Look beyond the basics!") remains untested.

The entrepreneur-salesperson must acknowledge this reality of knowing what you aren't. You must know what you *don't know!*

The best example of this approach is Southwest Airlines. They focus on value and revel in *what they are not.* This permits them to be the best at what they are. The founder realized that his number one customer was his employees. He realized that if he let his customers destroy the morale of his employees, they would not be able to do their job well.

As a result, every Southwest employee is permitted to, in effect, "Fire a Customer." The method is not to say to the customer, "You are wrong." The approach is to say, "We don't do that here. You should try our competitor, American. They do what you want."

The Southwest "deal" is to provide low-cost transportation competitive with cars. It is meant to take salespeople, families, and others off the road and load them onto planes because Southwest is cheaper and faster. Period. That is the deal. Southwest does not compete with other airlines. Those carriers simply happen to be there, too.

To execute this "deal," along with their enviable excellence in safety and on-time arrival performance, Southwest decided what they would *not do:*

1. *No food.* That requires clean up and expense. Food slows down the turnaround time at airports so planes cannot be used as often and elimination of food service decreases expense.
2. *No assigned seats.* This eliminates the complexity, the hassle, the error rate, and the upset. It speeds up loading and requires fewer staff people, hence less expense.
3. *No third-party ticket distribution.* This eliminates the fees and errors with travel agents.

This definition of deal also makes the whole enterprise a more efficient one because employees can concentrate on fewer things. Just as importantly, employees have the ability to say honestly, "We do not do that here. If you want food, assigned seats, and tickets through other people, go to American. If you want fast, dependable, cheap service—we do that."

As Tom Peters says in one of his books, "The Wow factor is important." Southwest? …..Wow!

Does the Entrepreneur Know How to Present, Close, and Leave?

In a sales presentation, you need to focus on the other guy—not your notes. You need to master the details so you can listen patiently to the buyer's questions and respond accordingly.

Brown observes:

> In my sales presentations, I find myself always trying to head for the exit once the order is committed to. I do not want to give the slightest sliver of opportunity for a rethinking, a new discussion, or a thoughtful moment. My best reps know that my skill in getting out of an office quickly after the order is committed to is my most memorable talent. Get the order—leave. Let the customers consider this settled ground; move on. Give them their time and space.

And this brings the discussion full circle as to why the entrepreneur must lead the sales charge. He or she must listen intensely, and often painfully, to buyers' responses to recalibrate their products, services, and organizations, not to speak of their presentations and selling habits. Message: Close and leave.

Does the Entrepreneur Remember the Dream and the Payoff?

The good entrepreneur truly believes in his or her dream and is a missionary to convert all the nonbelievers. If the selling process is well-executed, the purchase orders will roll in. What's the payoff for all the nitty-gritty tasks of customer prospecting? Consider these sales of entrepreneurial companies, as reported by Howard (2006) and Reidy (2006):

- Tom's of Maine (natural products, such as toothpaste) sold itself to Colgate for $100 million in 2006.
- The Body Shop (2,085 stores—environmentally friendly products) was bought by L'Oreal for $1.1 billion in 2006.
- Cape Cod Potato Chips was sold first to Eagle Snacks (1985) and then (after repurchase) to Lance, Inc. (1999).
- Nantucket Nectars was sold first to Ocean Spray (1997) and then to Cadbury Schweppes (2002).
- Ben & Jerry's was sold to Unilever in 2000.
- Stonyfield Farm was sold to French Dannon yogurt maker Groupe Danone in 2003.

So why all the fuss over purchase orders? As they say at MIT, it should be intuitively obvious to even the most casual observer!

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