

Mudd Entrepreneurship



Wolf Creek, Mesquite, Nevada. Sell well and you can live well, although maybe not play well. I hit this ball into the creek on the left.

Sales

... and marketing ... getting to cash

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This is an introductory lecture on sales and marketing for high technology startups.

This format is an experiment. I have created the text for these pages using Microsoft's new voice recognition software. I'm experimenting to see if this approach works better than attaching sound files to the slides. It certainly saves on computer storage space. Sound files are very large. Please give your teacher feedback on which of these two options you prefer.

The motivation picture at the top is of your teacher hitting the hook at Wolf Creek Golf Course in this Mesquite Nevada. As the commentary says, if you sell well then you can afford to live well and spend part of your valuable time hitting looks, slices, or birdies, or whatever pastime you prefer.

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Old Rule no. 1s

- Startups fail because they run out of cash
- They run out of cash because
 - They underestimate the time and cost of development
 - They underestimate the difficulty of fundraising
 - Once they have a product, they underestimate the time and difficulty of bringing revenues up to the level necessary to cover cash needs

By this time you should recognize this old rule. In my experience as an adviser and director to technology startups I've seen many failures. In almost every case, the companies that I have seen fail have failed for the reasons outlined here. At some time the startup runs out of cash. Their bank account goes to zero. They can't make payroll. They can't pay their bills. And they can't raise more cash from funders. At that point they have to close their doors and shut the corporation down.

So why do they run out of cash? First they often underestimate the time and cost of development. Additionally they underestimate the difficulty of fundraising. Equally important, even if they have a sellable product, they underestimate the time and difficulty of getting sales up to a level sufficient to cover their cash needs.

In a few words, they fail because of inadequate sales.

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Rule no. 1

Your first sale will be your most difficult sale.

Why?

1. Who wants to be the first customer?
2. You probably do not have the ability to sell.
3. You are probably surrounded by **Red Flags** that would prevent the sale of the best-made product:
 - Mickey Mouse business interface
 - Poor support material
 - Unbusiness-like behaviour
4. The is most likely your business's failure-point.

Here we have a new rule that one: your first sale is going to be your most difficult sale.

The reason for that should be self-evident. Especially in technology products, product and company credibility is essential to sales. Buyers are inherently conservative and would much prefer to buy from a company with an established reputation rather than an unknown. Your startup is an unknown.

When you make your first direct sales pitches or telephone cold calls if you are not from a recognized company you can expect the following question: "Who are your current clients?" When you end up telling them, directly or indirectly, that you have no current clients, you are at that point fighting an uphill battle.

You must be able to offer them some compelling reason, whether that is price advantage, better service, better technology, or something else, that will prevent them from showing you the door.

Additionally, people with training in engineering, programming, or other technical fields sometimes have neither the aptitude nor education in sales and therefore lack the ability to sell. Selling is a skill and it requires strategy, process and experience. It is possible for

people with backgrounds and technology to do very well in sales because I have seen success in this effort. But it doesn't happen automatically. A lot of thought and planning has to go into the sales effort.

One of the biggest constraints to effective sales for people without sales experience is the fear of making the sale. People inherently don't like rejection, and if you become involved in sales, especially for a technology startup, you're going to experience plenty of rejection. A seasoned salesman has learned to overcome this but the novice might find other things to do during the day, such as to work more on product development, instead of making a cold call and facing the possibility of a negative or hostile response.

Obviously it is always possible to hire a trained sales staff but sometimes because of the expense this is not feasible. Experienced sales managers command salaries above \$100,000 per year, and often much more than that. And they will expect to have a staff of subordinates that you will have to pay for as well. Until your company can afford this then your technology staff will also be your sales staff.

Also, for technology startups that are offering a very advanced technology sometimes your sales staff *must* consist of engineers, programmers, or others with a deep technical background, especially if you're selling to commercial clients who need to understand the technology that you are offering.

Therefore, even if your startup has a professional sales staff, it is a good idea to train key members of your technical staff to participate in sales. It is essential for the CEO to be involved in sales as part of his or her wide range of skills.

Never underestimate the importance and difficulty of your marketing and sales campaigns. If you do, this will most likely be the reason your business fails.

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A few points to remember

- Early sales are exceptionally difficult
- Most people don't have the guts to sell cold
- Sales require a support infrastructure
- Good salesmen are typically cheerful, conservative, confident gung-ho maniacs
- Good S&M VPs are typically very smart, well educated, experienced strategic thinkers

The slide above offers a few points that might be wise to remember.

I've already pointed out that your first sale might be very difficult because of the reluctance of potential customers to buy from a company without a track record. Beyond that your second and other earlier sales are nearly as difficult for the same reason. Not only have you not yet established your credibility, your sales staff still lacks experience, you may be unsure of what companies you should target, you may also be unsure of which personnel or what level of management within a company that you should target, and your general sales presentation is still untested. Sometimes only through trial and error can your sales staff determine who should be approached and who should not and what type of presentation is effective and what is ineffective.

If it is necessary for your sales staff to make cold calls, which is probably the case, your difficulty is compounded. As I mentioned earlier, people without experience and not used to the rejection that comes with the early sales experience have an actual aversion to cold calling and are uncomfortable with the procedure. They search for diversions and avoidance can cripple a young company's early sales efforts. Certainly the CEO and whichever manager is responsible for sales must monitor the sales effort and motivate the sellers to ensure that the sales effort maintains top priority.

An inexperienced sales staff sometimes fails to appreciate how important is to have an adequate sales infrastructure in place. For example, you must establish and maintain a very good customer database to keep track of potential customers, existing customers, and your sales pipeline. Additionally, your sales staff must be equipped with adequate and properly designed marketing support material, price lists, and other support information. Conventions for billing and related customer support must be designed and in place prior to your first sale. Once you have clients, and organized system of customer support must be in place to serve those clients' needs so that you don't later lose them as customers.

Sometimes engineers or senior personnel with strong technical backgrounds in the technology startup have a tendency to condescend to those whom they do not see as equals among their sales staff if the latter do not have technical degrees. This is a huge mistake and can harm a company's sales effort. I've had the good fortune to know many, many successful people who built their careers in sales and marketing. Many of them are very smart and extremely well educated and although they may not understand vector calculus, they do understand business conventions, they can understand sales and marketing much better than you ever will, and they can be an essential part of your company's success. Professional arrogance has no place in the technology startup.

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Tips in early sales

- **To get a good first client, you should be willing to nearly give the product away.**
- Try to involve companies in the “free” testing of betas.
- Price well below market at a loss, then come up but try to stay below market.
- Promise and deliver on detailed, **personal customer service**, even if costly. If you do this you can beat the big boys sometimes.
- As always, remember that you are **selling yourself** as much as your client.

Given our assumption that your first sale will be your most difficult sale and early sales are harder to achieve than sales after you've been established, here some tips based on my personal experience working with early stage companies that might help in the sales effort.

Ask the question, "If a potential client is baulking because we don't have an established customer base, what can I do to change the clients mind?" Two possible candidates immediately come to mind; their price point and service.

One possibility is to sell the product or service at a price below the market rate, even if that means that your company will take a loss on the product. This tactic is often employed by companies who are trying to break into a new market. Sometimes it is far more important to obtain clients and pick up market share than it is to make a profit on early sales. If your company is selling a product like software that is still being tested you might be able to land your first client by finding a company that is willing to test the beta for the software without charge. The attraction, of course, is that the product is free during the period of the beta and likely to be available at a reduced price after rollout.

The company might also overcome their resistance to your small size if you can convince them that you're able and willing to provide better service than other potential vendors or their current supplier. To be able to make this offer, you must be familiar with the level of service provided by your competitors. Sometimes simply by talking with potential clients about their level of satisfaction with their current providers you'll be able to detect that they are not entirely happy with the quality of service that they are receiving. That will be your sales point. Of course your company must be committed to make up the gap.

At a meeting of the Harvey Mudd College Entrepreneurial Network in the spring of 2002, a presentation was made to the group by Harvey Mudd alumnus Sherman Chan, class of 1975, the founder of the company named ASPEN Incorporated. Mr. Chan had developed some power-systems application software for electric utilities working out of an office at home. When he decided to market his software he discovered that his primary competitor was one of the largest corporations in the United States, indeed, a company that is presently included in the Dow Jones IndustrialAverages. When asked how an unknown company was able to compete against a giant, Mr. Chan replied that he had done his homework. His large competitor, for which this was a niche market, had a reputation for providing very poor service. ASPEN took advantage of that poor reputation by offering much better service to his prospective clients. This approach worked. Mr. Chan built ASPEN by taking away the clients, for this service at least, of one of the largest companies in the United States. When asked to summarize his company's sales strategy, Mr. Chan remarked, "I promised I would answer the phone if they called."

Finally, always remember whether in this context or some other, you're selling yourself to your potential client as much as your product. Established sales relationships in business are often maintained by a bond and personal trust between a vendor and the client.

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Minimal Advance Prep

- **The competition**
 - Who they are!
 - Their product!
 - Their pricing (try to beat it)!
 - Their reputation for service, etc.
- **Pricing**
 - Price below competition if possible (small and nimble advantage)
 - Price to get sale even if at loss (below cost) early stage
 - Price to make profit when established
- **If contracts**
 - Have drafts ready to go, simple but fair!!

A well developed sales and marketing strategy is essential for sales success. The slide stresses three elements of that sales strategy that must be in place before you attempt your first sales effort.

First, you must always know your competition, who they are, what they're trying to sell, their pricing, and their general business reputation including the reputation for service. This intelligence is not only necessary for a successful sales campaign but is also essential if you're trying to raise money from funding sources. You must have a complete and deep understanding of your competition and what they're trying to do.

Obviously you must also have a clear pricing strategy that makes sense and is attractive given your competition and your company's status relative to them. Clearly, low pricing can offset the disadvantage of being a small unknown company. Small companies can sometimes price under larger competitors because startups tend to run lean and mean and may have developed the technology that produces a cost advantage. A startup is wise to try to price below the competition, and if possible, well below the competition. As has already been stated earlier, your first few sales might be possible only if you priced below cost or very close to cost. Your company can change its pricing structure and move to profitability after a firm sales basis been established. But first you have to obtain sales, and if the price point is the issue with new customers, then price to get market share.

Finally, if your startup sells to larger commercial customers rather than retail, and sells expensive products or services, then contracts are typically going to be involved in the sales. Before ever approaching a client, it is important that the fundamental design of your sales contract or contracts has been completed, discussed among management, and made clear to your sales staff. At some point your corporate attorney will have to be involved to review and amend the contract to ensure its legality. This is a step that cannot be skipped despite its expense.

In my opinion contracts should be kept as simple as possible and you should be willing to negotiate key terms of the contract in order to obtain a client while still maintaining your sales objective. In the early months of the sales experience you can expect some trial and error and possibly some mistakes. After your business is established your contracts can become more standardized.

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About the support infrastructure

Remember, you are not only selling your product, you are selling support for your project, you are selling a company image of reliance and stability, you are selling a solution to a problem, you are selling an advantage for your client, you are selling a forward look, you are selling professionalism and integrity, and you have to have a package around the product that promotes all of this.

Customers first and for a long time see you through your **outside interface**, which forms their impression of you. What is this outside interface?

The slide above stresses directly an important point made earlier. Your potential customer's first impression of your company is going to depend not only on you but also the image you presented that customer of your sales and marketing infrastructure. If you're selling service, reliance, stability (the promise that you are going to be around for awhile) then everything about your interface from your promotional material to your method of answering inquiries by e-mail or telephone should reflect and reinforce that

image. All of this contact media constitutes your outside interface and your potential client will judge you on its reliability and appearance.

For example, if you have many staff members answering telephones, train all of them to be courteous and professional when on the telephone. Likewise, if queries come by e-mail, ensure that e-mails are quickly and professionally answered, then logged. I have seen many small companies suffer because their employees forgot these elementary lessons.

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Cold-calling

Cold-calling is still the most effective, but also the most challenging and frightening (until you get used to it) way to generate sales, leads, publicity, and so forth, in business.

Cold-calling initial approach through telephone or direct contact (typically). Email openings are not cold-calling (and is usually a poor substitute).

Cold-calling has (typically) a high rejection rate, but the response is not (typically) rude especially if it is a business. Even if you don't make the sale, you often get very valuable feedback from the failed call.

Unless you're in the business of high volume retail sales, and sometimes even then, your company is going to have to confront the issue of cold calling. Cold calling is exactly what it sounds like. Either in person or on the telephone you have to contact a total stranger who probably knows nothing about you or your company to try to make a sale. Unless you have experience in this area, cold calling is difficult. This effective sales technique has, of course, a high rejection rate, especially for a startup. The constant negative feedback requires some adjustment with a positive attitude. If you're called upon to do it, keep in mind that seldom will you draw a rude response. If your call is a business-to-business call, the party on the other end is used to hearing telemarketing pitches. Now and then you may have a rough moment but when you land your first sale with this technique all of the negativity that you had to endure will be seen as worth the trouble.

Cold-calling procedures

- You must have a strategy ... what you hope to communicate and accomplish.
- You must know your cold-call target ... who should you be calling (sometimes there is a designated person for this).
- A cold-call should be semi-scripted but not memorized.
- You have to be tactical ... anticipate resistance and be able to think on your feet.
- Your objective may not be sales ... it may be asking for the opportunity to send a demo, have a meeting, send follow-up info etc., although if it sales it is sales!

You should never initiate a cold calling campaign without first developing a good strategy. Given your target you must first determine what you hope to communicate and what you hope to accomplish with a successful call. It may be that you merely want your listener to grant an interview in person if you're contacting them by telephone. You may want your listener to accept your product on a trial basis, or you may be looking for a direct sale.

Sometimes it's difficult to determine the person or department who should be receiving your call even if you are certain that you should be targeting a particular company. Should you try to contact the CEO? The IT manager? The engineer or programmer likely to use the product? The director of business development? The purchasing manager? Until you become familiar with the administrative structure of your potential corporate client sometimes this is just a guess. You can often solve this problem during a cold call by simply asking the person to whom you are speaking if they're the right person to hear your presentation, and if not, who is? You should always keep an important question in the back of your mind: "Is this person the decision maker?" If not, then who is?

That you have a clear strategy implies that the cold call might be scripted, or at least semi-scripted. The party making the sale does not want to work from a memorized script

because that will sound artificial and does not allow for spontaneity. Likewise, the caller relying upon a memorize script may have trouble answering questions or responding to a potential client when the agenda is broken. Instead, the caller might want to rely upon some initial script and an outline that reflect goals of the call and might even want to practice a call or two before the real event, but ultimately the call must sound fresh and spontaneous and the caller must be able to respond to unanticipated replies, especially those that are negative. Again, this requires a combination planning and anticipation. You want to stress key points in your call but you also must think through possible answers to questions and objections that you anticipate.

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Cold-call scripting (telephone)

[Direct approach]

Quick introduction:

Hello. My name is Gary Evans. I'm Director of Sales for Bora Software in Southern California ...

What we sell:

We sell the Bora Credit Evaluation and Software Model, used by small to mid-sized banks to evaluate the credit worthiness of their business clients and for compliance with Federal Reserve regulations on business lending ...

What I want:

I would like to place a demo model of our software at the bank to give you folks the chance to try it out.

These next two slides provide an example of the cold call script. Certainly you need to introduce yourself and your company, followed almost immediately with a description, albeit brief, of the product or service that you offer. By the time you get this far you may have already been interrupted with a response. Obviously, you don't want to press on and complete your script without engaging your listener. In fact, if your listener is talking to you, you've already accomplished an important goal. Engagement in conversation is one of your primary goals and you've already accomplished that.

What follows your brief introduction will depend a lot up on your target and what you're trying to sell and how you're trying to sell it so the remainder of this example is meant to

allow for variation. I think it is a good idea to let your listener know very early in the conversation why you have called. Others might advise you to postpone this.

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...continued

Who should I be talking to?:

Am I speaking to the right person for this or is there someone else there that I should be talking to?

Lead-in on product:

If you have a minute or two, I can tell you a little bit about the Bora Model (followed by description) ... our client banks have found it useful if not essential because ...

... with a teaser in here somewhere:

Our model was recently featured in the July issue of Banker's Magazine ...

The all-important close:

I would like to send you a demonstration copy of the model. Can I arrange for that now??

... and this would be followed by a visit or call two weeks later.

As you can see from this example I recommend that at some point you make sure you're talking to the right person, and if not, ask to be directed to the right person.

Obviously at some point if you still have your listeners attention you're going to want to provide more detail about the product or service that you sell or about your company. What you say here of course is essential to keeping the listeners interest. At this point you're going to discover whether your listener is merely being courteous or is, in fact, at all interested in what you have to sell. Hopefully by now you're actually engaged in a conversation and by virtue of question and answer have captured the attention of your prospective client. Here the talent of that truly skilled salesman can shine.

Sometimes it's useful to throw in a teaser or two into the conversation. If your product, your company, or a major personality at your company, such as your CEO, has been featured in the news or a magazine article, perhaps you should mention this to help credibility.

Finally, you have a goal in mind when making this call, so you must include the all - important close. If you are trying to schedule a personal visit, then try to get that on the

calendar. If you want sure prospective client to try a demo, asked to send it to him. If you are trying to make a sale, which often is not the case in a cold call, then you must end by trying to make the sale.

I advise against using a cold call to direct a potential client to a web page, unless that is coupled with something else like an agreement to accept a beta, some mailed literature, or a personal visit. The web page can be an easy evasion for the reluctant salesman. Your cowardice is combined with the vain hope that a possible customer reviewing your web page will send an order. Don't count on it. If you thought a cold call was necessary in the first place, that implies that you think direct contact is necessary for a sale.

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Elements of the support infrastructure (basics)

- A proper and professional outside interface
 - Good telephone interface
 - Good email and letterhead interface
 - Professional appearance
- A full set of web-based and hardcopy promotional material for all products and services
- Good internal record-keeping for tracking client leads etc.
- Adequate (given your budget) customer support mechanism.
- Established billing documents and procedures

Earlier we discussed the need for a suitable support infrastructure for sales. Let's now explore that a little more.

In sales you need to remember that a potential customer's impression of your business will be informed not only by his impression of you but also by every contact he has with your business or your staff, whether that be by telephone, e-mail, traditional mail, or through your web interface. Appearances matter, and your business must strive to ensure that every medium of contact is professional and reinforces your image as a serious business.

I'm sometimes astonished at the number of times that I have seen a business which needs sales ignore such essentials as an adequate telephone interface. Is it professional to have a potential client call by telephone and hear an answer mumbled into the phone by an indifferent technician? All employees who use the telephone should be coached on proper telephone etiquette and reminded that the person on the other hand could be the client whose contract will turn the corner for your company. Likewise, your telephone system should sound professional after hours and telephone calls received by a voice recorder should be promptly returned. How can a technology startup possibly claim to offer good service if it can't even handle its telephone traffic properly?

Likewise in e-mail correspondence replies should be quick, courteous, checked for errors and professional in tone.

Employees responsible for marketing prior to the any serious sales campaign must have already prepared detailed attractive promotional material, both printed and for the Internet, for the sales staff to use. A good website may not be sufficient. Many buyers prefer to read and review printed material. Printing costs in this age of color printers are much lower than they were a decade ago. There is no reason to not have good inventories of printed support material for sales.

A young startup might even consider hiring a graphics design firm or consultant to help develop attractive promotional material, but sometimes this can be done much more cheaply in house if you have an employee or two who has design capabilities. A more mature startup might be able to afford marketing design specialists, but this is expensive and can probably more cheaply be handled by consultants or talented employees. Regardless, it must be done.

Young startups are often deficient in establishing record keeping systems and databases that track clients, prospective clients, leads, and other contacts, and the useful information about all of them. A serious business should retain all of this information and keep it organized. A professional sales organization will typically use a combination of good software and employee practices to maximize the utility that they draw from the steady list of names, telephone numbers, addresses, and other contact information that flows into the business. Many smaller businesses use online customer database software such as that that is sold by salesforce.com. From the first day of business a startup must begin to develop and maintain and improve a reliable customer support system. Do not fall into the practice of keeping vital contact information casually on notepads, in laptops, or anywhere else except an organized searchable database available to all employees who have the reason and the right to see its contents.

Equally important is the customer support system established for existing customers. Again, from my experience, this is an area where early stage startups are often lacking. The difficulty and cost of customer service support is a problem for even the largest corporations. The cost alone of keeping established customers happy can severely reduce the company's margins. But adequate customer support is essential for any company that is claiming to provide good service. Therefore, good customer support

requires very careful planning and an elaborate support structure that both maintains a sufficient level of service while doing so at the lowest cost possible. This dual need and its high cost explains much of the outsourcing overseas of customer support by large corporations. A small company typically doesn't have this option.

A common problem that I have seen with small technology companies that I have advised has arisen when established clients contact the company by telephone or e-mail asking for more support than was anticipated when the business was established. Because there was not adequate support staff for customer service, client needs were met by having members of the development staff, such as programmers who were supposed to be working on new technology, fill the gap by responding to customer service. The net effect of this poor planning and customer support often delayed project timelines and other critical development goals.

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Aids to sales for low budget

- Web and printed support material
- Pricing and term sheets that can be quickly referenced
- Frequent press releases through BizWire and other outlets.
- Articles in print media and the internet
- Cold call and other contact "blocks" that are always honored.
- "Working the floor" at conventions

Many smaller startups don't have the budget to embark on an expensive sales campaign. You may have to use your in a house staff rather than a professionally trained sales staff and you must be inventive in developing ways to get the most from their limited resources.

Since nearly anyone can write a press release and press releases can sometimes earn a lot of attention, you may want to start with them. A good press release about your

company's technology will be between 150 and 300 words in length. Typically a business press release is distributed through a company like businesswire.com, which will charge a reasonable fee for distribution. If the press release is of legitimate general interest, it will appear in a number of newspapers, across the country, and if you pay for it, around the world. If the press release is well written, it can be very inexpensive form of advertising. One company for which I was an adviser got their first large sale because of the attention generated by a single press release praising their technology.

Conventions are also an excellent way to introduce products to a market. Floor space, however, at product conventions can be very expensive to rent. It can cost tens of thousands of dollars or more for a small space at a large convention. Therefore, consider attending the convention without renting a booth, content to promote your product through fliers, business cards, and direct promotion by word of mouth.

The ease and low cost of designing web sites and printing colored marketing material makes it possible to develop an inventory of support information for the even the most modest sales and marketing campaign.

But as has been stressed before, a sales campaign cannot be built on support material alone. At some point, typically, someone will have to take all of that support material and try to use it for a direct sale. Therefore, probably the most effective sales technique for the small technology startup is a company policy that requires blocks of contact time from named staff members, whether members of the sales staff or the technology team.

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Cold calling, cold contact, and other shoe-leather sales techniques

Direct contact is probably the most effective sales techniques that a company can use. And most people hate to do it ... they don't have the guts. Contact in meetings and conventions work well, but the most cost effective is telephone contact.

A CEO should require "blocking" contact calls ... require it to be done over a certain block of time, no distractions.

You can pave the way by notification by email or letters, but the calls must be made.

We all are back to cold calling as you can see. You have to wonder why this is being stressed so strongly.

All of the expedients on the previous and other slides can help generate sales. But for the technology startup that does business to business sales, personal contact is typically essential to sales success.

For this reason the CEO should require blocks of contact calls from designated staff members. This involves identifying a certain block of time that begins at some time and ends at some time with no distractions. Staff, possibly including the CEO, working with a script or strategic plan discussed earlier, must spend the designated amount of contact time speaking with potential clients on the telephone or in person.

Sometimes it is wise to advise potential clients that you'll call by mail or e-mail, but the calls must be made.

Getting leads

- ... at networking events
- ... harvest them at conventions
- ... through publicity of clients
- ... through advertising
- Keep them organized in a database
 - consider using [salesforce.com](https://www.salesforce.com) or other lead-management software

It helps when making cold calls if you have some leads to work with. Again, it is very important that your company has developed a suitable database for taking advantage of leads.

One of the most effective methods for generating leads is to collect business cards at conventions, which you can do if you don't have a booth and are merely roaming the floor. Likewise, exchanging cards at dedicated networking events can provide useful leads.

Collecting names and other contact information through your own web site by offering demos or information, seminars, tutorials, and so forth, is a very inexpensive way to develop leads for your direct sales contacts.

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Web-selling and advertising

Web-selling can work for certain classes of businesses (DreamHost) and it can certainly produce sales leads for all classes of businesses (Mail2World). Just make sure that you are not using it as an excuse to avoid the real sales work that you need to do.

Unless you are very large and have a good advertising budget, it is hard to generalize about the effectiveness of advertising. Because you do not get economies of scale with small companies, and because you really cannot afford conventional branding, from my experience, I have not seen many examples where advertising is cost-effective.

Using your website to sell your product or service is certainly more feasible and less expensive than it would have been a few years ago. Many companies have now successfully demonstrated that web sales are a real option for certain types of companies. Likewise a company's web site can be used to generate leads for direct contact sales. If your company develops a web based sales strategy, just make sure that you are not using that approach to avoid the real sales work, including correct contact sales work, that you need to do.

Traditional advertising and the new kind of Internet link to based advertising such as that that is sponsored by Google, can be an important part of an aggressive sales campaign if you can afford to pay for the advertising, but sometimes that's not possible. Unfortunately, there are certain economies of scale to advertising which makes advertising not cost effective for smaller companies. Therefore in choosing between everything from mailers to radio ads to print ads to targeted Internet advertising, the young company's management team is going to have to be very selective about what channel to experiment with and must be willing to consider feedback from advertising experiments.

Even the smallest company with the most limited budget should experiment with some kind of advertising. Direct mail campaigns can be done on a very small scale and at very low cost, especially if you have access to a good mailing list. If nothing else, an experimental mailing list can generate leads for direct sales if it is properly designed.

Obviously, direct mail literature should give the reader some incentive to contact you by telephone, mail, or visiting your website.

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The sales/marketing plan

Any successful high-growth business will be guided by a solid, executable sales and marketing plan. Such a plan is necessary for setting [sales targets](#), [timelines](#), [resource requirements](#), [budgeting](#), identifying the role played by business partners such as [distributors and channel partners](#), [identifying target markets](#), detailing [methods for approaching target markets](#), and determines strategies for [advertising](#), [branding](#), and other informational campaigns.

In a few words, this document is a critically important planning document.

Let's return to a discussion of planning and strategy. The need for this has already been stressed. Whether the sales and marketing team has been hired specifically for the job, or assembled from employees by the CEO, the chosen team must be guided by a plan.

Integral to any plan will be set of timelines, sales goals, resources required to meet those goals, and budgeting for those resources.

The plan must also include target markets, specific target companies if your company sells business to business, and a strategic plan for approaching your target market and target companies at the appropriate level of interface.

Timelines for meeting sales targets must be an important part of any sales and marketing plan. Remember, most companies fail because they run out of money. Timelines should be realistic and they should also be honored. If the company misses sales targets there should be a detailed review of why the target was missed and whether the solution is to relax the target because the original target was unrealistic or to put more pressure on responsible personnel to meet the target in the future.

Clearly a sales and marketing plan must be guided by a budget for sales and marketing. Obviously, the more resources dedicated to sales and marketing the higher the rate of sales is likely to be if your sales and marketing plan is sound. Unfortunately, there is sometimes a long lag between expenses for sales and the receipts from making sales, which can induce a cash flow crisis for a small company. Therefore the smaller company sometimes has to make hard choices about where to spend the sales and marketing budget.

As a rule of thumb, any expenditure that can directly lead to a sale should be emphasized, whereas expenditures that only produce higher sales over a longer period of time, such as branding advertising, should be postponed or given a smaller portion of the budget.

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Format for a typical sales/marketing plan

1. Executive summary
2. Situation analysis
 - Explains the situation the company is in
3. Market overview
 - Trends, growth, demographics
4. SWOT analysis
 - List of strengths, weaknesses, opportunities, threats
5. Competition
6. Company services and products
7. History of sales and marketing efforts at the company
8. Sales strategy (see next slide)
9. Metrics and assessment standards
10. Milestones and targets
11. Organizational structure
12. Budgeting requirements

The slide above shows a format for a typical sales and marketing plan. Like the much larger business plan the sales and marketing plan will begin with an executive summary that is written last after the detailed plan has been drafted.

The section dedicated to situation analysis typically explains the current status of the company, especially with respect to sales. How many clients does a company presently have, if any? What size market share does the company enjoy if this is relevant? How is the company doing relative to the competition?

This is followed by a description of the market for the products and services sold by the company. What trends are underway, what are the growth characteristics of these markets, who are the age cohorts who buy the products in question? And so forth.

In recent years it has also been popular to conduct SWAT analysis, which is a list of strengths, weaknesses, opportunities, and threats faced by your company. Although this approach seems strange to some, it can be very useful to spend some time thinking about and enumerating your company's strengths and weaknesses.

Understanding your competition is essential to business success. After all, if you fail it will most likely be because your competition beat you. Venture capitalists who might consider funding your company will always expect you to have deep intelligence about your competition. You should be aware of every company in your space and how they're doing relative to you to the extent possible. Clearly, your pricing strategy is going to be dependent upon the equivalent being developed by your competitor. You and your team should be aware that in the future some of those companies competing in this industry will have failed. Your job is to ensure that your company is not among them.

In the next section of the sales and marketing plan you describe in detail the full range of your company's services and products.

This is followed by a complete history of sales and marketing efforts that you have undertaken at the company up to that point. In this section you will describe any changes in personnel and any sales efforts that have not succeeded because you've chosen the wrong targets or could get no response from targets even though you thought they were the correct targets. At some point in your business history you must determine if your product is sellable to anyone at all, so a frank discussion of sales failures is essential to any developing sales and marketing plan.

The most comprehensive part of the sales and marketing plan will be the sales strategy, which is described on the next slide, so we will defer that discussion for the moment.

No sales and marketing plan is valid without metrics, which is to say timelines and sales goals combined with methods to judge whether they have been met as time passes. Timelines and goals should be a realistic (and they often aren't in inexperienced businesses) and must be taken seriously. It is very easy for the management of the young startup to be enthusiastic about timelines and sales goals in early planning efforts and then gradually ignore them or push them aside when, in the early months of business, they are not met. This lack of diligence so often seen in inexperienced management is a shortcut to failure. Metrics must be set and they must be honored. Perhaps that will require an adjustment to make them more reasonable, but they eventually must be honored.

Where the sales plan identifies targets, you are specifically designating a company or a group of companies or an industry as candidates for your sales effort. For some companies this identification of client targets will be easy. For example, if you're

manufacturing utility software for web hosting companies then your client targets will be web hosting companies. In other cases however, the identification of the “low hanging fruit” to use an old marketing term, may not be so easy . For example, suppose you’re hosting web based e-mail services. In this case, you may not be sure if your best target is the education market, professional services like law firms, large corporations, or portal services . In this case, if the company has limited sales resources, then the identification of primary targets for the sales effort is much more critical to the company’s success.

If your company has an actual sales and marketing structure, as it should up to some point, then that structure should be described as a hierarchy near the end of the document. A sample structure will be shown in a later slide.

The sales and marketing plan will normally conclude with a budget which a largely be based upon an estimate of salaries and other payments for sales and marketing personnel combined with projected travel costs, telephone costs, convention planning, and anything else that will have a cost basis described elsewhere in the sales and marketing plan.

In many occasions the sales and marketing plan is an important part of a much larger business plan that is being used to raise funds. Because of this, the sales and marketing plan must be credible and properly budgeted. The kind of planning required to develop a good plan is burdensome and a lot of trouble to the management staff of any emerging company and not nearly as much fun as product development. But a good plan is more likely to produce good results than a haphazard effort.

If in a rush the management team can prepare a shortened version of the sales and marketing plan which should include at least the blue highlighted features of the points on the slide.

Sales Strategy

1. Statement of objectives
2. Target sales
3. Positioning
4. Marketing mix
5. Pricing
6. Services and support
7. Partners

In the last slide I pointed out that the sales strategy is central to the well designed sales and marketing plan. This slide discusses the sales strategy in more detail. What is provided here is a typical format, although any format that includes most of these elements is suitable.

The sales strategy should begin with a general statement of sales objectives, basically a summary of what is to follow.

The combination of targets, positioning, and marketing mix, and the relative importance of each of them, will depend upon the product or service that you're trying to sell. To get a sense of the relative importance of these at how this might be done for specific products you might refer to a sales text on these subjects. The marketing text assigned for this course by William Davidow addresses both of these topics.

Positioning might better be termed “positional definition in the eyes of the client.” It refers to a positional image. Consider for example, the position of Intel versus that of AMD, or of Dell versus Hewlett Packard. One might be seen as the clear industry leader and the other might be seen as a more nimble and eager competitor hoping to supplant the leader at the top and take over the pack.

Certainly a new startup in an emerging industry will want to soon be identified as the company positioned to break away from the competition, typically by being the company that is projected to capture the most market share. Somehow, your positional image must be able to explain how you are a more likely candidate for this than one of your competitors. Clearly, you must be a leader in innovation and product quality and but also a company that is poised to grab market share quickly if you are positioning your company to be an emerging market leader in your industry, which you probably must do if you hope to attract any serious funding.

The marketing mix refers to the mixture of the means you intend to employ to reach out to your client audience. As discussed earlier, this will be driven mostly by budgetary considerations for the early stage startup and consist of those marketing devices, such as direct mail campaigns, press releases, different kinds of advertising, and so forth, that you can afford or will be able to afford if an ongoing funding campaign is successful.

Clearly pricing strategy is an essential part of the sales plan. Your startup must either have a clear advantage on price or the quality of support over competitors or some other obvious advantage if you are forced to price at market. This is one area where intelligence of competitors' activity is essential. You really need to know what competitors are charging for their products or services so that you can figure out how to beat them.

As was stated earlier, sometimes you have to price below cost to earn your first sale or series of sales, but at some point you have to become profitable. Eventually, you must settle on pricing schedules that meets or beats the competition but gives your company positive margins. Again, if you don't beat the competition on price then you'll probably have to beat them on some other important feature such a service or customer support. If you're lucky enough to have developed a product or service that is unique and distinguishable from that offered by the competition then you may have some latitude on determining price. For example, when spam became a serious problem for e-mail, many companies emerged with competing technologies to prevent spam. They were not offering an identical product, they were merely promising the same end result. But some technologies were perceived as more effective than others, and end users were willing to pay a higher price for what they perceived to be a better technology. So if your product is differentiated from others and you have successfully positioned yourself to be identified by that difference, then pricing may not be so much an issue for you as it is for a company that is offering a product or service nearly indistinguishable from the competition.

I have already spoken a great deal about service and customer support. If your primary competitor is an established company with an established market then you may want to position yourself as a David to this established Goliath. The most obvious avenue for doing that is a high standard of service and service support. Your company should seriously consider positioning yourself as a strong service-oriented company. However if you make that commitment, and if you sell yourself on that commitment, then you are obliged to deliver and you must absorb all of the costs that are necessary to deliver your

promise adequately. This is an important commitment because, as has already been stated, customer service support has a reputation for closing off net margins for even well-established companies. Therefore the service-based strategy must be planned through in meticulous detail and all associated costs reasonably estimated.

Finally, some startups have established relationships with resellers and partners on joint sales strategies. If that is the case, then that program is described either here or earlier in the sales strategy, depending upon whether it is central to the sales approach, where it must be described earlier, or an extension of an in-house sales approach, where it is best described at the end of the document.

The next slide discusses one such common arrangement, the channel partnership.

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Channel partners

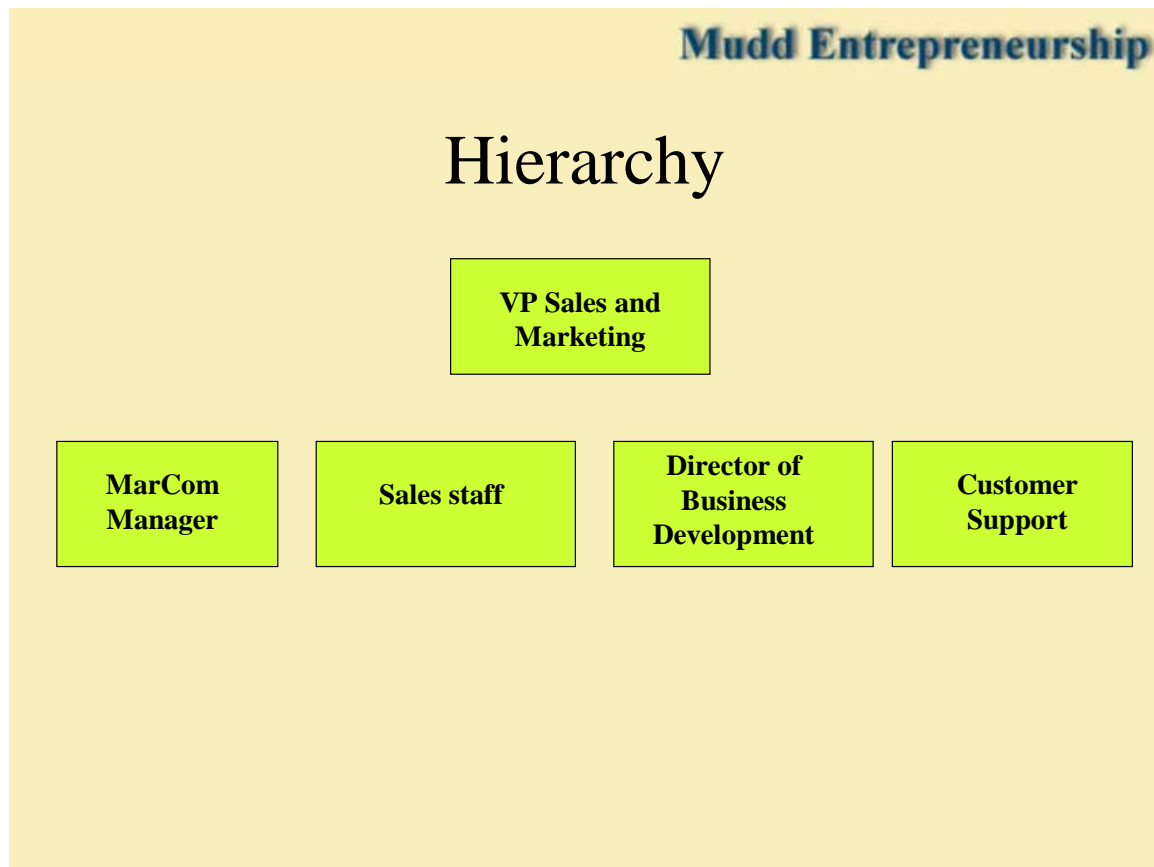
- All contract based
- Agency contracts
 - Regional without exclusivity
- Distribution contracts
 - Regional with exclusivity
- Contracts determine branding, revenue splits, and support requirements

Regional or institutional resellers are referred to as channel partners. For example, if your business is located the United States and most of your sales are in the United States, but if you rely on a reseller for overseas sales then this party is a channel partner. Likewise, if you sell to a wide range of industries directly but also use a banking specialist to sell to the banking market alone then, again, this party is a channel partner.

Relationships with channel partners usually divide up the revenue from sales according to a contract established with the channel partner. These can be classified as *agency*

contracts, which are often regional without exclusivity, meaning that the channel partner is restricted to selling to a specified region but that others, including possibly your own company, may sell in the same region, or *distribution contracts*, which are also regional but give the channel partner a monopoly on sales of your product.

Especially with overseas channel partners, some attention must be given to who is responsible for branding and customer support another post-sale conditions expected by the client. All potential disputes should be resolved in advance through the creation of a thoughtful and comprehensive contract. Obviously conditions for splitting revenue whether simple or complex, should be laid out in careful detail.



The final slide shows a typical simple hierarchy for the sales and marketing division of the small startup.

If your company has a professional sales staff then it will probably be headed by a person with the title like Vice President of Sales and Marketing. This person will, of course, be the executive who is responsible for preparing and executing the sales and marketing plan that we have discussed in this document.

The MarCom manager, an abbreviation for Marketing Communications Manager is responsible for all of the promotional material, such as press releases, advertising,

branding programs, and sales support material necessary to generally promote the company's image and support its sales campaigns.

The sales staff is, of course, directly responsible for sales.

The Director of Business Development (or similar title) is responsible for developing business partnerships, alliances, and sometimes channel partners or other parties who assist in sales or are responsible for sales other than in-house sales.

The customer support staff is responsible for the all important service provided for established customers.

Your company may at first be too small to afford an entire division of sales and marketing, but the CEO must at least ensure that some designated staff member or members is fulfilling all four of these requirements and has their responsibilities and accountability laid out accordingly.

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