

7-10-2009

Ventures need to draw on entrepreneurial salespeople

Ashok Rao

Follow this and additional works at: <http://scholarworks.rit.edu/article>

Recommended Citation

Rao, Ashok, "Ventures need to draw on entrepreneurial salespeople" (2009). *Rochester Business Journal*, vol. 25 (14), Accessed from <http://scholarworks.rit.edu/article/180>

This Article is brought to you for free and open access by RIT Scholar Works. It has been accepted for inclusion in Articles by an authorized administrator of RIT Scholar Works. For more information, please contact ritscholarworks@rit.edu.

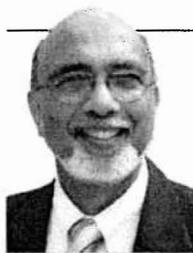
Ventures need to draw on entrepreneurial salespeople

In the movie "Field of Dreams," Ray Kinsella hears a voice urging him to build a baseball field: "If you build it, they will come." Kinsella builds the field, and they do come!

Innovators, too, respond to an inner voice. They are confident that once the market knows of the product they have created, customers will flock to buy it. They build an inventory, hire a sales force, and—no Hollywood ending here—incur costs that can doom the venture.

A serial entrepreneur I know designed an innovative bicycle. His "inner voice" told him the urban cyclist needed a small, foldable bike to ride from the subway to work. He designed it and showed the prototype at a trade show. The response was enthusiastic; customers told him they were eager to buy. He invested in 1,000 bikes, an extensive ad campaign and a national sales force. But sales were slow as competitors made bikes at lower prices and seemed more in tune with customer needs. He still owns many of his foldable bikes.

How can innovators better the chances that customers will indeed come? Mark Leslie, former CEO of Veritas Corp., argues that marketers of innovative products must identify customers and develop a nuanced understanding of their needs. This calls for frequent communication between the market and the organization. The salesperson is essential to that exchange as the product moves up what Leslie calls the



INNOVATION EDGE

Ashok Rao

sales learning curve.

The sales learning curve has three stages. Over time the sales yield (defined as the average annual revenue per salesperson) increases. During the initiation stage, growth in the sales yield is slow as the salesperson gets a deeper understanding of the product and learns which market segments would derive the most value from it. The salesperson devises solutions for customers along with incentives such as discounts. Toward the end of this stage, the sales yield begins to equal the cost per salesperson as the company acquires a critical mass of customers.

During the transition stage, learning continues and the product is refined. Initial customers provide references for the product, and the pace of sales increases. As the company moves into the execution stage, the sales force can increase in direct proportion to sales. When the company achieves sales traction, it can primarily hire traditional salespeople who are given territories, price books, marketing collaterals

and sales quotas.

In the 1990s, Pictometry was a struggling engineering company stuck in the initiation stage and needed a salesperson, so investors sought the help of Richard Kaplan. His first step was to understand the technology, and after talking with customers, he suggested changes in the product design. Then he called Geographic Information Services and other potential customers, but there was no interest. When he persuaded a GIS department head to tell him why, he learned that Pictometry's product was in direct competition with GIS' own work. Kaplan was targeting the wrong customer!

He then began to target the end users such as police, fire departments and assessors. They provided further insights to make the product more valuable. Today Pictometry is hiring traditional salespeople as it expands into new markets.

Entrepreneurs have a keen appreciation for the importance of the salesperson. They look for salespeople with a talent for communicating with engineers and product designers as well as engaging the customer. Such salespeople have entrepreneurial traits such as a willingness to take risks and rapidly create solutions that meet consumer needs. In the early stage of taking an innovation to market, their talents are keys to success.

Ashok Rao is dean of Rochester Institute of Technology's E. Philip Saunders College of Business.