

## **ENTREPRENEURIAL SELLING**

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## ACADEMIC ABSTRACT

Research indicates that entrepreneurs are often unprepared for the challenge of generating early sales. This article makes the case that entrepreneurial selling is different from professional sales and that the founder must be the company's first salesperson. Only the entrepreneur is able to communicate the complete vision of the company with the necessary passion and commitment. Further, entrepreneurs must do the early selling to learn how the customer values the company's offering. To sell successfully, entrepreneurs must master a four stage sales process comprising selecting the right target; engaging the prospect; making the match; and doing the deal.

## EXECUTIVE SUMMARY

Research indicates that entrepreneurs are often unprepared for the challenge of generating early sales. This is a critical gap given that customers are a company's best proof-of-concept, market test, and risk reducer. Founders must become the company's first sales person. Only the entrepreneur can communicate the full vision of the company's offering with the commitment and passion needed to engage risk adverse customers. And they must do so to learn what the market needs and create an offering the buyers will truly value.

Entrepreneurial selling is different from professional sales in that the professional salesperson is backed by a plethora of resources from an established brand to marketing and customer service support. The entrepreneur has none of these to rely on so to sell successfully, entrepreneurs must master a four stage sales process comprising: 1) Selecting the right target – narrowing down the universe of prospective customers to a small well defined group of potential buyers whose shared need makes them both likely to buy and good reference customers to support later sales. 2) Engaging the prospect – finding the specific individual buyer and getting in the door to begin the qualifying process that will lead to a good fit between company and customer. 3) Making the match - creating a dialogue that gets to the heart of the customer's needs and demonstrates how the new firm's offering creates value. And 4) doing the deal – asking for the business and setting expectations in such a way that the entrepreneurial firm can meet them and generate a profit. Only by climbing this learning curve will the entrepreneur be in the position to hire and support a sales force.

## ENTREPRENEURIAL SELLING

*“Build a better mousetrap and they will beat a path to your door.” Ralph Waldo Emerson*

Ralph Waldo Emerson’s well known cliché may be the worst myth ever perpetrated on entrepreneurs because it puts all the emphasis on invention and dismisses the challenge of go-to-market. The truth is that no product or service sells itself and many a “better mousetrap” has died on an inventor’s shelf or been over taken by a lesser product with better sales and marketing. Do you use a TiVo or a Comcast DVR? Right. Despite the easier user interface, superior features and a several year time-to-market advantage, TiVo will have about 2% market share in the DVR world in 2010 according to a study by the Carmel Group (Haugsted, 2007). Why? Because the company botched its go-to-market strategy by underestimating how much selling was needed to introduce a radically new device in its startup days. Correspondingly, many new products and services with little to no innovation have succeeded in the market because of a strong sales strategy. After all, the Shamwow is just a cleaning rag. And, how many abdominal muscle exercise machines have made millions?

What this means for entrepreneurs is that selling matters. Most entrepreneurs know that revenue is critical, yet few truly understand the sales process – targeting, positioning, prospecting, pricing, conversing, negotiating, and closing – that must occur before revenue hits the books. In a recent survey, early stage angel and venture capital investors were asked how well the founding teams of their investment companies were able to execute on eleven critical areas of business operations. In both high performing and low performing ventures, selling was among the three areas entrepreneurs were the least competent at.<sup>i</sup>

Before a new venture has a track record, familiar brand, clearly established value proposition, satisfied customers – often before it even offers a fully tested robust product or service – the entrepreneur must begin selling. Selling is part of the validation process. It establishes and extends the company’s network. It lays the groundwork for initial trial customers and early orders. Entrepreneurs who fail to master the sales process put their start up ventures at serious risk. Why? Because:

1. **Financial projections depend on understanding the sales process.** Launching a company takes money. The amount of money the entrepreneur needs to invest or raise is dictated by when the startup can reach cash flow positive – the point at which revenue coming into the company from sales covers or exceeds expenses. If (truly, when) an entrepreneur underestimates the amount of time it will take to sell the offering or overestimates the percent of the market who will buy in the early years, the venture will run out of cash. Later, the firm’s planning efforts depend on reliable sales forecasting – especially investment in the company’s major cost center, people.
2. **Customers are the best proof that there is a real business here.** As many internet companies have discovered, it is only an expensive hobby until people are willing to pay

for it. Customers not only generate revenue, they are a key factor in raising the firm's credibility to the market and are the best source of market research – helping the team understand how people use and value the product. Customers must be a critical part of the product development cycle – prioritizing features and identifying potential problems.

3. **Marketing alone won't do it.** Most entrepreneurs are more comfortable with marketing than they are with selling – after all sending an email or placing an ad doesn't require actually talking to anybody. They tend to believe that with the right message, customers will come to them. Not so. Companies that wait for the business to come streaming in after an investment in some key word advertising or an exhibit at a trade show will find themselves sorely disappointed. Products do not sell themselves. Most purchases involve interaction between the buyer and seller and it is most often the seller who has to find a way to initiate the conversation.

### **Entrepreneur as Salesperson**

OK, so the selling process is critical. But why does the entrepreneur have to be the company's first salesperson? Couldn't the founding team just hire some experienced sales professionals?

*True story: Patricia had just launched her product – Poopy Pickups®. Basically it consisted of a red-roofed wooden doghouse dispenser and pre-packaged bags specially designed for cleaning up after dogs. The bags were seamless on the bottom to prevent leaks and slid out of a cardboard red-roofed doghouse dispenser one at a time without spilling. Manufacturing was ready to go when one of Patricia's most respected advisors said to her, "If you really want to succeed with this company, you need to hire the very best salespeople you can find and get this into stores as fast as possible."*

*Patricia found five top-notch retail salespeople with extensive experience selling in the consumer product industry to grocery stores. She paid them market rate salaries and good commissions and set up an office with phones and computers. Five months later they had sold \$1200 worth of product – cumulatively.*

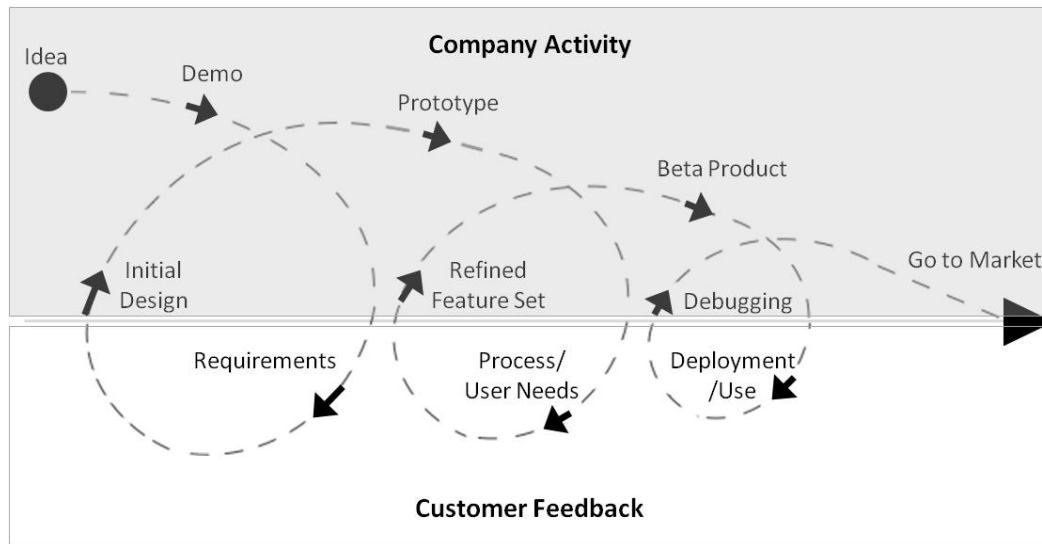
*Patricia fired them all. She considered shutting down the company. Then her banker sat her down and asked, "Patricia, do you think Poopy Pickups® would sell if they were on the store shelves?" "I know they would!" she replied immediately. "Then why don't you take six months and try to sell them yourself?" he asked. Patricia thought about this. She wasn't a salesperson but she had worked so hard to bring Poopy Pickups® to market. After a conversation with her family, she decided to give it a try. Eight weeks later, Poopy Pickups® were in 800 stores and 200 park districts.*

What happened here? Why were very experienced, well connected sales professionals unable to sell Poopy Pickups® while Patricia, with no former retail sales experience, was? The answer is two-fold; passion and commitment. Patricia believed in the product and in herself. And she was unwilling to walk away from an objection. When confronted with common questions like what other stores currently carry Poopy Pickups®? Or, how quickly are Poopy Pickups® selling off the shelves? The professional sales people were uncomfortable with and unprepared to follow up on the truthful answers – they aren't on store shelves yet so we don't know how quickly they turn. Patricia persisted. People buy poop bags at specialty pet stores. More dog food is sold in grocery stores than at pet stores so why wouldn't those customers buy their poop bags there as well? In addition, Poopy Pickups® offered the grocers a much higher margin than the vast majority of products on their shelves. The entrepreneur is the only person with the passion for and knowledge of the planned product or service who can convince potential customers that they are not merely buying the probably flawed, relatively untested product being offered now but investing in the future value the venture intends to create for and with them.

But more than the economic value proposition, it was Patricia herself that the grocers bought into. People buy from people, and for many prospective customers an entrepreneur's enthusiasm is infectious. Even more importantly, entrepreneurs can communicate the future vision with a clarity and energy that can make the potential customer willing to take the risk of doing business with a start up. At a privately owned local grocer, Patricia sat outside the buyer's office for four hours until the buyer would see her. She would bring an example of a store's own shopping bag with her into a buyer's office and show them the little holes in the bag's seams that made the "free" substitute unsuitable for the purpose of poop scooping. She would scope out the right place on the shelves for her poop bags in the store's plan-o-gram. Finally, Patricia would take back any unsold inventory if the product didn't move. Her discipline and creativity motivated the grocery store buyers to give her a chance. When buyers wondered "Will Poopy Pickups® be around in two years to supply this product?" they could factor Patricia's energy and commitment into answering that question. Today Patricia sells a whole line of pet waste management products in thousands of retail stores all across the country.

To create a product that truly meets the customer's needs with limited resources, the entrepreneur needs customer input, use cases, and problem identification – all forms of *feedback*. Entrepreneurial product development is an iterative cycle of progress, feedback, and revisions (see figure 1) that requires contact with customers. Patricia discovered with her first grocery store customer that her plain white packaging designed to be unobtrusive in the home was making it impossible to find her product on the shelf. Once she hired a professional designer to create new packaging for Poopy Pickups®, Patricia and her grocery customers started to notice that the highly visible product actually drew consumers' eyes to often overlooked products like puppy pee pads and created up-sell for the store. These kinds of discoveries do not occur in a lab – they occur at the point of contact with the customer. And, they must be communicated back to the startup to have an impact on next generation products and the selling process.

**FIGURE 1**  
Iterative Entrepreneurial Product Development



Additionally, the company’s ability to scale depends on the entrepreneur’s ability to continuously improve the sales cycle – becoming faster and more accurate at getting potential customers interested, understanding the impact of the product or service on their business, making a match between the customer’s needs and the offering, and knowing when the prospect will turn out to be a profitable customer or one the company might be better off without. This is the beginning of a process of institutional learning called by Professors Mark Leslie and Charles Holloway the “sales learning curve.” (Leslie, 2006) The sales learning curve is grounded in getting as much feedback and insight from the early customers as possible. But in order to learn from customers both for the sales learning curve and product development, the company must have some customers very early on in its launch. How does the entrepreneur get these first customers – or “beta” customers to borrow a term from the high tech industry? The entrepreneur must learn to sell.

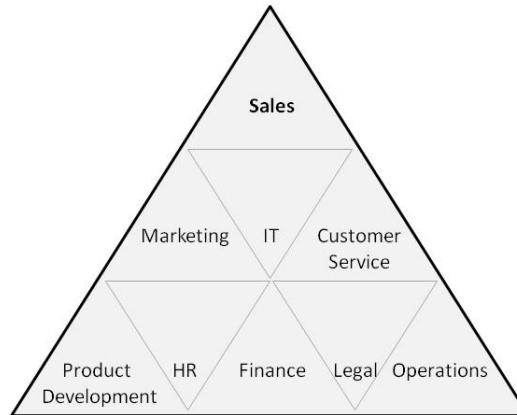
### **Entrepreneurial Selling Versus Professional Selling**

The myriad of books available on sales all assume that a company has an established product, a known brand and a professional sales force that is being optimized. Not useful for the entrepreneur trying to learn how to sell. On the flip side, a survey of entrepreneurial journals, textbooks and how-to books<sup>ii</sup> reveals that sales and the selling process are largely neglected – comprising zero to 14 of the several hundred pages these tomes contain. Compare that to the 50 or more pages dedicated to marketing, writing a business plan or raising money.

Entrepreneurial selling is fundamentally different from what salespeople do in a large company. In an established firm, the salesperson stands on the top of a powerful pyramid of resources – a company fully staffed with product development experts, marketing mavens, customer service

reps, IT professionals, legal support, and operations teams (see figure 2). The sales professional is armed with brochures, pricing sheets, prospect lists, and samples or demos, not to mention a plethora of case studies and success stories. He can draw on relevant examples of the value created for satisfied customers. And any entry point to the sales conversation is a good one, because the customer already understands most of the necessary context.

FIGURE 2  
Professional Sales is the Tip of a Resource Pyramid



Not so for our entrepreneur. For her, the situation is flipped on its head (see figure 3). She is salesperson, executive, hiring manager, fund-raiser, accountant, janitor, product visionary, and the company's best customer service rep – the only one able to answer all the customers' questions. Her stressful days are spent running back and forth across this landscape trying to balance all these requirements on an unsteady foundation of extremely limited resources – time, people, capital, and data. This is the first major challenge of entrepreneurial selling – constantly teetering on a shaky foundation while staying focused on bringing in business.

FIGURE 3  
Entrepreneurial Selling is a Balancing Act

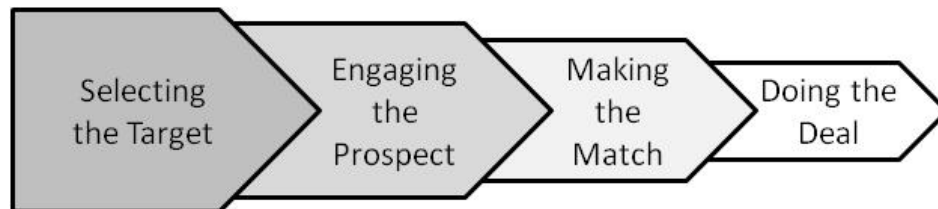


## THE ENTREPRENEURIAL SELLING PROCESS

A “professional selling process” typically begins after marketing leaves off. What this means is that the sales process models presented in sales methodology books like *The New Solution Selling* or sales textbooks like *Selling: The Profession* begin with the territory a salesperson is assigned to (Eades, 2004) or the sorting out of qualified versus unqualified prospects (Lill, 1989) and goes through the tactical sales execution cycle ending with the deal. They assume a marketing organization to define the correct market, generate the leads, and support the sale with clear positioning and a strong brand and a customer service team to review expectations and manage the process of delivering the value.

The entrepreneurial selling process reaches back into marketing and forward into customer service. It demands much more of the entrepreneur as salesperson, is much scrappier, and is driven by big, make or break decisions. At each step in the entrepreneurial sales process there are challenges specific to startups that are not present in the professional selling environment.

FIGURE 4  
Four Stage Entrepreneurial Selling Process



Entrepreneurial selling is a four-stage process (see figure 4):

1. **Selecting the Target.** Deciding who is most likely to need and buy a product or service is challenging at the beginning when there are so many potential market segments that could be chosen. In the entrepreneur’s vision, the business can service a wide swath of buyers, industries, geographies, and applications. The first important decision of entrepreneurial selling is where to start.

*The entrepreneur’s challenge:* In the professional selling environment this has typically been done in depth by the marketing organization. Lacking that support and discipline, most entrepreneurs sell opportunistically to everyone they can. It is critical to narrow the target to be effective.

2. **Engaging the prospect.** Marketing is about getting a compelling message of the product’s value proposition into places the potential buyer is most likely to see and/or



hear it. Sales picks up when an individual in that target market expresses some interest in the product. How does the entrepreneur get that expression of interest? Sometimes the customer calls the company or registers on the web site but far more often than that, the entrepreneur must proactively reach out to the target using that dreaded dirty word...“prospecting.”

*The entrepreneur’s challenge:* Established firms often have internal sales teams dedicated to lead and meeting generation. They can afford to buy targeted lists from brokers, attend a lot of events and use mass marketing tactics to increase their prospecting databases. For the entrepreneur, getting the message out there is much harder since it often takes a prospect as many as seven exposures to a new product or company to even recognize the name.

3. **Making the match.** Make no mistake, selling is a conversation. Not a monologue. The entrepreneur’s job is not to “pitch” or sell the features and benefits of the product or service – something they love to do. The entrepreneur’s job is to get the potential buyer to clearly articulate her needs, budget, timeframe, and desired outcomes and to sit there and listen. Only when the entrepreneur has truly listened to the customer, can he match what his startup offers to what the client is specifically looking for – this is much more difficult than “pitching.”

*The entrepreneur’s challenge:* Lacking the context of an established brand, extensive track record and robust, well-tested offering, the entrepreneur must spend a lot of time in this phase building credibility and overcoming the liability of newness. It is essential to do a lot of homework before beginning entering into this dialogue so the entrepreneur can become as knowledgeable about the prospect’s industry and business issues and is prepared to add value in the sales process.

4. **Doing the deal.** Again, entrepreneurs assume once the client sees the value proposition, out comes the wallet. Not so fast. If the entrepreneur has done a good job in the match-making phase, a deal is there for the doing but it will take some work. Buyers are often reluctant to commit. Making the ask, or closing the deal, is something entrepreneurs must be prepared to do – and do elegantly.

*The entrepreneur’s challenge:* Entrepreneurial over confidence – and the desire to win every deal – can easily lead to contracts that the small firm is challenged to deliver on, will drain the startups scarce resources or will fail outright. Spending time resetting expectations right after the ink dries will help the both the entrepreneur and the client move forward with confidence.

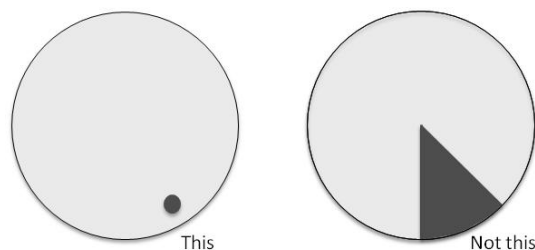
This process tears an entrepreneur away from his natural tendency: to polish and hone and hone and polish that product or service until it glimmers in the sun. Why do entrepreneurs spend way too much time shaping and honing and polishing products? Because it's what they know. The product is what drives the entrepreneur's passion for the business in the first place. Why wouldn't he spend every waking moment making sure it works and is beautiful? Because a perfect product that no one ever buys is a failure, that's why.

The other reason entrepreneurs 'polish the stone' is that it's comfortable. They don't have to answer the questions Patricia got like "Why should I trust you? You have no track record." Entrepreneurial selling is uncomfortable, and it is the entrepreneur's ability to embrace that discomfort and make contact with customers that drives success. This is when feedback enters the equation and things begin to accelerate.

### Selecting the Right Target

Most starry-eyed entrepreneur's going-in assumption is typically "everyone needs this!" They hope to build a big business by capturing just a small slice of a huge market pie, so they dive in and start marketing to that entire slice. This undisciplined thinking is what causes entrepreneurs to try to market to everyone – scattershot – instead of systematically and thoughtfully selecting the right set of customers to approach first (see figure 5).

FIGURE 5  
An Initial Target Market



Why is this so important? Aren't more customers better than fewer? Is there really a risk to starting with a broader market?

*True story: When Lou took over the startup company Adeptia, he was extremely impressed with the technology the company offered. Adeptia's tools took the hardest technical systems integration problems and turned them into point-and-click exercises – no custom code needed. Using his network connections built over a long career in the technology industry with great companies like IBM, EDS, and Oracle, Lou convinced the person in charge of creating a unified customer relationship system for a huge telecom company that had just merged with another player to give little Adeptia a chance. "Just share five data elements*

*with us, things you don't think your team will be able to get into the merged system on time, and we'll get them done for you." In a matter of weeks the data was flowing and so was the contract.*

*Adeptia was able to successfully enable a document management system for a name brand food producer, forms routing for a large printing company, supply chain integration for a high tech firm and claims workflow for an insurance giant. It even provided an embedded version of its technology to another software provider to smooth customer data integration in the complex automotive parts industry for their supply chain solution.*

*Yet, the sales pipeline was slow to develop and Adeptia was almost out of money.*

What was Lou's problem? With the limited resources of a startup, the target market was all over the place. Customers were in wildly diverse industries – telecom, insurance, automotive, printing, food, and high tech. Applications varied from customer relationship management to workflow and document handling to supply chain integration. Every sales engagement was a time and resource intensive sinkhole and every implementation was a one-off project with little that could be used for the next customer. Without deep financial pockets, the lack of focus was going to kill the company. Lou knew he needed a specific target for the product so he stopped selling to everyone. He examined where Adeptia was adding the most value for clients. Then, he pitched the large insurance provider on a partnership to develop insurance industry solutions – and a joint venture was formed. Now the Adeptia offers a limited portfolio of products in clearly defined, narrowly focused categories.

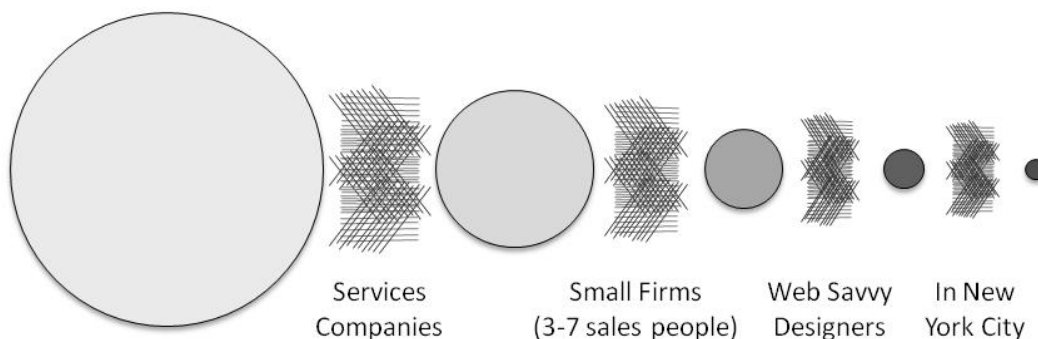
One of the toughest jobs an entrepreneur faces is deciding who to sell to first. Only when the product is in customer hands or the service has been performed a few times will the entrepreneur begin to understand how it is valued and where to take it next. But disappointing the wrong customer too early could spell the end of the company. Someday, the company may be big enough and established enough to take on all the customers who could benefit from its products or services but at the beginning, a narrowly defined initial target market gives an entrepreneur the best chance to succeed.

Defining any market is about determining what problems, characteristics, buying habits, needs, and budgets a group of customers really have in common. Starting at the highest level – the problem being solved – gives the entrepreneur essentially the entire possible market of people who might benefit from his solution. Using filters like industry vertical, size of company, emphasis on particular activities, geography, etc. allows the entrepreneur to select a group of potential customers whose similarities will speed his ability to use business cases, references, stories, and data to get in the door and have meaningful conversations with new clients.

*True story: Inspired by Geoffrey Moore’s book, Crossing the Chasm, Uzi knew that his new business, Future Simple, needed to find some early adopters to buy his small business sales management solution called PipeJump. Sales management software could be used by virtually any company with a sales force – in other words, just about everyone. But Uzi knew with strong competitors in the market like Salesforce.com, he would really need to understand and articulate why PipeJump’s intuitive user interface and easy setup created specific value for his customers that they couldn’t get elsewhere. And in order to do that, he needed customers.*

*Looking at the universe of companies that have large sales teams, Uzi decided to start with the kinds of companies whose problems he understood best – services firms. He had been in consulting and had started his own web agency and, unlike product companies, selling for a services firm had a lot of custom components to it and not a lot of simple re-ordering. Then he considered the size of company to target. Large firms, he thought, had the resources in terms of money and training to deploy and get the maximum value out of Salesforce.com. And if there was a really big company that didn’t like Salesforce.com or one of the other existing solutions that decided to try PipeJump, Uzi knew the technology wasn’t ready to support that many users so soon. A sweet spot would be companies with a handful of sales people – not an army. But law, consulting, distribution, education, business services, design, and development companies were all different. Some adopted technology easily others didn’t. Some would buy over the Internet, others wouldn’t. Knowing he wanted web savvy customers and having started an Internet design firm himself, Uzi decided to start with them. They weren’t very sophisticated in the way they dealt with sales and definitely needed help – and Uzi knew how to talk to them. To maximize his marketing dollars, Uzi decided to start with small designers in New York where there were a lot of little firms (see figure 6).*

FIGURE 6  
Filtering Down to an Initial Target Market: Uzi’s Example



Was Uzi making a mistake, potentially leaving a lot of business on the table by targeting such a small specific market at first? The answer is no. The few opportunistic customers that the startup might miss in these early days of selling will be more than made up for by the improvements in the product, the company's positioning, the marketing effectiveness, and the ability to climb the sales learning curve mentioned earlier by the experience gained within a well defined initial target market. Several months after launching the product, Uzi had a few dozen design firms as customers. He had customers that attributed real increases in their sales effectiveness to their use of PipeJump. He had accumulated great industry and press coverage – increasing the company's credibility. At the same time, Uzi had learned that geography didn't matter. As a web company, people from everywhere were finding Future Simple. He had also discovered that this market really didn't understand the process of selling – Future Simple had to educate customers about their own sales efforts and that was hard to do with limited resources. While Future Simple was not going to be able to scale selling to this market alone, Uzi had what he needed to attack a bigger more lucrative market – knowledge.

To assess whether their filters have lead them to a good initial target market, entrepreneurs can ask three questions – Does this market allow us to:

1. **Deliver real value quickly?** It will take time and money to get the solution the entrepreneur has in her mind fully developed and ready for market, but if she spends all that money and time on the product before selling, how will she know that the product actually creates value? What is the smallest unit of value that can be created for the minimum resources? Is there a customer segment where the pain being solved is so high that even a minimal offering will be useful? Start there. Look for a market segment with a high degree of pain and a willingness to invest in a new solution early on.

One example, a company is offering a new solution for making sure that a firm's policies are being followed. An industry like banking or insurance that is under the scrutiny of the SEC right now might feel that pain so acutely that buyers will be willing to work with the startup trying to bring that solution to market just to get help a little sooner.

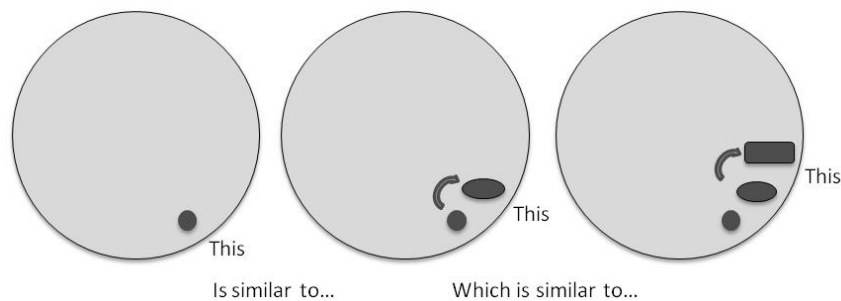
2. **Gain access to multiple customers?** Having a single customer is not sufficient. A software solution that is developed for a single initial customer may be so specific that it is hard to sell to anyone else. This happened in the early days of Healtheon, which became so embedded in first customer GE Healthcare's internal systems that no other healthcare company could have used it. The company had to completely restart development efforts to create the solution that later became WebMD. Entrepreneurs must engage a small group of initial customers to ensure that the offering is broadly applicable. That means he will have to open more than one door to create a meaningful body of work. Large companies never think about things like network connections when

selecting where they will test market a new product, but entrepreneurs have to. People do business with people they know and trust, so knowing someone directly in the target market or connected closely to it will help get the initial conversation going.

For instance, a market research company with a new online survey tool could sell to any number of industries. Consumer product companies buy the most market research but if the entrepreneur comes from the banking industry he may have great connections with the people developing new consumer credit card or checking products that also do substantial market research.

3. **Connect to analogous industries?** The startup firm may be able to become cash flow positive selling to just those customers in its first target market but to really grow it will eventually need to diversify into new markets. That is when making the case that the problem solved for customers in the first market is comparable and relevant to buyers in the next target segment is important. Work will be needed to customize a solution for the new market but, as a salesperson, the entrepreneur will be able to use the references and business cases of the first market to open doors in the new segment (see figure 7).

FIGURE 7  
Using Analogous Industries to Grow



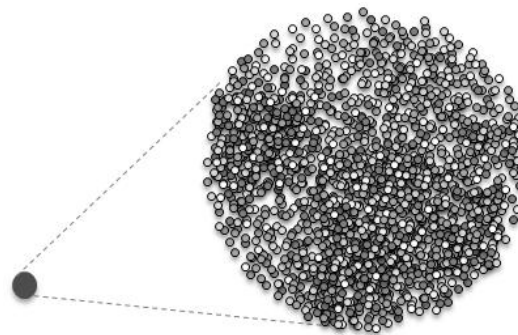
Case in point, a company whose technology could monitor massive quantities of sensor data on an airplane and use that data to predict equipment failure could say to the utilities industry that the sensors in their equipment are similar to those on aircraft and the parts in their plants have maintenance and repair cycles that could be predicted just like jets do.

Working through the characteristics filters and answering these three questions should lead the entrepreneur to a very well-defined niche market – a group of potential customers with shared pain, budgets, requirements, demographics, etc. – and a good place to start.

## Engaging the Prospect

Once the team has selected a tight, well-defined market segment, the selling (and yes, marketing) conversations can begin. But “markets” don’t buy a product or service, individuals do (see figure 8). So how does the entrepreneur turn the set of characteristics that describes the initial target– web-savvy, design houses with small sales teams struggling to manage their sales pipelines – into individuals who can be contacted so the selling process can really begin?

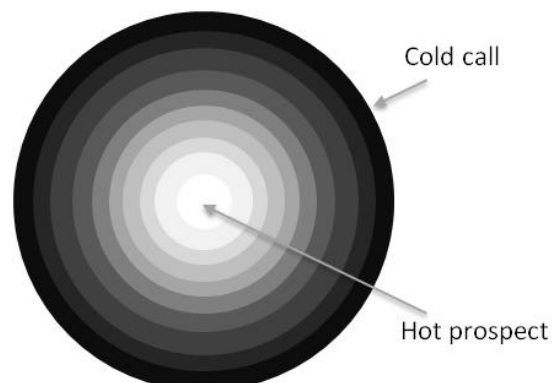
FIGURE 8  
Markets Are Made Up of Individuals



Engaging the prospect has two critical steps, lead generation and qualification.

**Lead generation is the process of finding the names and contact information for the individual buyers in the target market and reaching out to them.** There are two places entrepreneurs must go to generate leads (see figure 9). The tightest concentric circle around the entrepreneur is the network – rich with people who can, and will, connect her to prospects. These are known as hot prospects, and they are the most obvious, and best, place to begin. They will be much more likely to listen, give feedback, and even buy from the entrepreneur because they are closely connected via her network.

FIGURE 9  
Networking Provides the Hottest Leads



The second place she must venture is into the great beyond – the people who fit the target profile but are otherwise stone cold to the entrepreneur. Why spend any time early on pounding away at cold leads when it feels better to stay warm by the fire of network connections? Because, the hard effort of cold-calling makes entrepreneurs stronger and smarter. So many of the lessons the entrepreneur can learn – about the product, about targeting, about the sales process, about themselves – will come as she takes a prospect from ice cold to “client.”

But, the entrepreneur doesn't want just any business that Uncle Jon is willing to throw her way or any cold call that answers the phone – she needs business *inside the company's target*. This is why targeting is so important before entrepreneurs start selling.

Now that the entrepreneur has identified a lead and gotten him on the phone, it must be time to talk features and benefits. No. Not yet. In the excitement of engaging in a conversation with a real, live prospect, entrepreneurs often dive right into the product or service and how all of that built-in genius will help the prospect. Some of that selling has to happen, of course, but how do we know we are not wasting time with a prospect who is showing genuine interest but who will never buy anything? Ask them.

As early as possible in the conversation, entrepreneurs must tackle another uncomfortable but critical action, qualifying. Just as she must be certain that a prospect fits the target profile she has chosen, she must now be certain they can and should buy.

**Qualification lets the entrepreneur know if this individual buyer is a good fit for the company.** Success in entrepreneurial selling is about assessing a prospect against the targeting filters and qualifying as fast as possible, not about fully engaging every prospect out there. Many potential clients will require too much customization, burning precious resources. Some will grind so hard on price they devalue the product and cause the startup to lose money. Others won't have the budget available and will drag out the sales process endlessly. Entrepreneurs must learn to walk away from bad business. This takes tremendous discipline.

Qualifying a prospect is a balance of asking good, hard questions that establish a prospect's seriousness while maintaining his interest. Questions such as:

- How does your decision process work for a product/service like this?
- What kind of timeframe are you on to get to a decision?
- Who else would be involved in this process?
- Why was the budget for this approved now?
- How could this effort get derailed?

This short list of questions quickly and efficiently gets at whether the person you are speaking with is the decision-maker, has the money, and has some urgency. If the answer is yes, then the



entrepreneur should proceed to the Making the Match phase of the selling process. If no, he should ask this person for an introduction to the decision maker or simply walk away and move on to the next prospect.

Qualifying doesn't end until the deal is closed, but if you think of the qualification process as a ladder, then where would you rather fall off, earlier where the fall is shorter, or higher after you have invested your precious time and the fall has a much harder landing?

### **Making the Match**

Once a prospect is engaged and the qualification process has begun, it's time to begin making the match – defining and articulating how the startup's offering will meet the customer's needs and create value for them. Again, there are two critical steps in making the match, determining fit and proposing.

**Determining fit means understanding the potential customer's requirements, goals, concerns, and constraints, and aligning your value proposition as closely as possible to them.** This is the heart of the selling process where both parties agree that it's worth having a conversation. Similar to qualifying in the engagement phase, the most powerful tool for determining fit is a list of great questions. Not closed-ended questions that can be answered with a one-word answer (“Is this important to you?” “Yes.”). Not even generic open-ended questions that can be easily answered (“What is the most important thing you need to accomplish?” “Lower costs.”). Easy questions tend to stretch out the selling process unnecessarily, and just like qualification questions, the earlier a match fails the better. Notice that the qualification questions above are great questions.

Finding the right probing questions that go beyond the simple closed and open-ended questions takes preparation. “Great” questions are just that. They make the prospect really think about *how* this product or service will be used and *why* that's important for him now. Great questions most often start with “how” and “why” and they elicit analysis of the form that makes a prospect articulate why this purchase makes sense – or why it doesn't.

Great questions allow entrepreneurs to make a match by creating a conversation that doesn't just bounce along the surface, but dives deeper to determine whether or not this deal makes sense for both parties. Are the economics right? Can the requirements be fulfilled? Will the promised value be attainable? They help to frame the engagement with the customer, identifying scope, timing, specific deliverables, and risks. One critical question that entrepreneurs must be disciplined in asking is, “What exactly do you expect from this relationship?” to ensure that the company can deliver what the client is asking for. Throughout the match-making process, the entrepreneur must bear in mind that the startup is new, relatively untested, and resource constrained. Entrepreneurs often get so caught up in the excitement of a potential sale that they promise the moon without being sure they can deliver it. Failing an important customer in the early days is far worse than losing the deal.

**Proposing brings everything the entrepreneur has learned from determining fit and qualifying into the specifics of how an engagement would work between the parties.** For most entrepreneurs, writing proposals is the most comfortable part of the selling process. Why? Because we get to go back into the cave and emerge with a document that spells out our genius. But it's also the place where entrepreneurs try to say everything, adding unnecessary complexity and slowing down the deal.

Our tendency is to go back to features and benefits and why what we have is pure genius, versus simply reinforcing the conversations we've had with key points and a price. Successful entrepreneurs offer concise proposals that capture the key elements from the selling conversation and leave it at that, rather than relying on boilerplate proposals with pages of features. Using the customer's own language, emphasizing her priorities, and reviewing the specific requirements for her environment will make the customer feel heard and the proposal feel unique. If great questions have been used to make a match, the proposal is simply the key points that reflect the agreement with a price that's already been discussed and agreed upon.

### **Doing the Deal**

The last part of the entrepreneurial selling process by now may be obvious.

**Closing is the moment in time when the entrepreneur has to actually ask for the business.** Millions of dollars of training budgets are spent annually on this most mysterious and difficult part of the selling process. What a waste. In entrepreneurial selling, as in all forms of selling, "closing" is the natural outcome of a sales process done well. For some reason, we add mystery to this step of the process and thus make it difficult and stressful for both parties.

Think of closing as getting engaged to be married. When a person asks for someone's hand in marriage, isn't he pretty sure he's going to get the deal? It's not often the case that he gets down on one knee thinking; "I don't know her that well, but what the heck...let's give it a shot!" The "Yes!" he's looking for most often results from a process of successfully making the match, not the "trial close," "puppy-dog close," "take away close" or any of the other disingenuous closing techniques taught in many formal sales training programs.

When a series of great questions has resulted in a proposal, the question turns to; "Are you ready to move forward?" That's it. No mystery. No fuss. If the answer is no, then the entrepreneur moves back to great questions and continues making the match – starting with the question "what is holding you back?" If yes, then the final step in the selling process is to re-set expectations.

**Re-setting expectations ensures that the buyer and seller are on the same page.** Just when the entrepreneur thinks that she is finally finished, having moved a "prospect" to "client," there is one final step that makes entrepreneurial selling unique. Unlike in professional selling where the salesperson is supported by a large organization that has a high tolerance for absorbing

unrealistic client expectations, the entrepreneur does not have that luxury. Engaging the wrong client or failing a big account with influence in its industry can quite literally kill the startup business.

*True story (in this story names of people and companies have been changed for anonymity). Chief Commercial Officer, Beth looked at the contract she was holding in her hands. It was, simply put, a disaster. In their exuberance and optimism, the founders of International Knowledge Group (IKG), Andy and Alan had sold to every company they could get in front of – whether it was a good fit for IKG or not and this contract was a prime example. The buyer was a large California-based software company, very sophisticated when dealing with vendors. Entrepreneurs Andy and Alan had been out negotiated by a savvy buyer. They ended up writing a contract that allowed this company unlimited custom consulting under the guise of a \$40,000 subscription agreement. Beth looked at the account logs. The software company had eaten up over \$250,000 in valuable research time – far more than the contract was worth. Worse in Beth’s estimation, the research talent devoted to this one client prevented resource constrained IKG from developing more scalable products applicable across IKG’s entire client base – which were needed to attain higher margins per customer and enable IKG to become cash flow positive. There was no way she was going to renew this contract the way it was.*

*It was an extreme example but it was only one of many. In fact, Beth had inherited a high percent of unprofitable contracts and renewal rates south of 55%. In thinking they could be all things to all companies, the founders had brought on a lot of clients with unclear expectations who could not be properly or profitably serviced. Beth looked at the contract in her hands and sighed. With a burn rate that far exceeded what they were taking in each month in sales, the CEO wasn’t going to be happy with anything that jeopardized another deal. But this is what Beth had been hired specifically to do – ensure the long term success of this company by scaling sales and it was going to have to begin with cleaning up the entire book of business.*

Entrepreneurs have so much faith in what they can accomplish that they have a strong tendency to over sell. The thought is, “this request is part of our ultimate vision so we’ll just build it now for this client. We have to do it.” While this “can do” attitude is essential for early entrepreneurial success, lack of discipline around setting and managing expectations is a recipe for disaster. IKG was creating a lot of value for customers but in specific areas – not every product in every market. Beth was able, after some very difficult negotiations, to reposition what IKG brought to that software company and renew a very different – and much better deal. With the CEO’s support, Beth standardized offerings and terms and instituted rigorous contract management review processes across the sales organization. And after suffering with 55%

renewal rates for a year, Beth had turned the company around – delivering nearly 100% growth and over 75% renewal rates the following year.

Re-setting expectations may sound counter-intuitive, but many successful entrepreneurs actually document what's not included with their products or services directly in the proposal. This is a great way to begin to make sure that expectations are clear and attainable. There is no better time to do this than when the prospect is transitioning to client and excitement is high. If the client is going to have unrealistic expectations, when would the entrepreneur rather find this out, when it will result in a disappointing loss or when it could stretch the company to the breaking point?

The deal is done when expectations have been established in such a way that the startup company can over-deliver. Okay, now it's time to open the champagne...while updating the financials and taking out the trash.

## **The End Game**

Entrepreneurs and founders who master the entrepreneurial selling process effectively will accomplish three critical things for the company:

1. **Improving product value and marketing effectiveness.** By working early and often with customers from the very start will dramatically increase the firm's ability to make something that will meet market needs and exceed customer expectations. The customer cannot be the only driver of innovation that the startup relies on – entrepreneurial creativity, competition, and technological advances in the market must be considered also – but engaging customers in the selling process ensures both an emphasis on user value over slick features and a clear vocabulary for communicating that value to new customers as the company grows.
2. **Creating stakeholder value.** Revenue is the key metric investors look at to determine a company's valuation. Without sustainable income, the entrepreneur is reliant on outside capital. Mastering selling early allows the company to bootstrap some of its growth, survive during lean investment cycles, and have some leverage negotiating with investors. Customers are more than just revenue – they are firm value, the most meaningful source of market research, a beach-head against competitors, and the best risk reduction a company can have.
3. **Setting the table for growth.** Once the entrepreneur is comfortable and familiar with the selling process, she needs to begin grooming others to sell for the company as well. The entrepreneur's challenge shifts to articulating what she has learned about the selling process – the right way to engage the prospect, make the match, and do the deal – for people whose main job it will be to sell. By documenting key lessons learned from

interactions with prospects and customers, building a sales toolkit, and being able to mentor someone else through the selling process, the entrepreneur will avoid Patricia's costly mistake of failed sales hires and successfully begin the transition from entrepreneurial selling to professional selling.

Learning how to sell will force the entrepreneur away from obsession with the product or service – “what it is” – and into the customer value mind set – “what's in it for them” – dramatically increasing the new venture's overall chances of success.

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## ENDNOTES

<sup>i</sup> Survey of 60 angel and seed stage venture investors conducted by the authors, summer 2010. In high performing firms, direct selling skills rated a mean of 3.71 on a scale of 1 to 5 where 5 meant the team truly excelled and 1 meant the team was very weak. In low performing firms the mean rating was 2.78 with 32 of the respondents rating the entrepreneur as weak or very weak. In both cases, sales received the third lowest rating among the eleven categories being evaluated.

<sup>ii</sup> The survey was not exhaustive but it was illustrative. For example, of ten leading entrepreneurship textbooks examined, selling skills comprised an average of .4% of the nearly 500 pages per book with four of the ten dedicating zero pages to selling skills. In an examination of leading academic journals, sales was featured in 17 of 167 articles identified on entrepreneurial execution and only seven of these were written in 2000 or later. In a recent Harvard Business Review collection on sales from 2008, only two of the eight articles were written in 2000 or later and one of these is about pitching ideas and the other is on sales force productivity. Selling skills are featured in articles from 1947, 1964, 1976 and 1988.

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