SALES INSANITY BONUS CHAPTER

AND THAT'S WHEN YOU WHACK 'EM (YOUR CUSTOMERS)

THE CONTEXT

I've often marveled at how predictably the label 'salesperson' elicits negative personal reactions—more so than any other job title in the world. If you meet someone socially and he tells you that he's a computer programmer, you rarely register concern. If someone announces that she's a financial accountant, you typically won't run for the door. But if someone reveals he's an insurance salesperson, your first reaction might be to establish a safe perimeter.

Obviously, the salesperson has the most questionable motive of the three. You have no reason to suspect that a computer programmer wants to reprogram you. And you have no expectation that an accountant wants to hold you to account. But when you meet a salesperson, you are immediately suspicious that he'll try to sell you something. This is, in fact, a 'person' who is paid to make 'sales.'

Furthermore, selling is a personal affair. Programmers do things to computers, while accountants do things to numbers. Salespeople do things to you. And in popular culture, salespeople are portrayed as acting primarily in their own self-interest. If a seller is anywhere in sight, *caveat emptor* … Buyer beware.

That's why trust is such an important part of professional selling. As salespeople, we need to be people who exist not only to make sales, but also to make the buyer's world a better place. We need to project and reinforce an image of trust that is both sincere and credible.

However, gaining trust is a unique challenge in sales, because there's a long history of high-pressure selling techniques that were intentionally designed to manipulate buyers. In some ways, we brought the distrust on ourselves. But the profession has evolved, and the days of door-to-door, transactional sales are largely over. Salespeople today succeed by establishing strong relationships with their customers, and purposeful deception is not a sustainable strategy.

> *Salespeople need to exist not only to make sales, but also to make the buyer's world a better place*

If a seller embarks on a campaign of deceit, a smart buyer will eventually witness questionable behavior, and the buyer's distrust radar will power on. The buyer will accrue enough evidence to convict the seller, and the salesperson's run of successful exploitation will come to an abrupt end. The seller's true motive will have been revealed. Trust will be gone. And so will the customer.

Given the inevitable and destructive impact of purposefully deceiving buyers, it's shocking that a salesperson would deliberately lead such a life of crime. You would think that any smart salespeople would learn this lesson early in his career, and such bad behavior would extinguish itself in a short amount of time. But of course, you'd be wrong.

THE WORST PRACTICE

I once worked with a construction materials distributor that was suffering declining profitability. After watching the situation worsen uncontrollably for several years, the company's CEO hired my consulting firm to help reverse the painful trend. We began by examining the company's financial statements to identify the source of the problem and to formulate a remedy.

After some analysis, we realized that most of the company's profits were coming from its long-term customers. These were large builders that dominated the commercial construction markets in their respective regions, and they created perpetual demand for the construction materials that my client sold. Therefore, establishing profitable relationships with these long-term customers became our primary focus.

It also became apparent that the key determinant of a customer's profitability was the pricing that was negotiated on a project-by-project basis. And in this sales force, each salesperson had the authority to negotiate prices for every single item on every single project. Everything was negotiable, and everything *was* negotiated every single time. If profitability was to improve, so must the sellers' pricing skills.

We therefore became very interested in how effective each seller was at setting profitable prices. Interestingly, we discovered that one salesperson in particular was an apparent virtuoso at negotiating prices. His profit margins were so much higher than anyone else's that we re-did our analysis more than once to make certain we hadn't made any mathematical errors.

Also of interest, this salesperson had not been very successful in his role. He had been with the company for several years, but he'd not grown sales in his territory nor consistently hit his revenue targets. Somehow, he was a below-average performer with an above-average knack for negotiating high prices. I was soon on a plane to meet him and hopefully solve this performance riddle.

After meeting him for breakfast and tagging along for a morning's worth of sales calls, I got the sense that he viewed his role as very transactional. He appeared to have few long-term customers in his territory (which we later confirmed with an analysis of his accounts), and he didn't seem particularly concerned about developing customer relationships. His single sales objective was very clear: Maximize the price of each item he sold. His strategy and his tactics were revealed in greater detail during a conversation over lunch:

> *Me*: As I mentioned earlier, we were hired by your leadership team to find ways to improve your company's profitability. Part of that challenge is to increase profit margins on product sales, and you seem to have the highest profit margins of any sales rep in the country.
>
> *Pricing Virtuoso*: Well, it just comes down to getting the highest possible price for everything you sell. I actually enjoy negotiating prices with customers. A lot of salespeople around here shy away from pricing our products aggressively, but I love doing it. It's fun.
>
> *Me*: Really? Why do you like it so much?
>
> *Virtuoso*: You know …
>
> [He looks me in the eye, smiles broadly, holds his right hand beside his face, and starts rubbing two fingers against his thumb]
>
> [I look at him quizzically, signaling I'm not sure what he means]

[He tilts his head toward me, smiling a little more devilishly, and extends his thumb-rubbing fingers across the table so I can literally hear them rub.]

Virtuoso: You know … When I get those profit margins up, my comp plan really kicks in. I can take home 20% or 30% extra in commissions when I pump up the prices. [He smiles even bigger] And you know … That's a lot of cake.

Me: I'm sorry? Cake?

Virtuoso: Cake. Money. Cash. The stuff you use to pay the bills.

Me: Oh. So your commission plan motivates you to negotiate higher profit margins on each project.

Virtuoso: Absolutely.

Me: Well I suppose that's a good thing, but how do you get the profit margins so high on the products you sell? Aren't the customers getting bids from your competitors too?

Virtuoso: Of course. But most of the time the buyers are just paying close attention to one or two items on the list of things they need for the entire project. You know, the one or two products that cost the most money. If I can get those prices down just below the competitor's prices, the customer usually stops paying attention to all the other things on the purchase order. And once they're not looking, that's when I WHACK 'em! [He makes a swift side-to-side motion with his hand. His smile becomes somehow bigger]

Me: You *whack* 'em?

Virtuoso: Yeah! I jack up the prices on all the stuff they aren't paying attention to. I can even get above our list prices on some items, which is unheard of at this company. And the buyer typically won't know what happened, because the invoice will go straight to their accounting department. The buyer never even suspects they got whacked. And I get to take home extra cake.

Me (trying to determine if this is a viable pricing strategy or just a bad, bad idea): So they never realize they got … um … whacked? Surely they must discover it at some point?

Virtuoso: Well sometimes they figure it out. Then I just tell them it was some mistake that happened in our back office. An error in our invoicing process or whatever.

Me: Do they get upset with you?

Virtuoso: Sometimes, yeah.

> *Me*: And do they ask you to bid on additional projects after that?
>
> *Virtuoso*: Not the ones who feel like they got whacked, of course. But there are plenty of other builders in my territory. There's always another door to knock on.

And thus the riddle of the mediocre salesperson with high profit margins was solved. He liked to whack his customers, so he could take home the extra cake. But his customers didn't like getting whacked. And as soon as they discovered that a whacking had been administered, they refused to do business with him ever again. The fragile buyer-seller trust had disappeared. And so did his customers. And so did he, after one more year with this company. Apparently, he eventually ran out of new doors to knock on.

Hopefully he was able to find another sales job in an industry where customers like to be mistreated and mutual trust is optional, but I don't know where that would be. Nobody likes to get whacked—especially by people who should be there to help. Salespeople who take advantage of buyers will quickly find themselves the disadvantaged.

THE GOOD IDEAS

GOOD IDEA 1: ASSUME YOUR CUSTOMERS CAN SEE RIGHT THROUGH YOU

Buyer-seller relationships commonly involve some level of gamesmanship. Both parties carefully dispense information as the relationship develops, and trust is exchanged in incremental doses. But exercise caution, lest you cross into deception. Once buyers suspect that a whacking is afoot, they will urgently redirect their feet straight toward your competitor. Trust is both fragile and essential to selling … And nearly impossible to resurrect.

GOOD IDEA 2: TAKE THE LONG VIEW IN SALES

Sales forces tend to focus on the short-term. Weekly meetings, monthly commissions, quarterly goals—all intended to generate sales as quickly as possible and to extract maximum value from every deal. But many salespeople will be more successful if they maximize the value of their customers over time. Unless there's an unlimited number of doors to knock for the rest of your career, it's a winning strategy to treat each door with care. When the doors stop opening, so does your future.