DEATH OF A SALESMAN

– Some thoughts on a new incarnation.

A good friend of mine, Soli Doctor, heads a well-known consulting organisation involved in training sales personnel called MARC Services. They are celebrating their Silver Jubilee and I was asked to inaugurate a series of seminars to commemorate the event. I thought this was an appropriate occasion to collect my thoughts on a number of issues that we have discussed and debated concerning the sales function and how we can add value. The result is this article which might help you reflect and reinforce your commitment to a new vision of the salesman, the sales manager and the sales and marketing activity.

Many, many years ago I saw a magnificent movie called *Death of a Salesman*. It was a film version of the play by Arthur Miller. Many, many years later, as a matter of fact just a month ago, I happened to read the play. A well-known critic talks of a good play as an experience that shakes, exhausts and cleanses you. But reading this play was much more — it was a mind-blowing experience. I am sure some of you have seen or read the play. If not, I strongly recommend it.

Thanks to Arthur Miller, Willie Loman, the hero or the anti-hero, has become the archetypal salesman in modern literature — larger than life, pushy to a fault, his strength is his contacts, devious at times, gregarious, charming in his own way, and always very human. As he ages past 60, his anecdotes become more dated, his contacts fade, he lives in a make-believe glorious past that is out of touch with the present, his sales dwindle, and his commission earnings force him down to the brink of penury.

Interwoven with the story is a moving tale of a father and son relationship, built on a fantasy of mutual admiration that has never been rooted in reality. The backdrop, of course, is the Great American Dream — rags to riches, dog-eat-dog. "I put thirty-four years into this firm, Howard," says Willie to his boss. "And now I can't pay my insurance. You can't eat the orange and throw the peel away—a man is not a piece of fruit!" The play has the makings of a classic Greek tragedy.

I have called this article "Death of a Salesman" because I believe that the archetypal salesman has to metamorphose to a new incarnation where he graduates from generating business to adding value – adding value for the customer, adding value to the organization.

The first change in the mindset — and a very seminal one at that — is the awareness that we are in business to collect orders but to generate profit. It may sound naive, almost juvenile, and yet this simple, basic truth is so often forgotten. I can recall tonnes of well-known organisations in our line of business who have fallen by the wayside because their sales and marketing group ignored this simple truth. In the thrust and heat of battle, deliveries are pruned, discounts given, payments relaxed, the scope of creativity generously enlarged, penalties agreed upon, that last

10% retained by performance guarantees are over. Anything, but get the order – at any cost. Certainly, there are times when strategy demands that one reduces margins and even price at less than full cost so as to recover a part of the overheads. But marginal pricing as a way of life is the surest road to ruin. I recall, in our earlier days, a major order was an occasion for great rejoicing. Champagne bottles were uncorked, and the celebrations continued in oblivion. But 15 months later, the project ended with time over-runs and cost over-runs. The sales turnover had gone up, but profits were down, and the customer was anything but happy. The champagne had turned sour.

The second change in the mindset is the recognition that every enquiry, does not merit an offer. I realise this may be crass heresy in the theology of a sales engineer. I recall, in one of our divisions, every enquiry would be relentlessly pursued. A budgetary offer would follow, and the sales engineer would be hooked. A host of clarifications would be called for, designs suggested and modified, visits made to the plant and endless discussions minuted — only to find that either a decision for going ahead with the project is yet to be taken, or a decision is taken, in principle, but the availability of funds is far into the future, or — and that is the unkindest cut of all — the customer and his consultant pick your brains to work out an optimal solution and then make it a basis for a free-for-all tender, and a scarce, valuable, high-power resource would be grossly wasted – only 5% of the offers ended in an order. A few years later down the road, sadder and poorer, we have realised the wisdom of selective bidding.

In our line of business, it is called the Bid/No-bid exercise. What is evolved is a well-thought-out template that lists out most issues that are required to be addressed to make a meaningful decision on whether it is worthwhile making an offer: the antecedents of the customer, the nature of competition, our strengths and weaknesses and, most importantly, an evaluation of risks.

One of the occupational hazards of being a salesman is a near congenital disability for assessing risks. Everything looks bright to the point of blurring reality. If you read the play, Willie Loman's dysfunction is living in a make-believe world out of touch with reality. In the real world, customers can be difficult, costs can escalate in a fixed price contract, duties and taxes can change without notice, consultants can be whimsical, a first-of-a-kind project suffers rough weather for a totally unanticipated process change, performance parameters and penalties require inputs from the customer which he is not in a position to provide — and so on. Unless all these risks are clearly spelt out, assessed and factored in, making offers and collecting orders is a mug's game.

> "The archetypal salesman has to metamorphose to a new incarnation where he graduates from generating business to adding value – adding value for the customer, adding value to the organization."

The third wisdom that the salesman must imbibe is the wisdom of the product-mix. Let me give you an example: one of our divisions markets a standard product that sells between Rs. 2 lakhs and Rs. 6 lakhs, depending on capacity. It enjoys a contribution over materials, conversion costs and direct expenses of around 48% to cover overheads and profits. The same selling team markets another product for larger users (for a similar application) at between Rs. 15 lakhs and Rs. 30 lakhs with a contribution of only 20%. The first product with the large contribution has good market potential. Deliveries are quick and we have a fair amount of unutilised manufacturing capacity. The second product with a low contribution requires protracted deliveries and is overbooked so far as manufacturing capacity is concerned. What do you think happens? The salesman makes a beeline for the large-ticket item even though the contribution is poor, deliveries are long and manufacturing capacity is limited. In the salesman's lexicon, big is beautiful. In the salesman's vocabulary, the name of the game is sales turnover — larger, the better. And mind you, in our company, there is no sales commission for a sales engineer or a sales manager. How do you explain this single-minded focus on sales turnover? I can only guess that deep down in the salesman's psyche is a feeling that can only find fulfilment through collecting orders — cost, contribution, deliveries and customer satisfaction take second place.

Talking of the product-mix brings me to another important issue: given a portfolio of products, if sales turnover is not the single most important consideration, what should it be? To my mind, the single most important consideration is the choice of product or products in which we enjoy a competitive advantage by way of giving full expression to our core competence. Let me give an example:

In our Waste Management Division, we have a stable of products for liquid effluent treatment which have been built on our core competency in hydraulics, in ion-exchange, in separation technology and in membranes and reverse osmosis. Our weakness is civil engineering which we always subcontract. A large tender often has a substantial amount of civil engineering. Since a large tender attracts our salespeople like a glow-worm to a lantern, we end up getting ourselves overextended into areas in which we can, at best, be an also-ran. So, the next wisdom is to focus our sales efforts where we can leverage our core competencies.

When you are selling a project as distinct from a standard flange to flange product, clear, unequivocal terms of contract are crucial to the success of the project. This is where a sales engineer can add — or subtract — value. Let me share with you our own experience:

The first problem that clouds a project during execution is that, although the scope is broadly defined, the detailed specifications remain open, and continue to remain open well through the duration of the contract. This suits the customer because changes can be made without paying for the cost of the changes. But it hurts us as suppliers. The solution is to specify in the contract a time and/or event when the specification will be frozen. This is where the sales engineer must understand the dynamics of a project and make it part of the contract.

The second issue is the impact of change in the scope of work and/or changes in specifications. Ambiguity in this one single factor has been the ruin of many a project and many a sales engineer. It should be imperative to insist on a clause — that, while it gives the customer the right to change scope and specifications, it can only be done subject to the time and cost implications of the changes — and enforce it.

The third is the issue of statutory commitments. The sales engineer must be adept at the nuances of the central and state taxes, which in a large project, can have a substantial impact. Central Excise and State Sales Taxes cannot be taken for granted. There are various subtleties like works contracts and MODVAT refunds that can impact one's statutory liabilities substantially. Then there are local levies — turnover tax, octroi and withholding taxes. Having been badly bruised, I realise that a sales engineer must have a template to ensure that such issues are looked at in detail before an offer is made.

The fourth concerns guarantees and warranties. Guarantees cover the committed performance of a product or a system, while warranties ensure performance over a substantial period of time. Many sales engineers, in their eagerness to sign a contract, gloss over the financial implication of a guarantee or a warranty commitment. The immediate performance of a project requires the support of inputs from the customer — for example, in a boiler, the quality of fuel or the quality of water or the quality of power. But, more importantly, the sustained performance of a product or a system calls for a quality of maintenance, which, if not forthcoming, can foul a warranty commitment. And, we, as suppliers, become helpless victims. And all because, in our eagerness to collect an order, we did not specify the obligations of the customer.

And, finally, the terms of payment.

The salesperson has to internalise the truth that profit on paper is not enough. (Remember the story of "The Profit That Never Was?" — the profit that was added to "debtors" but never realised.)

Profits have to be realised and realised in cash. What is worse, if they are not realised, is that further business requires an infusion of funds for working capital and if this goes on and on, we can continue to show good profits but end up in a debt trap. Equally annoying is an unrealized profit that attracts an income-tax. 50% of the profits are paid in tax without the wherewithal to pay it.

It has been my experience for the last 35 years in business that just as such an average salesperson finds it difficult to distinguish order booking from profitability, he finds it difficult to comprehend the difference between profits and a funds flow. It is not that the concept is difficult to comprehend. We have had numerous programs on Finance for Sales Executives. It is something more deep-rooted — endemic to his life-style. Through the play, *Death of a Salesman*, a common refrain that keeps recurring is Willie Loman's inability to live within his means. Not that he is a spendthrift — it is just that he has no clue about what money means — his ways almost childlike. Except, it can harm the organisation, and hurt it grievously.

On the other hand, we have a business culture in our country where commitments for payment are realised more in the breach rather than in the observance. The only solution is to spell out clear terms of payment to ensure a strict discipline in the enforcement. There was a time when in our naivety, we accepted terms of payment 30 or 60 days after delivery.

A term of payment like this is open-ended and ends in providing employment to an array of debt-collectors. We changed the terms to documents through bank. It helped, but with our banking system being what it is, goods would reach the site before the documents. We now insist on payment prior to despatch. This is effective, except that in many cases the customers' program is delayed, and they find it convenient to pass on the delay to the manufacturer. The only foolproof solution is an inland letter of credit. We are trying hard to institutionalise this concept — but with limited success. Where do you think the resistance comes from? The salesman!

"One of the occupational hazards of being a salesman is a near congenital disability for assessing risks. Everything looks bright to the point of blurring reality."

> *"There are times when strategy demands that one reduces margins and even price at less than full cost so as to recover a part of the overheads. But marginal pricing as a way of life is the surest road to ruin."*

In project-related business, another bugbear is the retention of 5 or 10 per cent of the order until commissioning, handing over and, in some cases, until the warranty period is over. This becomes a carte-blanche for retention for an indefinite period of time because it is easy to find fault in some small innocuous component of the system. When you consider that 5 or 10 per cent is all the profit one targets in a project, effectively, the retention ends in a no-profit or a loss. And, if the customer happens to be in the public sector, you can forget that last 10%. We have now made it an article of faith not to allow any retention. We would rather not accept the order.

I recall, when we made it mandatory not to permit retentions, the sales force was up in arms. We were warned that we may have to close down our business. I checked with the CEOs of our competing organisations. They all agreed with one voice that we should adhere to a reasonable code of conduct so far as terms of contract are concerned — it is a win-win for all. But, down below, at the level of the sales engineer, there is a fraternity across all the competing organisations which would subtly sabotage any effort at enforcing reasonable terms of contract. But we persevered. Our business has grown and grown without retentions.

We have talked so far about the shift from order booking to profitability and profitability to realisation. Let us now consider the true role of a salesman — the role that really adds value for the customer.

It starts with the customer as the focal point — a customer, not as an entity with a bag full of banknotes, crying to be relieved; a customer, not as a nuisance to be checkmated with glib sales talk; but a Customer (with capital C), as a person who feels a need, is groping for an answer to fulfil that need and has turned to the salesman to share his anguish and receive advice and support that will end in a meaningful solution of his problem. The crucial, operative word in the whole dynamic of this situation is the word "need" — the customer's need. If you, as the salesman, can understand his problem, reach out to his need, touch his vulnerability, he will be eating out of your hand.

Each quarter, as part of our Management Review, we look at Orders Lost. And in 80% of the cases, the reason given is "we were priced out". There are occasions when our pricing was inappropriate — this must become a source of learning and improvement. There are also occasions when we can be priced out because the competition is breaking into a market for strategic reasons. But these occasions are few and far between. The main reason why we lose an order is not that we were priced out — that is only an alibi, not a cause. *The root cause for losing an order is that we did not understand the customer's problem, did not reach out to his needs, did not touch all his vulnerability.*

Frankly, in capital equipment, where the life of a product is 15 to 20 years and beyond, the price of the product is a marginal issue — *unless the salesman, makes it otherwise*. There are far more important issues — reliability, availability, mean time between failure, maintenance downtime, operating comfort, operating costs, ease of maintenance, operator training, availability of spares and service — issues that impact substantially on the customer's costs and convenience, rather than price per se.

One of our divisions markets a gasket that is priced 5 times the price of a conventional gasket and has a guaranteed life at least three times greater. How come it sells? For the simple reason that each time a gasket has to be replaced there is a certain amount of downtime. The cost of that downtime is many times the cost of the gasket. In the business of industrial boilers, we and our competitors make a cardinal mistake of focusing on fuel efficiency to the exclusion of everything else. Certainly, fuel cost is a very important aspect. But as between a fuel efficiency of 80% and 84%, the net savings in fuel can be nullified many times over by one single breakdown of 24 hours. And, yet, you rarely find a salesman who builds his sales strategy on the virtues of reliability.

Understanding the uniqueness of the customer's need and addressing that need is the value that a salesman can add. And it is amazing what a wealth of opportunities this can unfold. And many of these, in time, have now become institutionalised. For example, the concept of "Just in Time" had its genesis in the customer's concern for carrying inventory. Leasing had its origins in the customer's incapacity to provide the initial capital.

Maintenance contracts relieve the customer's fear of unpredicted downtime. BOO (Build, Own and Operate) and BOT (Build, Own and Transfer) are innovative methods of sharing the customer's burden of infrastructural investment. Management contracts provide an opportunity for the customer to put to good use an earlier investment with better expertise in management. The concept of life-cycle costs recognises that the initial capital coat may seem usurious– almost impossible– and, yet, can be justified by a discounted cash-flow and an imaginative source of financing. You can sell a 20-watt solar lamp at Rs. 10,000 with total justification using the life-cycle cost approach. So, the name of the game is understanding the unique need of the customer and working out a solution to meet that need.

Three years ago, we were inculcated into the mystique of TQM — Total Quality Management. Shorn off the Japanese bywords — *Kaizen, Kanban, Pokoyoke* — Total Quality simply implies a degree of excellence by which we satisfy the customer.

As a salesman, I am painfully aware that I am letting my customer down on many an occasion: poor quality of the equipment; delivery not in time; performance guarantees not being fulfilled. I feel aggrieved. I make a few noises. I take it up at the annual sales conference with engineering and manufacturing. Promises are made, but after the euphoria is over, it is business as usual. I feel helpless. After a time, I get reconciled to the inevitable. After all, I have my own targets to achieve. For my own sanity, I develop a thick skin around me. I distance myself from the customer. If delivery is delayed, I ask the customer to get in touch with the factory. If performance is a problem, I pass it on to service. The salesman's lament — does it not sound familiar? So true and with some justification.

How does one break this barrier? This is where the TQM approach comes in. The first wisdom is the recognition of the customer. But by "customer" we mean the person next in line — the external or internal customer. Each one within the organisation is a supplier and a customer. The "next in line" in the process is a customer. If the same concern can be expressed to the internal customer as one does to the external customer, (hopefully) quality becomes a way of life throughout the organisation. This is an extremely powerful concept. It breaks the traditional hierarchical mode of doing business.

The salesman's customer is the customer outside. He is, in turn, a customer to manufacturing or despatch or engineering as the case may be. Manufacturing must, therefore, address itself to giving total satisfaction to his "customer", the salesman: a quality product, a committed delivery, a price that the market will bear and so on. This is all very well as a concept, but what does it mean in practical terms.

Three things:

- A direct networking shorn of departmental barriers.
- A quality of dialogue and feedback which becomes a basis for continuous improvement.
- An appraisal system that reinforces the "next in line" concept.

We have now reoriented our appraisal system so that each individual is asked who his customers are, and what their perceptions are. Only a part of the appraisal is done by the person next tip in the hierarchy.

This has yet to be internalised. But, already, departmental barriers are loosening up.

The second wisdom that we have imbibed through the TQM approach is a reverence for data — clean, unpolluted data. Gone are the days when glib statements would be made: most deliveries are delayed; or a certain product is defective; or level controllers do not work; or a make of safety valves is useless. The TQM discipline requires that all complaints — of the external or internal customer — are catalogued in an organised way. As a result, we now have a wealth of data on which we can operate: how many units, what problems, with what frequency, generic or one of a kind, and so on.

The third part of the process is the Review. Each division has a cross-functional team consisting of sales, commercial, design, materials, quality assurance, manufacturing, project execution, etc. We call it DART — Divisional Apex Review Team. It meets every day for half an hour to an hour to acknowledge complaints and take action. But, more importantly, it periodically analyses the data and selects Improvement Projects with different cross-functional teams who take the project through a rigorous 10-step exercise — from collecting more detailed data, through brain-storming, establishing the root cause, identifying probable solutions and testing and validating the solutions. The salesman is an important member of the DART and the Improvement Project teams — his feedback triggers improvements and his knowledge and insight in the field add value to the improvement process. He is no longer at the receiving end, helpless, battered and forlorn. He is an empowered member of a team that can change things.

"Deep down in the salesman psyche is a feeling that can only find fulfilment through collecting orders – cost, contribution, deliveries and customer satisfaction take second place."

And so, we come to the final metamorphosis that adds value: marketing as distinct from selling. In our organisation, as indeed in many other organisations, selling and marketing were part of the same canvas: most of us would operate in the selling "mode", but, from time to time, look at new opportunities. If we were lucky, a new opportunity might unfold. If not, we survived on the dog-eat-dog syndrome.

We have now made a distinction between selling and marketing as separate activities, each with its distinct area of focus. Selling covers generating and responding to enquiries, identifying the customer needs, coming out with optimal solutions to meet those needs, converting enquiries into orders, sponsoring the orders into execution, delivery and realisation in cash and always ensuring a fair return to the organisation in the process. If done well, this can be a more than full-time job.

Marketing, on the other hand, looks at the requirements of tomorrow: increasing one's market share and expanding the overall size of the market. Increasing one's market share is a function of understanding competition. One effective way of doing this is bench-marking. Bench-marking means you select a leader in the market whom you wish to emulate and surpass. You work out a detailed template: their philosophy of doing business, their strengths and weaknesses, their product and pricing strategies, their product attributes in detail, their sales

> "The root cause for losing an order is that we did not understand the customer's problem, did not reach out to his needs, did not touch his vulnerability."

network, their service network, the quality of their personnel: their vision, their commitment, their calibre, their training, their presentations, and so on. It is not easy, but it can be done. A series of Annual Reports, cleverly analysed can provide a wealth of information. Many merchant bankers do this as a matter of routine. Visiting their customers' installations of various vintages and talking to their operating personnel can give you valuable data on performance or changes in design or service support. Discussing with suppliers and subcontractors can provide some interesting insights on their approach to quality. Consultants in the same line of business can be a rich resource. Talking directly to a competitor at various levels within the organisation in an atmosphere of openness can be equally revealing. Just because he is a competitor is no reason why we cannot be on talking terms!

Bench-marking, abroad, has been turned into a fine art. There are consulting companies who specialise in this activity. Incidentally, bench-marking is not industrial espionage. The sources of information are either published data or the result of interviews where the credentials are open and clear. I honestly believe that any company that wants to improve its market share must go through the bench-mark route. Most companies in India, thanks to the sheltered market which we have been operating for years, have been hopelessly inbred. Bench-marking can infuse a breath of fresh air. In India, this activity is blissfully absent – at least, in the capital goods industry.

The second function of marketing is to expand the size of the market. A market can grow because the economy is growing and the specific industry partakes of the growth in some macro parameters – in population, in income levels, in savings and investment, in opening up of the economy, and so on. But if one is planning a growth rate faster than the macro parameters indicate, then a distinct marketing input is called for: either coming out with a new product that serves the market more effectively than an existing product, or identifying a new need that an existing or a new product can minister to. In our own little world of energy and environment, we have pioneered absorption chilling, using heat for cooling – replacing power-guzzling compressors in a power-starved country. Or husk-fired boilers to replace fossil fuel (oil or coal) with agro-waste which is renewable – once again with substantial growth in the market share.

Or, cogeneration where one uses the exhaust from a prime mover for process heating or process cooling; or the treatment of brackish water and making it potable; or pollution control with processes which would convert a pollutant to a commercially viable product – these are examples where a new market and a new opportunity unfolds.

A new market does not necessarily mean a new product. The same product with a new marketing approach can open a much larger market: Franchising and leasing are examples where the same product can serve a much bigger market.

Marketing requires a different focus from selling. Whether it is bench-marking or replacing an existing product with a new product or identifying new markets with a similar or a different product, calls for the same basic motivation: viz. an awareness of a customer need. But giving it a thrust and direction requires an understanding and a skill beyond selling: recognising the nuances of the economic scene, being in touch with the state-of-the-art technology, interfacing closely with R&D, having creative approach that never discounts a crazy possibility, being imbued with an entrepreneurial flair for making things happen – these are the attributes of a marketing man, as distinct from a salesman. The ultimate, of course, is a salesman who, in time, can grow into the marketing function. Marketing, as a function, also requires a separate infrastructure with its own time-frame and milestones. Together, and yet apart, sales, with its focus on the here and now, and marketing, with its perceptions of the future, can build a business culture that can go well beyond conventional marketing frontiers.

In our company's corporate philosophy, we have attempted to define our corporate mission and I would like to share it with you:

"Knowing a market and its needs and utilising one's resources to fulfil those needs in a reasonably optimal way and ending up with a surplus, is the normal role of business. But understanding the market in depth, stretching it to the fullest potential, creating new unfulfilled needs, putting all of one's talents and that of the entire team in clear focus, being obsessed in the process, and emerging as a leader– this is living a mission. This is the role and the heritage of a value-added society. It is exciting, it is rewarding, and it is never ending..."

This, in a nutshell, encapsulates the true nature of the salesman's calling.

Willie Loman is dead. Let him rest in peace.

Rohinton Aga