



15.387 – Entrepreneurial Sales

<i>Case</i>	LuLu Instruments
<i>Class</i>	Selling in the Age of Social Media
<i>Task</i>	Case write-up

Max Antensen put down his coffee cup and let out a sigh. “We are a different kind of company. Our entire business is working with Ph.D.’s, researchers, and industry. But we have a problem.”

Max was president of LuLu Instruments, a 40 person company outside of Philadelphia, and a firm which he founded 20 years before after several years at Bell Labs, where he worked in the field of corrosion. His firm had grown slowly and steadily for the past ten years and was profitable, with sales of \$30 Million and after tax profit of \$1.5. It was privately held, although Max owned somewhere about 50% of the equity.

Let me tell you what we are good at... and what we are not good at. We create instruments of uncommon value. Although we have competition from some French and German companies, we are regarded as the most advanced and the most knowledgeable in the industry. We have strong customer loyalty because we give our customers first-rate customer service.

“But...our margins are falling. We were historically growing at 15% year... but that has been in the middle single digits since 2008. At first I thought it was because of the recession, but now I am not so sure. To be quite blunt, we are good at service but bad at sales. We have about nine people in what you call sales, but we don’t ever call this “sales.” Our model is a consulting model, we give advice and tutorials, but we don’t “sell.” Our team views themselves as not just customer service people, but people who actually understand the technology. Our team to a person has at least a Master’s degree in Chemical Engineering or Electrochemistry and several have Ph.D.’s.

“Most of our new business comes in because we answer the phone. None of my guys has a defined territory and we pay well: a base of \$100,000 and then I give them 1% bonus for every 1% increase in sales over the previous year. So, if we increased sales 10% over the previous year, then they would get a 10% bonus. No one has a quota. They view themselves as Support Engineers and take pride in going to most of the industry symposiums and trade shows and seeing our customers as peers. They don’t think of themselves as “Sales.” Our business is neatly divided equally between industry, government and academia. About 20% of our sales come from our overseas distributors and they do a great job.

“We get leads from some of the major trade shows we go to - mostly in the area of corrosion... but we have no way of really following them up and we don’t have a system for evaluating which are very good, which are just OK, and which should not be followed up because they are just tire kickers.



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“I am considering putting in an expensive CRM System for better Customer Relationship management, but I am not sure how we would use it.

“And now I am starting to think about how we can use social networking to make us more effective. Should we blog? Upgrade our web presence?

“The real issue is that we just promoted some of our engineering talent into sales – and we haven’t done badly. It’s probably too late to change that culture, but I thought we could jump on this social networking thing and use it to springboard us forward.

“Let me also say... I am 60 years old. I don’t want to sell or I think that I don’t want to sell yet, but at some point I want to liquefy some of my assets and I think if we were more modern I could get a very good price.

“Let’s face it, corrosion has been my life and running this company has been terrific. Corrosion affects everything – from underground copper cables, to rusting rebar, to stress corrosion cracking on aluminum hulled craft. The Nuclear industry needs us to help with the nickel alloys which are used for potential waste storage In short, Corrosion has been our business and we are now developing advanced instruments that can detect this quicker. With our instruments we can detect corrosion rate measurement in minutes or hours. Our newest devices cost about \$50,000 and we have developed the software to be more sensitive and more accurate than the competition; - and, of course, they are nondestructive.

“But let me tell you why I asked you to come in. You understand all this social network stuff, I don’t. You live in this Linked-In world, this Facebook world, I don’t. So could you go away and think about what you would do if you were me. Spend a week talking to my guys, maybe even some of my customers. Drop me an email and give me your best insight.”

A week later, you sent Max the following email.

Max:

Thank you for the time to understand LuLu industries. During the past week, I have spoken to a number of your key people, I have corresponded with some of your customers and I have talked to a number of large firms who do not use your company’s products.

Let me summarize some of my findings.

1. Your customers are loyal. And they show that loyalty in their reorders.



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2. There are significant markets that you are not penetrating, such as Pipelines. There is a severe shortage of capacity and a growing need for more pipelines, specifically to account for the energy industry as it devises ways to get around capacity problems as it takes petroleum to refineries. Right now there is a \$40 Billion construction plan as we re-plumb the country. The existing infrastructure needs upgrading. Your market share in this segment is almost nonexistent.
3. Your company has grown up without a sales culture and that has sufficed... for the time being. You have promoted people into technical consultants but they have not been trained in sales so they, and you, have learned on the job. But they may have missed a few steps. Sales is a discipline and a methodology. Just strapping on a social media front end is not going to work.
4. But it is a place to start. I have visited your web site and it is so 1990ish that it is an embarrassment. There are no interactive tools.
5. One of the ways that you do get customers is to sometimes send them a demonstration unit. But no one follows up, no one knows when they actually tried the equipment or not. You have done this because you don't want to spend the money to go see the customers. You do some webinars but even that is hit and miss.
6. Your follow-up with all sales leads is amateur night. You don't discriminate between Excellent, Good, and Fair leads. No one holds a weekly meeting to go over hot leads and leads which you hope to close in 30 -60-90 days.
7. Your financial planning is suspect. You have no goals by product line, no goals for sales increase, no profit goals other than hoping "that you will do better" this year than next.
8. China is the second largest market and will soon be the first. You are inadequately covered there through you agents and the Chinese instrument companies are catching up.
9. There is no tracking system. Some of your people will spend an hour on the phone talking to a prospect – and then never log in what that call was about and who you talked to.
10. I suspect that you are losing market share, although you have no way of telling
11. You don't know how long it takes to close a sale.



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12. Some of your sales people are better at “harvesting” and some are better at “Missionary” which means introducing new products. But you let everyone do everything. Further, you stand a good chance of losing more of your people because your sales compensation has not kept up.

OK, enough of that. Great companies have balance between research, manufacturing, finance and sales. You are very strong in research and manufacturing, naïve in finance and you have an antipathy about sales and marketing.

Here are some things you can do RIGHT NOW that cost very little in terms of social networking that will pay off.

- A. Your technical support people are asked very important questions every day – which they do a great job in answering. Why not take that same insight and put it in a blog or newsletter that other customers and prospects can access. You have already done the hard work, now share it. Example: one of your people gave a detailed tutorial on the phone about how the uniform corrosion rate could be measured; he explained that the galvanic corrosion can be quantified and by using electrochemistry you can get the same results either on a lab bench or in a pipeline, an autoclave or a slow strain rate machine. Imagine a website that carried “10 Ways to measure corrosion – quickly and accurately”
- B. Assume now that all your customers and prospects are continuously connected. They not only are connected to their company – they are connected to the world – and they have friends in similar companies who are sources of information to them... and they to their friends. Before they ever see your ad... or go to your website, their friends are suggesting companies that may have insight to their issues or have experience with similar problems. Perhaps your technical people each have their own blog... or at least a company blog.
- C. Consider buying some key words from Google such as “Pipeline Corrosion.”
- D. Put up some interactive tools, where potential customers could put in some of their inputs (types of material, dates installed, ambient temperature, etc.) and get some reading back... and a button or two they can use to get a more in depth personal analysis.
- E. Get each of your people on Linked In...and buy the expensive version. You need a way to find new leads and add new customers. This is cheap.



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Assignment:

Max has given you a budget of \$150,000, of which \$50,000 is for a half time marketing person to help implement a social network strategy. Your job is to spend that \$50,000 building a social network strategy. So put in a time line and a results expectation for the year. For example, you may decide to buy “corrosion –pipelines” for some period. What do you want to spend on that? For how long? What would your expectations be.

You might suggest that your sales team... and even senior researchers use Linked IN. How would you want Sales to use it? Marketing? How will you differentiate between paid search and organic search? What improvements would you expect in marketing? And in sales?

Your marketing person... which you have for 20 hours per week is enthusiastic but untrained. Her name is Hillary Ballentine and she has a biology degree from Johns Hopkins and has been with the firm for 6 months. She is relying on you to outline the program that you want the company to do and she will implement. It is your hope that by the end of the next six months she will be self-sufficient.

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