

## **Speech at the Forest Product Society, Grand Rapids MI**

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When I was 17 my Dad bought two matching go-carts. We lived on a remote college campus in faculty housing and in summer the deserted 11-acre campus was our personal racetrack. We were the scourges of the campus as we tore up the sidewalks and parking lots, racing each other home. My youngest sister weighed all of 70 lbs and would continually beat me to the finish, until I learned one small trick. I would reach back and hold the choke lever wide open for that extra burst of power to win.

### Wide Open, Full Throttle Sales:

Our company, OnPoint has 13 years of experience with Wide Open, Full Throttle sales. We run OnPoint as an open book company. Open books, Open salaries, Open sales, and yes even Open vacations.

That means that everyone at OnPoint knows what everyone sold, how much profit and expenses we actually create, what everyone else's compensation, bonus, salary and profit sharing is, and how much time they took for vacation. In fact openness is our one policy. People take as much vacation as they want, when they want. When bringing on a new hire, we show them how much everyone else is making and let them know that they will need to discuss their expected salary with everyone in the company. The bonus program is easy to figure out because it is based on total income, minus expenses. The remaining profit is split between the company, and the employees.

I have heard people tell me that this is easy to do since I am a small 4-person rep group, and that it would never work in a large company, but you see that is where I got the idea, from a large company.

Ricardo Semler of the Semco Corporation runs his 5,000-person factory and company the same way. The factory people are given the orders, and they decide when they are going to come in and work. The office staff decide if they need a manager or not and will hire one of their choosing. Mr. Semler can call a meeting and if no one shows up, he realizes that a meeting was not needed.

Ricardo Semler got a lot of his ideas from William Gore, the billion-dollar corporation that makes Gore-Tex. Both William Gore and Ricardo Semler studied the works of Douglas MacGregor and Warren Bennis, innovators in the idea that company leaders are chosen by their followers, not by the corporation.

The truth MacGregor found was that most industry leaders are actually formed by the amount of people willing to follow them, not by management appointing them. Others like Gore and Semler have adopted those ideas and formed companies that pick their own management and leaders.

They have also found that most of top-down management policies prohibit motivation, action and profits. The policies are meant to control not reward.

It is my goal to in this quick article to make you realize that the closed, secretive sales policies of most companies cause them to spend more time and money preventing sales than gaining them.

A quick example. Two months ago, I was on the verge of closing a new distributor for one of my represented companies. Like many of you we are in the Woodworking business, and we all know how hard it is to find any new business in this economy.

The new distributor requested a list of the stocking program and his prices. As independent reps, we did not have the newest pricing, so I could not close the deal right there. I e-mailed the inside sales person and she was also not trusted with the pricing. She forwarded my message to the National Sales Manager. She e mailed back and let me know that even she was not allowed the pricing. Pricing is only in the hands of "Sharon" and Sharon is out on vacation for two weeks. When Sharon got back she finally e mailed our potential customer and let him know what his cost was.

Now logically, we can see the companies' point; we don't want our pricing floating around to just anyone. But when you stop to really think about it you realize that the pricing is, at most, protected for two weeks. When Sharon does email the price list to the new distributor, he will then be able to send it around the world with the click of a mouse.

How does that protect them? All it did was slow down the sale

### STOP PRETENDING TO PROTECT WHAT YOU CAN'T CONTROL.

The super secret price list policy was obviously established to protect the price list from being widely distributed, and maybe before copy machines were common, the policy worked. Then came fax machines, and then e-mail and scanners, and blogs and web sites and texting from your Blackberry.

"Today the buyer can go to any number of websites and in a matter of minutes can learn as much about a product as the sales rep does. The scary part is that sometimes the customer knows more than the sales rep does." Jack Foster, Foster Communications.

How many of you had peanuts or pistachios in your house during the recent salmonella scare? Did you go on the web to check it out? I know I did. I have had salmonella and knew what it could do. Within minutes of hearing the news, I was checking my brand of pistachios against the web site listings. Not only did I find out exactly if the bag I had at home was safe, (it was not!) But, I was doing it from my car, at the toll road oasis on my laptop. Information is now in the hands of everyone, and everyone expects it instantly.

Everything we are trying to protect is already known or can be known in a few minutes on the web, and the negative is known faster. Do something stupid, humorous and negative and you might as well get your own web server to handle the worldwide attention.

"Managers are sold a dream of control through IT that quickly becomes a nightmare. Freedom From Command and Control; John Seldon.

So, how do you control the negative now? You could spend thousands on password protected programs and Information Technology folks to install spy ware on your employees computers. Then you have to hire someone to watch the employees and the IT guys. You could spend thousands more on lawyers to draft unenforceable-scary sounding non-compete clauses for disgruntled employees. You could spend more to sue angry consumers for libel. And you could throw big bucks to fight the lawsuits for secret unfair labor practices.

But why spend all this money trying to protect 50-year-old control methods, when you could counteract them all for free, with an open company?

### INFORMATION OVERLOAD

From the time you wake up in the morning to the time you eat dinner you are exposed to more information that an individual from the medieval period was exposed to in an entire lifetime.” Scott Halford, How to be a Shortcut.

We weed through thousands of papers, and e-mails every week. Our voice mailboxes are full, our blogs are out of date and our web sites are slow. Our customers are in the same fix. We all have too much to process everyday. So the last thing you want to do is make it hard to find your company, it's products, the pricing and it's benefits. Most of us use the Internet to find products for themselves or their companies. When looking at a site, how many clicks before you give up? I am about a 4-5. There is too much confusion and too many other sites that promise faster information for us to waste time clicking through a slow program.

*Quit worrying about the competition finding out your numbers. They already know, but they are just as swamped as you. Instead, spend your dollars making it easy for buyers to buy. (sidebar?)*

### OPEN, EASY TO FIND INFORMATION CREATES SALES

If we can agree that at the very least, restrictive policies block sales, we then have to agree that the opposite is also true. Easy to find, useful information gains sales.

Let's do a quick policy test to see if the system blocks or gains sales.

Which of the following sales policies gets more products in showrooms?

*Blocking Policy: Showroom Discounts. We vary our showroom discounts based on the price the distributor pays. Each distributor and salesperson must individually calculate his or her exact discount for showrooms by taking their Standard Distributor Pricing, minus the showroom discount percentage and then add back in the amount we give them off of SDP.*

This policy is common in our retail kitchen market. The company is trying to protect their profit margin from abuse. The distributor sales person never knows what the exact cost is for a showroom sample. By making the distributor do the math it creates errors and confusion on every call. So, the distributor sales people avoid placing showrooms.

*Open Policy. We like to have our products in showrooms, so we will sell the item at a discount, close to our cost, just to get it in the showroom. The cost for this item is \$50.00*  
Instead of an exact cost you could give a true percentage. 30% off your distributor cost. But why make them do the math? Just tell them.

Which of the following policies makes it easy to buy your product?

*Blocking Policy: We only sell through our dealers, never direct.*

Why would you ever tell someone not to buy your product when they want too? Take the order.

*Open Policy: Our dealers are great people and can give you a better deal than buying directly from us. Here is a link to a list of those dealers. Our list price on this item is \$100. That includes the freight. If you want to buy this item directly from us, you can, but the dealer will usually have a better program.*

People are in a rush. Too much information is pushing them to constantly make rash quick decisions. Stop thwarting their attempts to buy from you. Make it easy to purchase and some will buy at the higher price just for the convenience. You can always put the order at the high mark up through a local loyal distributor.

Which of the following pricing programs is easy to understand?

*Blocking Policy: Your price is 50-10-10 off. Take 50% off the list price than subtract 10% from that number, and because we REALLY like you, take another 10% off that number.*

*Open Policy. Your price is \$25.00 if you buy 500 widgets it is \$23.00.*

Though this 50-10-10 program is rampant in the office and furniture industry, the pricing is confusing and breeds mistakes. Why be so coy? Make it simple to buy. Tell them the price and tell them the volume breaks.

Which of the following sales programs gets you an honest picture of the market?

*Blocking Policy: All sales people will make 8 calls a day and fill out daily call reports.*

Anytime filling out paperwork is time not selling product.

*Open Policy: We know that you are an adult and a professional. We expect that you will spend your time making as many, quality, meaningful calls as possible. Talk to us about the highlights of your week. Where can we help you and when?*

“Liars are Liars and Thieves are Thieves” Maverick, Ricardo Semler.

No matter what policy you have in place, the dishonest people are going to lie anyway. They are after all dishonest. Call reports give managers a false sense of control. Anytime spent actually reading call reports is not benefiting the bottom line and helping people sell. Instead, get out in the field with the sales people. You will learn who is doing the job rather quickly.

Here are the areas you can focus on to open up your information to more sales.

Open the product information for your end user. Assembly instructions, warranties, pricing, freight programs, accessory items, service locations, availability, colors, lead times and your local distributors all need to be available immediately on the web. It should be geared to the end user, not the industrial distributor.

Open communication for everyone with blogs, technical issues and customer reviews for all to see.

Open your product training for sales people, with product videos, key benefit ideas, sales bullet points, and training videos. Check out [www.LearnAboutProducts.com](http://www.LearnAboutProducts.com) to see some new ideas on training sales people in the woodworking market. The goal is to make learning about your products available to your distributors and sales people 24/7.

And lastly, Open Pricing. One of the easiest ways to gain more sales is to give your sales team the honest cost and pricing of your products. Establish a minimum margin and then set them free. In a few weeks you will find out who is actually selling value and who is selling solely on price. Those that are price-only salespeople can be re-trained, refocused or let go. Remember that they were already selling this way before you opened up the books, now it is just easier to see.

If you really want to get the most out of your sales team, you may have to stop hiding the truth. Try changing the compensation program to focus on bonuses from profits, not sales. You want your team to look at increasing company profits as their main focus. When they win with higher profits, so will you.

Good Books on Open Companies.

Punished by Rewards; Alfie Kohn

The Human Side of Enterprise; Douglas MacGregor

Freedom from Command and Control; John Seddon

Maverick, and The Seven Day Weekend, Ricardo Semler.