Sales

SmartUp Foundations Course - Lecture 9

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Okay, so we are at lecture number nine, which is pretty impressive. I think, that we got all the way to here. And this time I would like to talk about sales. But before that, the usual introduction about our team, Ruti Ayala, Libya, sitting there. And I, again, what is the program? I think that everybody here knows it, so I can skip it. And as many of you know, when you give a lecture or presentation, you have to tell everybody what they're going to hear about. Then you tell them, and then you remind them. So that's what we're going to do. I'm going to tell you what we're going to talk about, then we'll talk about it. And then I'll give you the takeaways. The main things that I. I would really like you to remember. So we're going to talk about sales.

And sales is a very complex subject because it has many situations and facets. And so the first thing I wanted to do is divide it into two categories, direct sales and indirect sales, or sales channels. So, direct sales also divides into two options. Option number one is e commerce. Many of you know it. You gonna go, you want to buy something, you go on the web with your credit card and you buy it. And obviously, there are salespeople. Usually, salespeople are called direct sales, but because I used the term already, I didn't call it again. But if I say direct sales many times, I probably mean salespeople. Okay? And then there are sales channels. So, for example, when we sold cardscan, we had direct sales, but most of the sales were through retail. Then there are resellers, there are distributors, and there are partners.

I will talk about each and every one of those, explain what they are, and explain the benefits and the disadvantages of working with them. The next subject we're going to cover is demand generation, which is really critical. Nobody's going to buy your product unless you generate demand. That's a really important fact of life. If you don't generate demand, nobody's going to buy your product. And anybody that believes that somebody else is going to generate demand for his or her product is eluding themselves. And then there is the sales strategy. So I said that there are the ability to do e commerce or salespeople. So which one? Do you want to go and do e commerce, or do you want to use sales people? What are the strengths and weaknesses and benefits and disadvantages of each one of them?

We'll go into that and talk about it. Then there is the sales strategy and pricing, because at the end of the day. There is a correlation between the packaging you do for the product and the pricing and the ability to sell it, and they interact with one another all the time. And we'll talk about that as well. And obviously, if we talk about pricing, then the question is the price elasticity. You definitely want to sell a cup of coffee for $1,000, but probably most people will not buy it. If you sell it for $0.10, you're probably going to lose money. So there is a price elasticity, and we will discuss that. There's also price elasticity in business products. So they are the consumer side, and there's the business, and they don't behave in the same way.

What I'm going to show and demonstrate in here is that the price elasticity in consumers behaves very differently than the price elasticity, or lack thereof, of businesses. And when we talk about b two b, we all kind of b two b means business to business. But is the business, the consumer, the buyer, the same one? No, because obviously, if you sell to a company, that's one thing. If you sell to a hospital, that's another thing. If you sell to a city, that's the third thing. And actually, there's almost an endless variety of potential buyers, and they all behave very differently. So when we say b two b, you have to understand who you're trying to sell to. And again, what are the benefits or disadvantages? Then there are the complexities in doing business to business sales. And I say it's two dimensional.

Why is it two dimensional? Because when you sell to a company, then the customer really is the company. But companies don't talk, companies don't move, companies don't make decisions. It's the people at the end of the day in the company that do this. So you have, first of all, you need to find the companies that are good prospects for your product because they can use it and it brings them value. And second, you need to figure out the people you need to talk to inside the company. So it's a much more complex sale than consumer. It's the same person who is going to buy and use the product and pay for the product. Then we're going to talk about things that we talked before.

But this time I want to integrate them into the whole picture, which is the marketing funnel and obviously the sales cycle. I was wondering many times why the sales cycle is called the sales cycle and not a sales funnel. I have no idea when. There's nothing cyclic about the sales. So I don't know why it's called sales cycle, but that's the term everybody uses. So I use the term sales cycle. Anybody knows why it's called the sales cycle? Because when you close the deal, you need to start over with the next deal. So it's the salesperson cycle, not the sales cycle. You're always selling. You're always selling something. Sometimes you're selling the meeting to get to the next proposal, to get to the deal, maybe. Okay.

And while sales cycles are complex, we're going to talk about all the, not all, some of the elements of sales cycle, because it depends on different markets. Their sales cycles look different, the complexities of doing this. And then I'm going to bring a case study which is intellichain, one of the companies working with us, and want to show you how we change their sales cycle to make it much more efficient than it used to be. And I think it's going to be interesting, because after I tell you all the problems, it's interesting to look at some solutions to the problems. Talk about the b two b pricing that we discussed. Then we're going to talk about the value of leads, or what is the value of a lead and why is it so important?

What do you do with leads, which we call lead processing? And obviously all of us want to sell in Israel, but we look at other countries. So how do we do international sales? And sales cycles tend to be fairly long. So we're going to talk about the cost of, when do you do the sales cycle? When do you start all of that and the cost of it? And if we still have time, we'll do major takeaways. As you see, we have a very heavy agenda when we talk about sales. And you didn't even know that sales can be so complex. So I'll start with a question. What is the biggest asset of a company? Salesperson. Salesperson. Sales team. Okay, team. Team. What else? Brand. What else? Customers. Customers. What else? Product. Product. Okay, so technology. Nah. Okay, people. Somebody said people. Right, you. Products.

Okay. Patents. Brand. The answer to me is customers and users. And I'm going to prove to you why customers and users are the biggest asset of a company. So let's talk about LinkedIn. LinkedIn was founded by Reed Hoffman. Reed Hoffman is one of the billionaires that came out of PayPal. It's the company that I think produced also Elon Musk, I think was at PayPal started the company in 2003. It was acquired in 2016 at about 2004, 2005. Zoom info started in 2000. We published our directory in 2004 and at that time, we became somewhat of a competitor to LinkedIn. So I made the effort of going to California at meeting with Reid Hoffman, and what he told me was that he doesn't worry at all about being profitable, which, as you know, is like hurting my body, telling me they don't worry about profitability.

What he's worried about is the number of users he's going to have, and he's going to spend every penny he can get in order to increase the number of users. And so they were acquired by Microsoft in 2016. They had at that time, 433 million users, and they were acquired for $26 billion, which if you divide one by the other, you'll get that. Microsoft paid $60 per user. Let's take another example. WhatsApp, started in 2009, was sold in 2014, five years. By the time they were sold, they had 55 employees. So employees can't be that expensive. Right. And they were sold to Facebook, had 420 million users, most of them outside of the US. WhatsApp was not known in the US. It's still not a very prevalent application, like in Israel and other places.

And they were sold for $19 billion, which is $45 per user. When they were acquired, the founders had a very clear condition to the sale that is not going to have any advertising. Huge fight over it. There's still no advertising on WhatsApp because of that. So Facebook struggled for many years. How to make money. We'll talk about later what they do today, what I think they do to make money. How did they think in the beginning how to make money? They didn't. They were focused on increasing the number of users. That's it. And five years later, took the money. And we're happy. Waze started 2008. Five years, 2013, was acquired by Google. 50 million users, $1.1 billion sale. I'm not aware of any revenue stream for Waze and Google pay $22 per user.

So I hope I convinced you that users and customers are what's important here. But the question is why? Why are these crazy valuations? So these prices are just because of the users, not because of the technology of the company and stuff? They are not because of the users. They saw different prices for the user. Yeah, but it is because of the users. And I'll answer this. It is very hard to get customers and users. All of us in business know that it is really hard to get customers and users, and people are willing to pay a lot of money. If you were able to get these. Bear in mind that to get 400 million users is a phenomenal accomplishment. So I talk about customers and users and what is the difference between customers and users. So users are the people using the product.

Like Google search. You go to Google, you don't pay any money, you use it. Facebook, WhatsApp, Waze, LinkedIn, Instagram, all of these are users. They don't pay money. They're not the customers really. They are the users of these products. And the customers are those who pay money for something, advertisements besides WhatsApp. It depends. It's not that simple. So advertising, clearly, okay, Google has adwords, meta ads and all of that stuff. LinkedIn has ads as well. That's the obvious one that people do. But there are many other business models taking from users to customers. So let's talk about a few of them, and I'll talk later on even more about this path. So they start with users that either pay no money or pay very little money. They are the users.

But when a company sees that there are many users inside a company, they turn it into a business sale by differentiating the two products. So zoom us is doing it. You know, you can have a free product, everybody is using it. But there's also another upgrade to the product and talk about it later. LinkedIn sales navigator, which is using it in addition to having the ads. WhatsApp for business. That's the new thing with WhatsApp. I don't know if you have noticed, there are many businesses now that start using WhatsApp as kind of a checkbox and also as distributing information. So they start making money without ads. Slack, obviously. And there are others. I keep putting ways because I have no clue how they make money. So if anybody advertisements only, I've never received advertisement because I never touch it. Even I don't know.

So if anybody knows it, I don't know. My idea of it is that they should sell it. Obviously, for any planner that wants to know how many people go from this street to this place, if you want to build bus routes and so forth. Anyway, so what's the path to having customers? We talked about the value of customers, so what's the path to doing that? So I've separated between customers and users, but in most situations that we are familiar with, they are the same, or at least they work for the same company. If you remember when I talked about the complexities of B two b sales, I said, the customer, the money is the company. But then there are the people who need to make the decision. So they work for the company, but they are not the same as the user.

And then there's demand generation process. I will talk about it a lot more during the presentation. That demand generation is always, always the responsibility of the company that created the product. Okay? So that is really important for anybody that starts a company. If you believe somebody else is going to do your job, you live in a different world. Even though people tell you that they're going to do this, it's not true. Companies need to create their own channels. Never create demand. You put your product in a store. I will talk later on. I'll give you examples. Because I happened to do the stupid mistake of selling card scans through retail. And I learned a lot of things doing that you can't. You know, we did a lot of programs in the stores to convince salespeople to promote our product, recommend our product, nothing.

You have to create your own demand. And we go back to, you will hear it again many times. That means that you have to start with branding because if nobody heard about you, then nobody's going to buy your product. And we'll talk about that as well. Well, so let's talk about sales channels. As I said, they are in the direct side. When a company itself sells the product, there are two options, at least. One is e commerce on the company website, and the other is salespeople. And the salespeople have also two options. Option number one is outreach. You start making phone calls. Many, many companies have what's called BDR or SDR. Business development rep. Sales development rep. And that poor guy is hitting the phones hoping that somebody will answer the phone. That's outreach. Inbound is different. The company is doing demand generation programs.

And people who are interested in the product raise their hand, fill out a form, say, please call me or please do something. And then the salesperson is calling them back or interacting back with them. Okay, so these are the two options for direct sales, indirect sales. As I said, there are several of them. Let's start with the retailers. And I will tell you a little bit about what we did at card skin because I think it's really interesting. So when we started with cardskin, I had kind of a product. It wasn't really working well, but it was there. And one day, I remember it was a Friday, there was a knock at the door and a nice young lady walks in and she said, I'm working for American Airlines magazine. Turns out that there is American Airlines magazine.

That's the magazine they put in the pocket in front of you. What, there is a whole company for that? Yes, American Airlines magazine. They have a magazine, a new magazine every two weeks. And she had remnant space. So you will learn a little bit about marketing and all kinds of things, this presentation. So remnant space is when it's about time to close the magazine and print it. And they have empty space for ads. So if you open the newspaper and you see on your diotachonaut an ad for your diotachronaut, you know that they failed to sell that space. So instead of leaving it empty, they put all kinds of crap ads about themselves or something like that. Yeah, basically, it's just not leave a space empty. So that's called remnant space.

And she said, I can give you a half a page for, I don't remember, a low price, but you have to give me the graphics and the ad itself in like three days or four days. I didn't have anything. We did it. We put the ad and we put what's called an offer code. So if you called us on the phone because were not in any store or anything, if you call us on the phone and you say the offer code, we'll give you, I don't know, a discount, whatever it is. And to my utter surprise, two weeks have gone. The phone never range. It was three people in the company, me, the developer, and another person. And when the phone rang, we both, we all jumped at the phone, and it usually was some stupid things. Never rang, just never.

Week three, the phone doesn't ring. Week four, the phone started to ring. We still, till today, we don't understand why the airline magazines always worked with three weeks delay. Don't ask me why. All we advertised in the airline magazines for years, and it always was a three week delay. Why, I don't know, but it started working and we started expanding it. And at the time that I'm talking about, were spending $100,000 a month putting ads in all the airline magazines and in other magazines. Now, that's expensive. But we had already a few hundred stores in the US that carried our product and were committed to sell it. And my CFO, Mark Girolamo, around February or March every year, he said, Jonathan, why do we spend so much money? It's ridiculous.

Why don't we go from full page ads to half page ads and we save half the money? So we would argue for a few weeks and he would win. And then we narrowed the ads. Nothing happened. He says, you see, sales are the same, no problem whatsoever. Come March, same April, same may, started declining. June declines a lot more July. He gets nervous and he said, maybe we go back to full page ads. So we go to full page ads. Sales start to grow come February, March, the following year, on the third year, I said, mark, you're an idiot. We did it already twice. Enough is enough. What's the point? The point is you have to generate demand. There's nothing you can do about it. You have to generate demand. Later on, I already was running Zoom info.

I bought in a very talented guy. You will hear his name later on, Peter Wayman to Ron Kartskin. And he said, I don't know about anything like that. Retail. I don't understand. So I'm going to bring a really smart guy. And he brought in the VP marketing of both the speakers, the music company. And the guy was really good. He understood exactly how you do direct sales. And he started advertising remnant space on television, on the radio, all of that stuff. And sales started to take off, which is a proof, I think, that as good as your product is and so forth, just to tell you the opposite, I said, who is going to use Cardscan I? People who work in the office, like lawyers, like this.

So we hired the salesman and we gave him a job to go into downtown Boston and go from building to building, knock on the door and try to sell card skin for a whole month. He went door to door, demoed the product and sold the whole amount of zero. Not a single unit was sold. So if you ask why customers are so important, it takes tremendous amount of effort to get customers, and it's not that simple. So that's. Retailers don't think that if you got into the store, it's going to sell anything. Resellers. A lot of people think that if you live in Israel and you want to sell internationally, you need to find resellers in those countries. You're smiling. I guess you found you were there, right? Yes, but no. So I'll tell you another story.

So when were at Zoom, there was a company called monster. Monster was a company that had a large database of resumes. Job seekers would put their resume in monster, and virtually every HR department in America used monster to find candidates. What today is like LinkedIn, but you had to put your resume in there. You said what you wanted, and that's what we saw. What they didn't have, monster, is people who were not looking for a job, and executive recruiters wanted to find the people who were not looking for a job. These are called passive candidates, and passive candidates are obviously the one that people want. Because if you are not looking for a job, then you must be good. If you're looking for a job, you must be, eh? Right? So went to Monster.

We talked to them many times, and we made this deal. We became partners, resellers, that they will sell our product and tell them we have this active Jobseeker product and we have this passive jobseeker product, and you can buy the whole package together and you will cover the entire market. That was great. We did a deal with them, and the deal was that they take 30 or 40% of our price as a reseller. So were very excited about it, and we sold with them the total amount of. You already know if I say the total amount, it means zero. And that really bothered me. You know, they were talking, they had maybe 100 salespeople sitting in a room. So we decided we're going to do something about it. And I took one of our best people and put her in monster.

And I said, you work with the monster salespeople and listen to what they say and help them sell. She sat there for two weeks and she changed the results from zero to zero. So I asked, what's going on? And then she gave me the insight that you better take with you. They said, listen, if I go to the customer and I tell them I have this $10,000, that was the price. $10,000 product for active job seekers, blah, blah, blah, and the customer buys it, then monster will get $3,000 because we get 30%. You will take $7,000. I take 10% commission. So I sold $10,000 and I get $300. It's just not interesting. It's just not interesting. You have to generate your own demand. Distributors very similar to resellers and partners. So that's another sad story. That was reseller. I'll talk about partner.

By the way, if it wasn't, I would take my coat off. You will see all the scars on the back. So everything I tell you here is firsthand lessons. So we did cart scan, and Cartskin was a very good software. And one day we get a phone call from a company called Vigenere. And they have invented a phenomenal fast scanner with software. That's why it's called Paperport. And because of their scanner, you can scan business cards as well. And they wanted to include our software in that. And after a lot of negotiations with them, they agreed to pay a dollar per copy of our software. So here's the product. That's the scanner right here. Nice scanner. And here's the software. Those of you who can't read, I'll make it bigger. You can see cardscan card scan. Card scan.

They paid us a dollar per copy that we put in the box. And were very excited about it. A few months later I get a call from them and they say, you know, we don't really believe that increasing the sales of vigenere of paper ports, we won't be able to pay you a dollar. We'll pay you a half a dollar. Half a dollar is better than nothing. So fine, okay. A few months later saying, phone call, really, we can't pay you anything. If you still want to put it in here and it costs us money. Remember the book and everything? Okay for zero, fine, we'll do that.

A few more months later I get the famous phone call and he says, listen, what you should do is create like a light version that you put in our box and then an upgrade that you will make money because we're going to charge you a dollar for every unit that you put in there. By the way, they went bankrupt. So that was my little revenge at them. If you didn't get the point that you have to create demand for your own product, I think I just proved it with all the scars on my back. So it is critical for a company to own its customers. And so people who work and we had this situation with intelligent, I'll talk about them later. That many resellers came to them and wanted to resell their product.

And I told them, that's fine, except for one little thing that you should ask. You should say, that's fine, except that the customer is ours, so they sign on our contract, not on your contract. And lo and behold, all of these resellers just disappeared because what they really wanted was the customer and the product of Intellij and was just hooked to get into the customer and the customers should have relationship with your company. And this is really critical. Many companies treat customer service as a liability. I think it's a huge mistake. Very rarely, customers call you. Honestly, that's fairly rare. Even if your product stinks, they just don't call. So when somebody calls, you better make sure that they are delighted after the phone call, because it's worth a lot of money.

So people who move their customer support to India or I don't know where in my mind make a big mistake and the company should focus on a strong brand. I say that every single meeting demand generation as a growth engine, if this is a single most important growth engine, is your demand generation programs and delighted customers. So I said there are two ways of doing direct business, e commerce and salespeople. So how do you decide which one to take? Actually, it is not that complicated because there are certain things that would make you take one direction and other things will take you this other direction and it's really hard even to mix them. So first of all, it depends on the type of customer and the price of the product.

So if you sell a consumer product b, two c, there's a good chance you will probably go by e commerce. If you sell b, two b, we'll show it in a moment. But it can also be both. And they're, both are, in my mind, really interesting. So if you B, two c, then usually you sell at a low price. Consumers usually don't pay thousands of dollars for anything. If they do pay thousands of dollars for anything, usually it comes with payment terms that parse it along. I mean, if you buy a car, a lot of people lease a car. Why do they lease a car? Because they can stand paying 2000, 3000 shekels a month. They cannot stand paying 160,000 shekels. So usually consumers pay very low prices online.

A few hundred shekels, maybe 1000 shekels, and nobody is calling consumers to buy a product. You would very early have the phone ring and somebody's trying to sell you, I don't know, a dishwasher. It just doesn't happen. So it's very clear how these things behave. B, two B usually are at much higher prices, few thousand dollars. And I will explain in a moment why they have to be a much higher price. So let's look at e commerce. What's good and bad about it? First and foremost, the product should be self explanatory because there's nobody to answer questions. So if you have this very sophisticated new algorithm, b, two b, something, nobody's going to buy it online because they don't understand what you're doing. It doesn't work. So it has to be easy to understand low price.

I put it at about $1,000, but it's usually much lower than that. It's totally dependent on strong brand because the customer has to go on its own initiative to your website. If they never heard about you, they won't come, they won't stumble upon it. Okay. And so it really, depending on demand generation activities, whether you put ads on airline magazines, which is what we did, by the way, it worked only in airline magazines. All the other magazines just didn't do anything. Don't ask me why, but we tried a million magazines. Nothing worked. Just airline magazines. It works 24/7 so unlike salespeople, they don't, doesn't go home. You can continue to sell. It's very efficient. The only cost you have is the credit card commission and fixed price. You will see that in b two b negotiation is the heart of the matter.

When it's e commerce, there's nobody to negotiate with. So you either pay that bill or you don't, and you buy it. So that's why e commerce is good. But remember, I put it really on very specific items you can sell through there. Salespeople is almost a must when you have a new product, new idea, something more complex. There's just no way of selling it without a human interaction, without somebody explaining what the product does. So if you are in SaaS business or you develop a new technology, new engine, new whatever it is, probably you will have to demonstrate it and answer questions. Price might be high. And here's the reason salespeople want to make money. For some bizarre reasons, they do want to make money. Bizarre, bizarre. I don't know. I mean, I like to work with salespeople.

They just do it for the grace of me. But I couldn't find them. You know, they're not very. So I just took $100,000, which is kind of at the low end of salespeople. So to make $100,000 a year, and you want to make money, too, then you need to sell that. Each salesman will sell $500,000. That means that 20% of every dollar you sell goes to the salesman. I think the average is twice both amounts. Yeah, usually. But you're right, 200,000 for salesman is high. You can get them. And I'll go back later on and show how you can get people for $100,000. There is a way, but think about it. If they need to make $500,000 a year, that's about $50,000 a month, and the cost of it is $5,000.

That means they have to do ten deals a month or two deals a week. That's really difficult. So what happens is that usually, if you want to use salespeople, the price of the product is much higher than $5,000. As you said, 10,000, 20,000, and so forth. At Zoom info, we sold $2,000 minimum price, or $1,800, actually. And I'll explain in a moment how we did that. But that's usually why B two b sales are much more expensive because you have to use a salesman. Salesman wants to make money. The rest of it is history. So the economics work only for a large deal. But there is a benefit to using sales people, which is, it's much easier to start. You take a salesperson, you throw them into the water, and they start working. Why?

Because just by making a lot of phone calls, they can get somewhere. The easiest demand generation is to just become a past and keep calling people and talking to them. So it can work in all the companies. I started when it was b. Two b. I started with salespeople. Usually it worked, but it's far from being ideal, and you will see in a moment why. And it's also easier to reach profitability because the deal sizes are much higher. Okay. So that's why the benefits of going with e commerce and what you have to give up and what is going on with salespeople. But in some cases, you can do both. These are, in my mind, the most interesting ones. So it's very hard to combine e commerce with sales people.

And I'll explain why it's hard, and later on, I'll show how they do it. So, usually, as I said, zoom info. So let's start with another. This time, it's five scars on my back, because I tried it five times and failed miserably five times. So we started with salespeople. So when I started the company, when I built the company back in 2000, by 2001, we had a salesperson. By 2002, we had $1 million in sales by that salesperson. And then we became profitable. So it worked really well. And then we added more and more salespeople. Remember, salespeople sell $5,000. They need to make money, all the good things. And then we said, we need to start selling. I mean, cardskin is not complicated. It's just names of people with phone numbers. Give me a break.

You don't have to be a rocket scientist to understand what he does. And we also had a lot of leads because we published the directory of all the people. Anybody who searched Jonathan Stern on the web, in most cases, got the first result was Zoom info. And it says, here's the phone number. Click in here. When you click in here, say, buy it. Really straightforward, nothing sophisticated. So we died to make a product that you can buy online. We wanted to have a product that you can buy online. But how do you differentiate between what the salespeople are selling and this product? I mean, it's basically just getting data. So the obvious answer was, let's differentiate. If you buy online, you can get 50 records a month. And if you buy from us, you get 1000, 2000, whatever.

I don't remember what the name is. So that's what we did. We differentiated on quantity and about, it took about two days, usually after we released the product, for the salespeople to demonstrate in front of my room with big signs and sitting there on a strike and explaining to me that this is ridiculous. They say, if I have a quota, you want me to sell $50,000 a month. And then a dealer just almost closed a $10,000 deal. The customer said, he said, I almost closed that deal. And then I get out, you know, I call the customer to sign the deal, and he says, you know, I just discovered on your website that I can try this product for $99. Says, yeah, but it's not the same product. You only get 50 records, blah.

And the customer said, it's okay, I'll start with that, see if I like it, see if I need more, and then I'll get back to you. And he says, I lost five customers just this morning. If you want me to continue selling in this company, you take that stupid thing off. That's what I did. I tried a year later. I tried the year later. Hilat tried it gazillion times. We did it together. Never succeeded in doing it, never. Because the product was not differentiated enough. Quantity was not enough, and the price mismatch $10,000 or five thousand dollars to ninety nine dollars. Just people said, forget it. You know, I'll just try it. Whatever it is, I'll just try it online. It costs you less. I know, I don't remember all the logic, but we gave up at the end. I dropped it.

And that actually allowed a lot of our competitors to go into the market. So Apollo and Lucia and all of these people used that weakness and went to the market using that. But I'm just telling you a little bit of a story. So what are the successful ones? The successful ones do it the opposite way. What they do is they start with online things that you can buy and use, and then the salespeople step in. So let's say we use Zoom, okay? And they start seeing that five people here have signed up for Zoom. They say, okay, this is a company. They use it for business. I better pick up the phone and call them and offer them that. We have this classroom and we have this feature and that feature that is not available for regular users. Please sign up.

Same goes for LinkedIn. Same goes for all of these products. So the salesperson really calls already users who understand the product and you can explain the differentiation between the free product that you are using or the low end product you are using and the product that they are selling. Yes, it's kind of the lead generation. Yes, I love that model. But I have to admit that I was not able to recreate it on any of the companies. But I think it's a really cool thing to remember. Is it the same if you sell? I don't know. I don't think so. Yeah, it's a different story. Well, for cutscene, remember were before the Internet. I mean, were like dinosaurs. But later on we zoom in for. We really struggled with that. We had a lot of issues that I couldn't introduce.

A low end product that will not decimate our sales because changing. Bear in mind, we'll talk about cash flow. If you move from deals that are $5,000 deals and salesman does $50,000 a month to only e commerce at $99, it just doesn't work cash flow wise. You really kill yourself. It's not easy, and we failed to. Now, the only problem with this model is that it takes time. So you start with giving a free product, let's say zoom, for example. So people start using it, they are happy with it, and meanwhile, you make no money, but it's costing you money because you need to keep all the servers, you need to keep the service. Later on you regain it.

That's what happened with LinkedIn, as I told you with Reed Hoffman, if you have enough money and you have enough patience, it's a really good way of doing it. If you are cheap like me, and you want to make money right away, it's a little bit harder. But I really wanted you to think about that. How do you decide on the price of the product? So obviously, if it has a cost, you want to cover the cost. So that's really simple. Right? But let's talk about many of the products today. We live in a virtual world. That means nothing costs money anymore, right? So it's all free. So even then, there are many price points.

If you guys that were here a few lectures ago, we talked about differentiation of watches, and we showed there are watches that go for $20 and watches that go for $20,000. And so the fact that it's a watch doesn't mean anything because it depends on the positioning in the market and so forth. So that's really what decides on B. Two B. But if we really talk about price elasticity, there is one unique price that is tremendously powerful. It's called zero. So if you go from $2 to a dollar, it's nicer. If you go from a dollar to a zero, which is just the same $1, the world behaves very differently. So zero is a magic number. That's the price point that people really like and abuse, because if it's zero, they can use it and they do it. So there's no barrier for use.

Google, Facebook, TikTok, Zoom, LinkedIn, you name it. If you just think about it, we live in a zero cost world in a lot of things. A lot of the services we get today, we get them for free, and there's really no reason why we should get them for free. These are phenomenal products and services that we get for free, but that's the way the world works. But how do you make money? So we talked about it before, advertising, business features, we talked about that ways. I don't know, but advertising model has a problem. What do you do if you don't have the scale of Google and Facebook? Well, there is a solution for that, and the solution is all around us. There are many magazines. Used to be paper magazines. Now many of them went online.

But it's the same concept, which is it's a specific domain, be it fishing or gardening or, I don't know, science or whatever it is, that there's a much smaller audience that is interested in it. So it's much easier to get to them and you can charge higher because you have a very focused publication. I've seen many companies do that. So if you are in that area and you want to start making money on advertising and you can't wait to be as big as Google, there is this solution. Okay, but what about real numbers? So let's talk a little bit about the difference between 19 952-995-3995 User. How much difference would it be? If product you are interested in would be 1995 or 29.95, would it really make a difference?

Well, it does make a difference to the seller, because if you sell for $19.95 or for $39.95, you have to sell half the units. And people keep forgetting that the person who needs to pay usually is totally not sensitive to the price at this level. When do people become highly sensitized to price? When they can compare the same price, the same product at different places. Right? So you go to the supermarket and you see that they sell, I don't know, this cake for 39 shekels and the same cake at the other store is 29 shekels. You'll say, I will never, ever buy this cake in here because it's 39 and not 29, which is kind of stupid. Okay. Because you have to pay. Go to the other store and get the cake. But people do that because they are angry. Exactly.

But they are angry that the bastards are raising the price by ten shekels. So that's when people really become sensitive to this, especially if it is non differentiated. Think about your. Absolutely. So I wanted to bring the example of phone companies. Right. Whether it is telephone or cell phone, they give you the same service. Really, you don't see the difference. So you're very sensitive. Whether they charge you 50 shekels a month or 70 shekels a month, and you call them and you argue, right. Banks. Right. Same thing. Nobody likes the banks. Nobody has anything to do with the banks. You're really angry when they charge you $20 a month, 20 shekels a month for commissions or whatever it is. So that's when people are sensitive. But other than that, they have nothing to compare it.

So if you sell your product, there's nothing to compare it. And you charge 1995 or 39.95, it doesn't bother them because they don't have anything to compare it. So they don't really care about it. But you definitely care about it. So what do you need to do? Some people will. Krell will not buy. So you have to calculate the price sensitivity graph, which is you just take the number of deals that you had at each price, multiply one by the other, and you see if $39.95, you sell half the number of units, then it wasn't a good deal. If you sell 10% less, then you're very happy. Right. So that's not very high math, and it's really simple. And there are some common wisdom or psychological numbers that have been established over the years. Single digit, 995 people lie of the single digit. Right.

It's really like. That's almost free. Starts with one. People like this start with one. And midway. Kind of 4995 is midway. That's why when we gave, you know, the first time we put cards can in the stores, we had 249 as the price point until Peter Weiman, who I mentioned before, said, what's unique about 249? We sell 100,000 units a year. If we raise it by $10, we'll make a million dollar profit. So we raised it by $10 and same number of units. We just made another million dollars. So people don't know the price. So it's 249, 259, 269. Doesn't make any difference. By the way, I paid a trick on you. Look at the 95. Getting smaller all the time, psychological to hide it. You know, we're dealing with people.

So when we say business to business, I mentioned that before, who is the customer? So there's tremendous variation in the potential customer depending on the product you want to introduce. So very small companies, there are many, many very small companies. From a single person to, you know, three people. Virtually all the stores are very small businesses. They behave like consumers. So it's usually the owner and two people or three people, they behave like consumers. So even though they are a business, doesn't matter. Small companies, which in my experience is less than 100 people, it's a relatively simple buying process. Why? Because the CEO still controls everything that goes in the company. He makes the decision in most cases, and the company is kind of coherent. So it's relatively easy to get things done in that company.

When you move to medium companies, which is a few hundred people to a few thousand people, suddenly they start having distinct organizations that give you trouble from legal. They have purchasing department, they have a CFO, they have it, they have security. It starts to be a whole different world. A whole different world. And when you get to a large company, the sales cycle can be years, literally years. So if a small company, you know, 50 person company would buy it in two months. An enterprise, a large enterprise, might spend two years on it. Why? Because everybody has to look at it in a way, in opinion and whatever. If you are selling to hospitals or clinics, it's highly regulated. There are safety issues you don't have to worry about in other places. So suddenly the sales cycle looks very different. Cities.

I have a friend who joined the company as a CEO that sells software to cities to do something for the cities. And he had a problem. He said, if I want to charge more than $10,000, they need to go and have a tender. He said, the tender has a cycle. You have to publish it, you have to collect responses, you have to edit. Blah, blah. He said, half a year. He said, so why don't you sell for 9950? He said, a good idea. So he started selling for 9950. Just, you have to know that. I also said they are highly political. That highly political is a nice word to say, corrupt, which means if you want to do business with me, my brother in law has a gardening business, and blah, blah, blah.

And if you think about why recycling is so complicated is because it deals with all of this, okay? You have to get permission from the city to put things. You have to get permissions to transport the recycling and all of that stuff. By the time you are done with all the permissions and all the things you have to deal with, the technology doesn't matter anymore. Government branches, same thing. K to twelve. K is kindergarten, twelve is kitajud Bayt. Okay? So in the US, that's what we call k to twelve, which is basically elementary education. They usually don't have any money. It's just like that. You go to a school and you try to sell them anything. There is not a penny to be given. Second, there are, I don't know, 500 parents. They have 600 opinions. So you have 600 opinions and no money.

Good luck to you in selling anything to schools. I'm just giving you things that I know. I work with these kind of companies. And so when you say b two b, it's not b, two b. Every single one of them is different. Same goes for universities and colleges. What? B two b I, something like that. It's ridiculous. So each one of them has its unique challenges. What am I trying to say before you go into any business? And you will hear it again and again in the second part of the lecture, really try to sell when you have nothing. Okay? Nothing. Why? Because all the troubles you get in here, you will get them even if you have nothing. But you will start getting all of these problems. Right? What? It's $10,000. Now I need to do a tender.

You don't need a product to get this answer. I need a tender. You didn't know that before, right? Oh, I need to have this permission or permit from this department because, okay. Better than I know it. Now, before I develop the product, you won't hear any of that stuff. When you talk to a potential customer, just to hear their opinion about your idea, especially in America, happen to me. You go to them and you say, I have this great idea to do a chair that jumps. And you say, wow, that's really cool. You know, a chair that jumps. I think this is really wonderful. It can really jump? Yeah, it can really jump. Oh, wow, that's great. Would you buy if you show me? Yeah, I think I will.

What they really think about you is I want to go to lunch, having out of here. Okay. But they're polite. They're Americans. Okay? So they say, absolutely. Yeah, man. That's very interesting, by the way, the intonation of the word interesting in English is really critical. Moya, can you please help us with the right? Intonation. So in Hebrew, interesting is a positive word. In English, it depends. Interesting. The word interesting, pronounced as I just said, means, yeah, that's interesting. Okay. When you meet your old friend after ten years, and the friend says, wow, so great to see you. We must get together one time. That means never. Never, right? If they really want to see you, they say, hey, what about next week? Then they want to see you.

But if we must get together one time, that's the polite american way of saying get lost. So it's the same in business. And now without the jokes, all of us fall for it. You go, you think about an idea, you spent money, you invested, you have the product, you go and you start asking questions, you will get very positive responses because everybody wants to be polite and wants to see you happy. When you ask them to pay money for it, you start getting the real answer, but they won't tell you the real answer before you ask for money. So start selling when you really have nothing because you are going to get answers you would otherwise feel sorry you didn't know in advance. So as I said, b two B sales are complex because they're two dimensional.

First dimension is the company itself, which is the real customer. And I'll get to it in a moment. What do I mean by that? And the second is because of the people. And those of you who know me know that I say, if not for the employees and the customers, business would be very easy. Right. So the moment you start dealing with people, you get into complexity. So it makes b two b very complex. But the question is, what is the definition of a good prospect? How do you select from the millions of companies in the world, those that really are good for the product or the service you want to give? And that is a big problem. So if you look at what used to be 20 years ago, what you knew about a company was their industry.

By the way, what is the industry of Amazon? Well, Amazon is a software company, but that's not their industry. But they are the biggest software company, I think, in the world. So the definition of what is the industry is kind of outdated, irrelevant size, of course. People look at it location, which is not very interesting anymore. All of these things that used to be the hallmark of defining who is your good prospect are irrelevant anymore. What is relevant is you want to understand deep things about the company. Give you an example. So at Zoom Info, when we got leads, we wanted to understand whether the lead is a good lead or not a good lead. And we had two criteria that we looked at for the company, we looked at only one thing. How many salespeople they have.

If they have more than ten salespeople, they were a good prospect. If they have less than ten salespeople, they were not very interesting prospect. That was enough because it separated the world into people who are going to use a lot of data to companies that probably don't have salespeople or have very few of them. The second parameter was, who is the person talking to us? If it was vp of sales, were very excited. If he was some, you know, BDR, were not very excited, and we would treat this deal the lead very differently. So we started developing at Zoom info a whole array of attributes. And the attributes were very diverse, like what products the company use internally. Do they use Salesforce? Do they use marketo? Do they use, I don't know, anything. Okay, why?

Because you can tell by the products they use what is the next product they're probably going to use. Because usually there is a hierarchy of sophistication. We started to collect because we had the list of people in the company. We started looking at titles. So if they had a warehouse manager, then they probably have a warehouse. So if you sell software to manage warehouses, you are very interested in company that they have a warehouse manager. We counted how many salespeople they have, how many engineers they have. The most interesting stupid example that I had is one day I wanted to start looking, taking all of our customers, and I worked with a data engineer, and I said, let's try to find what's unique about our customers that other companies don't have.

So he did the analysis and he came to me and he said, wow, I got a very bizarre result. I said, what was the bizarre result? He said, it seems like many of our customers have more than ten nurses. I said, I don't understand it. What's the relationship between companies that use Zoom in for data and nurses? So I said, that's because you didn't look at the list. If you looked at the list, you see they were all s and P 500. So big companies, if you have 100,000 employees, you probably in every location have a nurse. So that if somebody had a headache, he doesn't go home, he goes to the nurse and gets an aspirin. So sometimes you need to be smart about what you count. But in any event, we started looking at that.

We started looking at ratios, how many engineers you have to, how many salespeople you have. All of these things gave indication to whether the company is interesting. So that's what we did in here. And that's a very interesting product we have at Zoom info. But even more interesting, intent to buy. If some miraculous way you could figure out who has an intent to buy a product like yours, that would be great. You want to pick up the phone and call right away. Now there are several ways of figuring out intent to buy. The most common one that many of you encountered is like car insurance, right? You look at car insurance and there is a calculator that tells you if you put your details in here, we will get you the best car insurance. What do they do with it?

They take it and they sell this lead to all the car insurance companies. Same goes for mortgage calculation, right? So that's an intent to buy. People try to calculate in the mortgage calculator, clearly he's going to take it, but that's the easy one. An interesting one is a tool called Bombora, kind of. I haven't played with it in about ten years, but by the time I played with it, I was unimpressed to say the least. What they do find the businesses who are ready to buy before you competitors do. What that tool does is it goes and has an agreement with a lot of content providers, basically magazines. And they try to see if people go and look on their website. Let's say that the magazine deals with firewalls.

There was an article about firewalls and they say, well I can tell you that company X, five people from company X downloaded that article. So they probably have an intent to buy a firewall. So that's what mom Bora is doing. There are other tools like G two.com and TrustRadiuS, really good companies that collect reviews about software products, both of them, and they do sell you leads. So people that look for sales tools and they say, okay, you can give my name to people who sell sales tools. And we bought these leads, they were the best leads we ever got. So that's intent to buy. If you can figure out a process in your company how to get intent to buy on your prospects, that helps a lot. Okay, finally we're into the sales cycle. So this is a picture of a typical sales cycle.

I don't think it's a picture of a typical sales cycle for a really good reason. There is no typical sales cycle because it looks as if the steps take one after the other. And in reality, the sequence of steps. I will read it. Gathering leads, contacting prospects, qualifying your buyer, presenting the product, reassuring the customer. I have no clue what that means. Closing the sale and generating referrals it doesn't really matter. Essentially, look at the beginning. The beginning is gathering leads. So that means that there is a previous process called marketing funnel. And marketing funnel has a little bit more logic to it, because if we started at the top, you have awareness and exposure, which means you need your prospects to at least hear something about it. They should be aware of your existence.

And usually to make them aware of your existence, they need to hear about it more than once. And so that's the first thing. That's what I call about branding discovery is the people that hear about you, they want to understand a little bit more about what you do. They're not ready to buy or anything, they just are intrigued. What is firewall? I want to understand what a firewall does in a company, okay? Or a spam filter or whatever it is. I need to understand more. Evaluation is when they start really looking into the product itself, intent, they make a decision that they want to buy and they're starting to communicate with you. And then there is a purchase. So if I look at it, really the sales cycle starts kind of at the bottom of your marketing funnel.

So when people get to the point where they are now ready to start talking to somebody, that's a long way down the funnel. Usually the common wisdom says that a good lead happens after six touch points. So there need to be some interaction between you and the prospect. For six time interaction doesn't mean that you talk to him. Interaction is like they downloaded a paper, they went to your website and did something, they clicked on an email, they did something. So 6th interaction is usually kind of on the average, that's a common wisdom needed before it's worth talking to. That person is ready to start talking to you in more earnest. So that's the thing. And when you see there, I put a circle around gathering leads, you get them from your marketing automation. So branding first, why?

Because now you start seeing that when we talk about sales, look at how many steps have to occur before you have a deal. If you remember, when I talk about successful companies, I say profitable, fast growing, and at a relatively small investment. Now you see that in order to be profitable, how early you have to start all of these processes so that you get to revenue generation at some reasonable amount of time. There's many, many steps along the way. Now let's talk about really what a sales cycle is. And I'm not giving it as a sequence or as a cycle, because as I said, even in the same company, you will look at ten different deals and the sequence by which things occurred was different. Sometimes some customers insisted on something, other customers didn't care about it. Each one of them is different.

But in general, here are the elements you would mostly see. First of all, you need to identify who is the champion. So you need to talk to somebody inside the company. Usually that person is called the champion. Sometimes you have more than one person, and that person is the person that usually tries to push the deal forward within the customer. And the term that people use is the champion. That's your champion. That doesn't mean he's in love with you or that he really likes your product, but he's kind of the point person that tried to move it through the maze of their company. Second, you need to define with that person or other people what are the needs of the company. Why are they talking to you, even?

And that's really critical, because if you don't understand why they're interested in your product, you will never be able to convince them that they really need it. They have to tell you that they need it, not you tell them that they need it. Next, you need to determine the value. You want $100,000 for your product. Why is it worth $100,000 for me, the customer? So you need to figure out the value. And that's very complicated, and I'll explain in a moment why. And then they want to see it work. Proof of concept. Show me. So if you want $100,000, they want to make sure that they buy something that works and solves their problem. Do they even have a budget to buy your product? And then you start negotiating pricing payment terms.

There are a lot of things that need to be discussed and decided. So these are the elements. This is not the sequence that things happen. They sometimes happen that they started negotiating the price before they even know that they need it. Every company and every situation is different, but usually all of these elements happen somehow, somewhere along the way. When they don't, usually you don't have a deal. So if they're kind of blase about it, that means they're not serious. If they're serious, they start taking you through the grind. Okay? And many times they talk about the implementation process as well. So as I said before, b two B is complex because there are many more people involved, and it's not always clear who even makes the decision.

In some companies, it will be the CEO, and in other companies, the CEO refuses to make a decision because that's why he hired you, right? I hired you to make that decision so I can fire you afterwards, why should I make the decision? Right? So it's really hard to tell. So you have the champion. Obviously you have other users or people impacted. These are two different groups of people. They are the people who are going to use the product and actually the people who are scared of the product, it steps on their toes. It bothers them. So there are many people that might be against the product and you don't even know it. Maybe, but you have to know who they are and what they do. Top management, if the product is expensive, clearly they're going to be there purchasing in bigger companies.

They have a department called purchasing. The entire job of the purchasing department is to reduce the price. They're not the buyer. Their job is to say, we don't have a budget. We don't need your product unless you give it to us for \$2. Were not interested. I had this conversation because in my company at Zoom, at the time, they were giving discounts. I was vehemently against giving discounts. So I wanted to show them one time what happens. So were buying some tool. I don't remember what it was, and the company wanted \$15,000 for the tool, which was reasonable for what the tool would do for us. And the salesperson on the other side, I knew, was really eager to close the deal and of the quarter, all the other stupid things that sales people tell you.

So I called all the sales managers into the room. We put the phone in the middle of the thing and they dialed and they say, the CEO wants to talk to you. The guy was very impressed. The CEO wants to talk to him and he says, oh, what can I do for you? I said, well, we really love your product, but we don't have the budget for it. He says, what do you mean? He said, you want \$15,000 and I don't have the budget for that. He said, how much do you have? He said, \$5,000. He said, well, sir, there's no way I can give it to you for \$5,000. I said, in that case, I'm sorry and it's not going to be a deal. He says, wait, wait. I can't do \$5,000, but I can definitely do something for you.

I said, it better be very close to 5000. Let me check. He comes back after a few seconds and he says, we can do 7000. I said, okay, you got the deal. We hung up. The whole thing took as much time as I just said. And I said to the salespeople, you get the same treatment every single call. What I just did is what people do to you. You knew I'm willing to pay \$15,000, but never in my life did I make \$8,000 in 60 seconds. That's what it took me, 60 seconds to make \$8,000. Stop giving discounts. You're idiots. But that's the way it works. That's what purchasing does, okay? That's their profession, their art. And all you have to do is say, I understand that, sir, but our price is \$15,000.

It will be really sad to not have you use this wonderful product. It can save you this, it can do this, it can do that. You don't talk about the price anymore. It, in big companies that you come in, if you sell software, they really get involved and they tell you that you don't comply with X, Y and Z, and your product is horrible and blah, blah. Legal. Obviously some legal departments just get out of the way. Some legal departments basically are asleep. Where is the contract? It's illegal. It's been there for three months. Yeah, I know it's illegal. So, and obviously the CFO is usually in charge of the purchasing department and so forth and so on. So you start to realize why I say B two B sale is very complicated.

So each company is different and the internal politics play a big role. We think about selling a product as something that has a real value. I can show you the payback and all that stuff. There's nothing further from reality than that. When people or companies buy products, there's a lot of emotions, a lot of politics, a lot of things that are not measurable by dollars and cents. So when you start selling, let's do some real advice. So you have a new startup, you have a new product, nobody ever heard about it, and you want to try to sell it. What you need to do is start selling. You, all of you founders, the product first. Why? Because nobody knows better how to sell that product than you. And nobody is going to be more passionate about that product than you.

And nobody can give answer better than you. So before you hire a salesman or a VP, sales or any other stuff, try to sell yourself. The first few customers figure out how to sell. Because what you're going to find is that what you had in mind that you're selling is not what customers want to buy virtually. You know, in reality, what you want to sell and what they want to buy are usually not the same thing. Now that doesn't mean that it's not the same product. They just want to look at it in a very different way, and you better understand that. So if I look at what is the common roadblocks, you come with a new concept, new product, they just don't know what you're talking about. They have no clue what you're talking about.

So it takes them a lot of time to understand what the product is supposed to do. Even, even though they understand the words, they just don't have anything to compare it to. Same way I said about pricing, if it is something that I know and it has a price, I can compare the price, but if it's something new, I don't know what to do with it. And it takes a long time for people to know what to do with it. Give you an example that I bought before. Today, every company with salespeople have a CRM. Even without salespeople, they have a CRM. When I started selling, there was no CRM. The best product on the market was something that called act with an exclamation mark. And act was a PC application and it was basically outlook. So you can send emails, you can.

No, there were no emails at the time, sorry. But you can put appointments and you can type in data. And it took years and years before this product and other products became well understood and used by most companies. I'm talking about, we started using act in 19, 85, 40 years ago. Only in the last 15 years, I think CRM became a must. So it takes a long time before people understand that they need it now to sell a CRM today is very different than selling AI or a new product. Why? Because they kind of know they need a CRM now. They are arguing about the price, the features, the this, the that. But the decision to buy a CRM is already in the company because you can't live without it. But when you come with a new product, very different.

There's no budget because it's a new product. They never thought about it. They didn't make a budget for it. Okay, payback. That's a huge pitfall. How do you really measure the payback? What is the payback of CRM? Can anybody calculate the payback of using a CRM? The answer is no. But it's kind of, yeah, now I have to use it. What is the payback of a word processor? What is the payback of ways? I don't know. I mean, it's a product, okay, I use it. That's about it. Get off my back. Stop talking. So really, payback is kind of a nice idea. But in reality, it's almost impossible to calculate payback. There are internal conflicts. Depends on the product. Some product is easy. If you replace humans, it's very easy. I'll get to it and I'll show you that it's not. Nothing is easy.

And the last is packaging and pricing and value that are not well aligned. What is packaging and pricing? What's the difference? So I'll give you an example. In Cardskin, in zoom info, we sold records. So you paid, I don't know, thirty cents per email address or phone number. At the same time, we could have sold seats. Why records? Why not seats? Why not? We will send the emails for you. The same product, you can package it in very different ways. That makes more sense or less sense. Like if you buy Salesforce, you pay per seat, but you also pay for memory, for storage. You also pay for communication. That happens. So they started adding more and more things that you pay for. If you use aws, you never understand the bill. You know, it's like a book like that with measuring every stupid thing.

So packaging is really important to make customers buy or not buy a product. So because of this sales cycle, we get to the main point. It takes a long time. Takes a long time. Remember, I started with the CEO having to do this because all of these questions and all of these obstacles and roadblocks are things that the CEO needs to understand, needs to feel it. We just had a conversation with Yarden about an idea. And I said, yarden, you have to be in every phone call, in every meeting. And he already says, you know, what we thought might not be correct. When you start seeing they right away, you listen, you talk to customers, and you might realize, no, I had this great idea, but that's not what customers care about.

Oh, yes, they actually care about this stupid feature that we didn't want to do. And it's so stupid. That's what they want. The CEO has to be there at the early stages. Time is money. We'll get to it. Because I calculate the time and money, I make it into an equation. I like equations. So let's talk about the case study, because I try to give you as many examples as possible, because they show you more than anything else. So we have a company that joined Smartup. Elan is here. Where is Elan? Right here in front of me since May 2023. So almost a year and a half, a year and four months. And what they do is demand planning and forecasting.

Basically, in simple words, you're at Nouveau every week you have to produce cottage and you have to produce yogurt and milk and whatever. And you want to know how many units you have to prepare for next week in the middle of the year. It's simple. Can't Shavuot. You want to make more? Not very complicated. There is a market for it. There are known players. Usually the product is sold at around low, few hundred thousand dollars, 100,200, $250,000 from the existing players. And they are very sophisticated, high end products. And basically they play in the snop market. I asked several times, what is snop? It sounds sophisticated. It's basically sales and operations. So not that sophisticated, but it sounds really good. And what is their claim to fame?

When they joined us about a year and a half ago, they told us, well, you know, the big guys go after the big companies, but the low end of the market is underserved. So if we go to the smaller company, smaller in their terminology, it was company like 25 million to 50 million, 100 million. And if we give it at a low price, we're going to break the market. Okay, so the high end, as I said, is 100,000 and up. They wanted to sell for $10,000. They also developed very nice, sleek, modern looking user interface, great algorithms inside to do the prediction and the forecasting, more accurate based on the past. So they take the history of the last year and based on that history, they try to predict what's going to happen this year.

They mix it with information about campaigns that the company is going to do, events that are going to happen and so forth, and create this. And it's also easy to integrate because they go through files, Excel files, which mitigates the issues of it that has it don't want to integrate into here. And it's also making it very simple, basically should sell like hotcakes. Right, elon? Hot cakes. Absolutely. So let's see what happens. The founder oe, who is not here today, he's at a conference. He knows the business. He was a consultant at Ernst and Young in their snop practice. And he's also a lecturer in Hadassah. Right, where? Israeli Azraeli. Sorry, in Rushalayim. Right? Yeah. Okay, so he likes teaching. He really likes teaching. He has delivered many courses, enjoys it. And they also had, when they came to me, two design partners.

But these design partners refused to buy. So they kept giving all kinds of reasons why the product is not perfect yet. And they had a lot of sales cycles, but they didn't converge to anything. The sales cycle, remember, the non cycle process included proof of concept. So they would give the product to the customer for a month, support the customer through the months, in order to prove that it really works. So after all of these hard work and so forth, we sat down to analyze why is it not working, really? No. Even the design partners didn't buy, and things just took forever. And the first conclusion that we came to was, we think that this is a really hot market. But the reality of it, most of our customers live in the middle ages, had no clue what were really talking about.

So they used spreadsheets and they basically said, okay, last October we sold this amount. This year we'll do 5% more. So let's multiply every line by 5%. And here's the prediction and the forecast for this year. Literally, that's what happened in many companies. Was it accurate? No. But how can you predict the future? It's the future, right? Nobody predicted that Nasrallah will not be with us today. It happens. What can you do? But at the same time, customers are not idiots. So they wanted to understand, really what is the right process to do. So they were hungry for education and knowledge. And what we did in the new approach was to leverage the capabilities of the companies to mitigate the problems of the companies. There was a reason I told you that Roy likes to teach, because he's a really good teacher.

People love to teach. And so, and we had courses that he already gave, and he had lectures that you already gave. So we started selling these courses, and that basically was instead of cold calling, and the customer on the other side have no patience, because this is a sales call. Sales call is not going to listen. But if he paid 2000 shekels to listen, he listens. So what we did is we took the cold calling and instead we asked people to pay us money, come to a meeting or a zoom or a physical. We sell both. We actually sell a lot of on site courses to companies. So the company buys, they have 20 or 30 people in the room, and we teach them what snop and what demand planning is and so forth.

And the other thing that we realized was that actually the competitors in the market had a broken process for the stage of the market. What is a broken process? They have a reseller who knows the product, but doesn't really understand SNLP. He knows how to install it and how it works. But beyond that, he doesn't know anything. They don't give any support to the process. They give support to installing it. It works you know, I turned it on. It does work. So I'm fine, I'm done. But the customer didn't know what to do with it. So we started creating these three legs of knowledge, methodology and technology. So we train you, we teach you, we support you, we are with you. We actually help you do the work, and we give you technology. And that was unique. No competitors in Israel to do that.

So that was interesting. So we now make about twenty thousand dollars to thirty thousand dollars a month just from selling the courses. We took the PLC that was free, we repackaged it, and instead we call it value analysis program. We charge $7,200, even though I requested they will make it as close to 10,000, but we refuses. But we do sell those. And now the sales cycle, instead of us paying for all the process, so we basically, in the sales cycle, turned every step of the way into a product that people pay for. And the people listen more because they pay. So this is just an example. It's not huge genius or whatever. It's just honest. Look at the situation and saying, the market is embryonic. We sell to people who just don't really understand what we're trying to do.

I can keep preaching, but it doesn't help. So how about I turn the weakness into strengths and suddenly educate the market, but have them pay for it so they appreciate the knowledge that they get and appreciate what they get. And it seems to be working really well. We also raised the price because $10,000 sounds like rickety nothing. If the others want 100,000 or 200,000, we cannot go with 10,000 because it cheapened what we do. So we now have the product sold at $50,000. So just to give you example of how you take a problem and look at it in the eye and be the CEO trying to sell the product, and be, it's honest to yourself or objective enough to really understand why it is not working and it wasn't working. We will probably do about $400,000 in 2024.

Not bad for a company that joined us about a year and a half ago. Okay. B two b pricing. Give my previous example of how I negotiated with that poor salesman. Within reason, companies are less sensitive to price than people assume. Why? Because unless it's a common product that you understand the pricing of it's always something that you have no way of really understanding what you pay for. So you just make a gut decision second, which is answering you, really, what they're sensitive is not so much to the price customers are sensitive to other things. They don't always say that to you. But what was the saying of IBM? Uncertainty. Doubt. Fear, uncertainty and doubt FuD, right? So IBM, they didn't invent it, but they perfected this.

So when they sat with customer and, you know, talking now about, you know, a mainframe in the sixties or the seventies, the whole bank is going to depend on this machine. The CIO who bought the machine actually took a big risk, because if that mainframe fails, the bank stops. So one glitch and the bank loses days of business. High risk. IBM took advantage of that, and they will say, well, you need to buy a mainframe, right? Your bank needs a mainframe. Nobody is going to ever blame you if an IBM machine failed because you bought the best. There's nothing better than an IBM mainframe. Fear, uncertainty, doubt.

Machines fail. You don't want to be there and explain to the CEO why you bought a burrows or a CDC or a prime computer. You want to say, I bought the best ever.

That's what bothers the people who make a decision, is the risk that they're taking performance. Will it really solve the problem? I want, I understand all what you're saying, but will it really solve my problem? Don't show me demos, don't tell me all of these stories. Will it really solve my problem? And they can't answer that unless they buy it. But that's what really bothers me. Is it going to solve my problem? And the third one, which is the people that you're talking about, the total cost of ownership is far bigger than what we think because they need to change behavior of the people who use it. They used spreadsheets. Now we want them to use software. Will they be able to use software? Will I have to fire them? If I fire them, they work for us for 20 years.

People will get angry. The company, there are all kinds of ramifications to a product you're going to put in the company that they don't share with you and they will never share with you. The price is usually the last issue. They use the price because it's easy to talk about, right? And anyway, why not get the discount? But in reality, it is not their personal money. We're talking about a company. They're not taking the money out of their pocket, and they will always negotiate the price. So when you do a b two b deal, these are the issues. Performance risk and cost of ownership cost not in terms of money, but in the total chaos it can bring to the organization. And payback is always hard to show. So I have a solution.

Not doesn't always work, but I'll tell you a story about it. What do I mean by trivialize it? So when I was in the US, there was an advertising on tv and in the advertising was a little kid. At the time, he wasn't from Gaza, just because at the time they were not poor, but there was a little kid and he was crying and he looked horrible. And they just said, you know, for a price of one cup of coffee a day, you can save this kid. They trivialized it. One little cup of coffee and this beautiful will be saved. Wouldn't you do that? Now take it. Cup of coffee in Starbucks is $5 times 365. You're close to $2,000. If I told them it's going to cost you $2,000 a year to save on, we say, screw it, he's a nice guy, right?

But when you trivialize the cost, it looks different. So you go and you buy Salesforce, it's $80 per user, per month. It's nothing. This guy is making $10,000 a month. $80 is nothing. Yeah, but when you have 100 salespeople, it starts to be $8,000. It's $100,000 a year. It's a lot of money because they ask for all the money for the year on day one. But you trivialize it. So that's the way to handle the shock of the price. And also, as I said before, when you come with a low price, when the market is known, it always sends a double message. It's cheap, but why is it cheap? And the why is it cheap? Is not always in your favorite. So what do we want to do? Use leads or cold calling? It depends. You want to do cold calling?

Okay, you stay here afterwards, I want you here. But most people prefer leads, obviously. Why? Because you get the contact information. They tell you, here's my phone number or my email, call me, they give you permission to talk to them and they have an intent. Obviously, leads are far better than cold calling. And I go back to what I said many times about growth engines. Lead generation is the most important growth engine you're ever going to have in your company. If there's anything you want to think about day and night before you go to bed, inside bed when you dream is lead generation. Lead generation will make or break your company and the most efficient way to initiate a sales process. The guy says, talk to me. What can better than that?

But there's an impact beyond that which I really want to talk about, because Peter Weyman, the guy I keep mentioning, he's a genius, taught me that it simplifies the process of hiring salespeople. Why do salespeople command high salaries? Because they come and they tell you, I have ten years of experience. I know how to prospect. I know how to get to customers. I know how to convince them. I know how to close the sales cycle. I deserve any penny you give me. In reality, they don't. But if you really want to hire b people, that's the b there. What you need to do is basically make them deal closure instead of deal initiators. They hate to do cold calling. Virtually all the salespeople that swore to me that their biggest delight in life is cold calling were lying. They hate it.

They don't do it. They tell you they do it, but they don't because it's an ugly job to do cold calling. And they need, if they start with cold calling, they need to tell the prospect, get him interested. It's very difficult to sell the product to somebody who has no patience for you. You cold called. You got him in the middle of something. He has no patience. It's very different when he said, talk to me, right? So when he said talk to me, you're already in the middle of your sales cycle. He wanted you to talk. If you're just a human being, speaks English, nice b in your, you know, you graduated college with your b. You are just a fine salesman for me and I can replace you anytime I want because you don't bring tremendous value. You just know your job.

That's all what you do. So if you want. And that's what happened at Zoom info when we started growing like nuts and we had leads coming, 20,000 leads a month. Peter Weyman hired them in groups of ten, put them in a class, and got them to a full quota within three months. From not knowing anything about Zoom info to selling full quota, they had three months to figure it out. Why? Because they got their leads. We told them what to do. If you don't get to full quota, you're not b minus your c maybe. And it worked. It just worked. So as a growth engine, if you have good leads coming in, you have a growth engine that you can leverage.

I go back to the beginning and talk about if you turn your lead generation into lead generation on steroids, which is you have free or low cost products as the lead, so the customer already uses your product, then the salespeople really have very little to do. They just call and say, well, I see you have four people using Zoom. We have all of these great features for business. It's very easy to do. They have a real consumer product. It's free for consumers. And they have a brilliant differentiator. The differentiator that I love is the 40 minutes. After 40 minutes, the call is disconnected. For most users, it doesn't bother mom, I'll call you back. Nothing happened. But if you are on a very important phone call with a prospect and suddenly it turns off, you look like an idiot.

You will never allow yourself to look like that when you talk to a prospect or any potential investor. So I think it's brilliant. LinkedIn did a great job. So they got all the people to say, that's my official resume, my official presence, business presence. And then they built on top of it, sales navigator. They have a product for recruiters and obviously advertising on top of it. What's up? I told you, I think I see some corporate solutions right now. I have no idea. Slack again. They had a brilliant idea. Oh, you can use Slack as much as you want, as many people as you want. It's really great. Except that we only keep memory of the last two weeks. Most companies use slack as their corporate memory. Remember three months ago I already asked you to fix that bug? See here, look.

And you said yes, and you didn't. Okay, two weeks is just not serving it. But it works as many users as you want, and everything is great. And everybody upgrades something or a feature that makes it. You put a feature that makes it not that nice for business use, but not very irritating for regular use. Okay, HubSpot. I like, you know, I use the free product. It stinks. So that's my honest opinion. But they do have one, so. Leeds. Okay, Liz must be called back within five minutes. And I mean five minutes. Why? Because as much as I gave praise to the lead, he's really interested in whatever. No. He saw something on the web, he clicked, and he remembers it for about five minutes. If you call him an hour later, he says, what? Intellichain. Are you sure?

I'm not sure what you're talking about. They don't remember because it wasn't high on their priorities, let's face it. Okay, so if you don't call within five minutes, your chances of getting to the person and talking to the person go down by 80%. We checked it second. In the same five minutes, he's still where he used to before. So he would answer because he's still looking at the web. So what we did at Zoom, the leads would come, and I'll show you what we did. Okay, so first thing we did was lead enhancement, lead enrichment. There comes a lead. It says, jonathan Sterna, zoom in for an email address and the email address. That's it. Interesting. Not interesting. I don't know. But what we did is we added two dimensions of data on the person and on the company.

On the person, you add two things. Number one is anything you can find about the person, usually in terms of the title. As I said before, if the title was director or vp of sales, they got a call back from a salesman, not from a BDR. But there's also a lot of information about the history. Remember, I talked about six touch points. So these touch points are usually captured by the marketing automation. And you wanted to add all of this information to say, this person has been on your website five times, six times, ten times is better than a person we never saw before. Don't know who the person is. And about the company prospect, as I said, you collect a lot of data. You want to add it to this.

And what you do with all of that is you give it a score. So you calculate a score for the lead, and based on the score, you do distribution. The distribution that we did at Zoom was the following. If the score was low, it went to a BDR. Actually, the BDRs were the same people as the people who did customer support and customer service. So we gave them something interesting, more interesting to do than just deal with problems. And they also got some commission out of it. And they knew the product very well, obviously. And we did close a good amount of business from that. But it was small deals, $1,000, $2,000, $3,000 deals, because we knew in advance that this is a low end lead. The higher end leads we sent to the salespeople, they had to call back within five minutes.

If they didn't call back within five minutes, the lead automatically routed to the next salesman, and that salesperson was penalized. We knew who was on the phone, so our system knew who was on the phone, so we didn't send it to people who were already on the phone. We only sell it to people who said that they are available. So I'm just giving you a sense of a sales process as it grows. How do you build it? International sales. So Israel is great, has about 10 million people in here, but it's not as big an economy as we would like it to be. So my advice to companies is the second market you want to go after is the US. Why not the first? Israel? Why not the first?

Like, because they speak Hebrew and they sit right here and they usually are more honest about why your product sucks. So you're going to get even. If your product is great, they will tell you it sucks. Okay? So if you really want a harsh life selling Israel, they will tell you're an idiot, you don't know what you're doing. And if they buy from you're going to be very successful in America. No, it's easier. It's just easier. Remember I talked about, you start with sales when you have no product, so you really are at the very embryonic stage when you start to talk to your friends in here and call people and so forth. I want people to start selling on day one. They have no product. They have no clue what they are doing. They have to start selling.

The CEO that doesn't sell shouldn't call himself a CEO. So why the US? Very large, uniform market. Uniform. I mean, they all speak English. It's the same laws, same rules, same stuff. Even though there are 50 states, in most cases, they are very similar. It's the largest market in the world. That is a unique market. The european market is large, but it's divided into many countries. They speak English. We've just proven that many people in this room understand English. They're sophisticated in most cases, they're tech savvy and they're very polite, so it's good. And they are familiar to us. There are a lot of people in here that feel comfortable in the american culture. So branding is international by nature. So when you start doing branding activities, you don't even think about it. But the branding activities are international by definition.

You put something on LinkedIn, it goes anywhere to people who watch it. Right? Google, LinkedIn, Facebook are all international platforms. Unless they are anti Semites, they don't block israeli content. So it will arrive to wherever it needs to arrive. Also, most connections and meetings are done by electronic means. If you think about it used to have. Salespeople used to have a territory. Territory is land. Why territory? Because they would hop in the car and drive to see the customers. So location was very important. We sold at Zoom, $100,000 deals, never saw the customer. Never. And were not unique. Most companies today never see the customer face to face. They see them through zoom, but they don't see the customer. Okay.

Most presentations and demonstrations are anyway done via Zoom, so there's no benefit to me showing up in there, opening my suitcase, and taking out a computer and showing them on the screen. I can do that by zoom anyway, right? And the need for personal one one meeting is really minimal. Why? Because from the customer side, if you come to a meeting, the other side knows that they're going to spend an hour with you because you traveled, you came, and it's to greet you, give you coffee, chitchat with you, blah, blah. An hour went by. When you are on a zoom, he tells you, I have 15 minutes, and it's polite. Nobody is going to be insulted if you say, I have 15 minutes. Show me what you want to show me. So people prefer Zoom calls.

They're faster and shorter, so the customer wants a Zoom call. You want to stay in Israel, everything works well. However, Americans are also somewhat sensitive. I wouldn't call them racist, but Maria is laughing. Yes, they are racist, right? Yeah, they are racist. They would never admit it, but they are. So if you have a heavy russian accent, they are not going to buy from you. And if you speak indian and they don't understand what the front is that they wouldn't buy from you. So you probably want real Americans as salespeople. But you're fortunate. If you cross the street in here, you will meet an American. Every second person is an american. Plenty of Americans in Israel, no problem. And you can manage the work life, work family balance. So in 2003, were already planning to go back to Israel.

And I had a worker called Alex Rinsky, and he said to me one day, Jonathan, I need to talk to you. So he pulls me to the side and he said, listen, next August, me and my wife decided we're going back to Israel. But I would really love to stay at Zoom and continue sailing from Zoom from Israel. That was before Zoom. We used like a video conferencing phone. I think I can keep my quota from Israel if you are okay with it. I said, when in August are you leaving? And he said, and I said, I live two days before you, so welcome to Israel. And he worked in Israel for three, four years as a salesman. So I asked him, how do you manage the time difference? He said, that's the best thing that ever happened to me.

He said, I wake up in the morning at around seven, take the kids to school, come back, I ate breakfast with my wife. Then I just take my time. Then the kids come from school, we eat lunch after lunch. I go to my study, I close the door, and I work from till . is twelve eastern time I live, I eat dinner with my wife and family. At I go back to the study and I keep working till midnight. And then the following day, I wake up and take the kids to school and everything. He says, I see my kids far more than I ever saw them, and I see my family far more than I used to see them. You can create a virtual office in the US if you need to.

So you will have an address, you can send mails, everything is work. It costs like $30 a month. And if you really, really need a us presence, my suggestion is pick something around Newark. Why Newark? Which airport? Airport? Which airport? Newark airport. Right. So I think there are four or five flights a day. A day from Israel direct to Newark. You leave at at night here, you arrive there at in the morning, you go to the hotel or to the apartment. You have take a shower, have breakfast, go to the office. So you leave Sunday night. Monday morning you're in America. Thursday afternoon you go back to the airport. Friday you are at home. Nobody even noticed you weren't at home. So that's my suggestion. The other thing is, yes, you can create the company as Israeli.

You still need to wire money, you need to pay taxes, there's regulation, we are kind of semi experts on that. So if you need help on that, we will be delighted to help you. I allow her anyway because she knew I'm coming to this, so she didn't want to. Okay, we'll deal with that and then I'll start wrapping up. So, b two B sales cycle can range from one month to years. Two to six months is typical. It takes a long time to close a b two B deal, and if longer, if no leads. I need to do cold calling now. Unfortunately, when you close the deal, you don't get the money. However, your employees want the salary. So the difference in time is critical. Usually it's net 60 or net 90.

So even if you close the deal, you won't see the money for another two, three months. And building a lead generation process can easily take you six to twelve months. And if you want salespeople, you need to train them. So you need to hire them, find them, hire them, train them, bring them up to speed. So all of that stuff, people don't even think about it, but it takes forever. So even if I'm generous to you, from the moment you decide that it's about time you start selling till you see money in the bank. In my mind, it's two years. I'm quiet on purpose. From the moment you decide you want to start selling to, you see money in the bank. It's a long time. Most startup companies don't start selling before they have a product.

By then, you know, they hire a team, they develop the product. They have 20 or 30 people in the company, and their burn rate is at least 400, $500,000 a month. That's five to $6 million a year. So if you start sales process well before you can save yourself somewhere between five and $10 million, that's a lot of money. That's a lot of money. So just think about it. The whole presentation today was to tell you this is a complex process, and the only way to deal with complex processes is start early. In addition to saving money when you start, and I talked about it before, I want to repeat it, if you start selling early, you can identify major issues with your product, the packaging, the true market needs. As I said, the market is, was embryonic market maturity.

A lot of these things, you want to discover them before you invest all the effort in developing the product. It is much simpler to make a pivot when the company has few employees and just a rough idea of the product. Whenever I hear a company says, oh, we just did the pivot, I'm like, oh my God, you spent $10 million or $15 million and you never check that you are going in the right direction. That's scary. So the word pivot to means they were not here in this lecture, so they better go to the lecture and understand it. All right, that will be easy because I repeated it about five times. Customers and users are the biggest asset of a company. Own them. Literally own them. The order of operations. This is critical.

What I say in here, usually it goes first product, then this. I strongly recommend to do them in parallel. You have a product idea, just an idea. You already start doing branding and you start doing lead generation. What are you going to do with the lead generation? You have people who are willing to talk to you. They don't really know what you're doing because you don't really know what you're doing, but they're willing to talk to you, and that's huge. Second, you solve two problems at once. It's not obvious with the moment, but you solve two problems at once. Two, I want you to remember two problems at once. One is you found a process that people respond to. You found a process that people respond to. Second, you developed the product to the people who respond to you, not the other way around.

Do you understand? What I'm saying, because it's critical. You developed a process to get leads, to get people interested, and now they tell you what they're going to respond to, which is very different than most people do. They think they know everything. They develop the product. Now they need to figure out who is going to respond to them. And many times, the people that respond to them don't want that product. And you pivot. So doing it in this way can save you a lot of money. Then you have direct sales, get customers and so forth. The next point is really critical, too. Most entrepreneurs that I meet want to conquer the world. Their product is just unbelievable. It does everything. It flies, it dives, it kills, and it plays chess. It's just unbelievable.

But all the customer wanted was that the chairs will remain clean after the meal. That's all what they wanted. Okay? They want the chair to jump. They don't need anything. Just keep it clean, for God's sake. You don't know that because you feel that the more features you add, the higher the chance people will buy it, which is not true. So if you find a simple product at a low cost, you have a customer. Remember, own your customers. You have a customer. And you see what happens with free customers. You want to have customers. So look at this table and print it in your memory. Okay? Lead generation is the most important growth engine. B. Two B sales cycles are complex. I think I've convinced you. And keep the prices up. Why? It's much easier to make money. Okay. Okay. Thank you.