

# *Getting It From Here To There* ©

**By Dennis J. Gerschick, Esq., CPA, CFA**

I generally like adages because they are pithy statements that generally contain some wisdom. However, there are exceptions to every rule. Two sayings, in particular, that were in vogue during the dot com craze have hurt many entrepreneurs. One saying is “Build it and they will come.” This is a take off on Kevin Costner’s Field of Dreams movie. The implicit statement is that if you build great technology, the world will beat a path to your door. This is absolute nonsense. History has shown that the most successful companies are not necessarily those that produce the best products or “cutting-edge” technology. Instead, successful companies focus on what their customers want, know who their customers are, and deliver it in a timely manner and at a competitive price. What I have found surprising and disappointing is that entrepreneurs often do not even know who their customers are. Instead, entrepreneurs believe that if they produce something that is “next generation”, “cutting-edge” or “cool” that everyone else will agree with them and will come running to buy it. Entrepreneurs frequently ask people about their product by asking “Do you like it?” That is not a very helpful question. A better question would be: “Would you pay X dollars for this product”?

The second misused saying during the dot com craze was: “It’s the technology, stupid!” This was a take-off on President Clinton’s campaign manager’s saying “It’s the economy, stupid!” Again, this saying suggests that if you simply build great technology, everything else will fall into place. My experience is just the opposite – great technology does not sell itself. How would anyone know its great technology? Should they take the entrepreneur’s word for it? Microsoft is a great example. Most people throughout the country agree that Microsoft does not produce the best software. However, Microsoft has been phenomenally successful because it understood how to position its software in the marketplace and has used very effective marketing. Too many entrepreneurs fall in love with their own product and simply do not know marketing. This should not be a surprise because many high-tech entrepreneurs have an engineering or technical background. How many of them also have the background and knowledge to devise an effective marketing plan? Have they ever done it before?

Assuming the entrepreneur knows who his customers will be, or are, another basic question is: how will the company get its product from the company to the customer? While this question may initially appear to be obvious, many entrepreneurs do not think through the logistical process. Who will be involved, how much cash will be expended, how much time is needed, and many other questions should be addressed.

Will the company sell direct to its customers/end-users? If so, how will the customers be contacted? What will the advertising campaign be? If middlemen are to be used, what are the expected gross profit margins for the company and each middleman? This has obvious financial implications. If it costs the company \$10.00 to make a widget, and the company wants a 50% gross profit margin, it will sell the widget for \$20.00. The middleman must also make a profit and that will add to the ultimate cost to the end-user. Will the end-user pay that price?

Should a company sell direct to the end-user/customer or through middlemen? There are many

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factors to consider including the following. **First**, does the company know who its customers are? Does it know how to contact them and communicate with them in a cost-effective and timely manner? **Second**, does the company have the needed expertise and logistical support to sell directly to the end-user? **Third**, what impact does direct selling have on the advertising budget and other necessary expenses? **Fourth**, does selling direct cause the company to lose its focus? What is the company's core competency? **Fifth**, how is the company really different from its competitors? **Sixth**, can the company control or influence the middleman? How do mistakes by the middleman affect the company and demand for its product? There are many other factors to consider and the analysis will vary depending upon the product or service involved.

I have found that managers in charge of marketing for many companies have a different mindset and attitude than lawyers and accountants. They tend to be "free spirits" and somewhat undisciplined. Many companies could be improved measurably if they would focus their marketing and take a more systematic, rigorous, and disciplined approach. I am not suggesting that lawyers or accountants should be put in charge of marketing. In many cases, it does take "all types" and a diversity of personalities and backgrounds is often a positive for a company. However, that does not mean that marketing should be allowed to simply throw money at advertising and marketing is much more than just "creating buzz." Again, the exact approach will depend upon the specific product or service involved.

In summary, cute clichés, adages, or slogans don't get the job done. Instead, more thought and action is needed to get the company's product into the hands of a paying customer.

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