Why big company sales and marketing is wrong for startups

Ambitious startups should resist emulating the sales and marketing practices of established companies if they want to succeed in new markets, advises **Chris Grannell**

Managers working with startups and radically new ideas are often tempted by 'tried and tested' sales and marketing methodologies borrowed from products and companies that are already successful. Perhaps surprisingly, this approach is almost certain to fail.

Although the principles of marketing are universal, it's easy to forget that how they are applied is context-dependent. The same is true for sales. What works in established firms is generally not what startups need.

Copying big firms leads startup managers to make wholly inappropriate assertions, such as 'get it right before we ship', 'make sure it looks the part', and 'build awareness to support the sales process'. Big company thinking seems right, looks good and feels grown up. But – stop and think for a moment – once established, big companies need strategies relating to market dominance, consumer confidence, mass market education, power over channels and building differentiation. Few of these concepts are relevant to new products in new markets. The premature pursuit of ideas like these can lead startups into what Steve Blank (more on him later) refers to as a 'death spiral': throwing more good money after bad and frequently churning through executives to boot.

Central to the difference between sales and marketing for big companies in established markets and for startups in new markets is the direction of the information flow between the company and its prospective customers. *Startups absolutely must spend more time listening and less time advocating*.

Moreover, the type of listening that startups need is different to the kind required by large firms. While big companies typically focus on quantitative measures with large numbers of customers or prospects, small firms should focus on getting very close to a small number of customers who are most likely to buy.

The essential tenets of marketing concern relevance, differentiation and consistency, and the importance of market-based assets, such as trust, reputation, relationships and user base. The basic rules of selling are similar: understand the issues facing your customer and position your product to solve their problems. But how these principles are applied depends on the maturity of your business and your market.

Those tasked with taking new innovations to market take note: radically new products rarely fail because they don't work. The reason they disappoint is usually because they don't have a market in sufficient numbers to support a viable business. As a marketer or salesperson, this is your problem.

The Apple Newton didn't fail because it didn't work as promised (some believe its handwriting recognition has only recently been bettered). The Newton failed because in 1998 there just weren't enough consumers willing to go out on a limb with a touchscreen device instead of a diary and desktop word-processing package. No amount of communications finesse, beautiful packaging or celebrity endorsement would have led to a different outcome.

Outside of sales and marketing, many observers have noted that big company practices are generally poorly suited to developing and commercialising radical innovations. Take your pick from a list of academics and innovators on this subject: from Christensen's urging that innovators be kept away from their parent organisations for as long as possible; to Day and Lambkin telling us that embryonic markets typically belong to nimble pioneers, who approach their customers very differently to the larger, more methodical players who come later.

Then there's Miles, Snow, Meyer and Coleman, who back in the 1970s identified that there were three types of well-functioning business, each suited to a particular type of market. Not surprisingly, the 'prospector' (the type best suited to uncertain and uncharted new markets) and the 'defender' (ideal for stable, established markets) have very little overlap. A third group, the 'analyser', can operate in relatively new markets, but only by carefully imitating and adapting what has gone before. Again this is in stark contrast to the prospector, who "explore[s] environmental change in search of new opportunities".

Perhaps most famous of all, back in the 1980s, Peters and Waterman introduced the world to 'skunkworks' to show how big companies could be good at innovation in spite of themselves. Skunkworks were places where different norms applied to those that ran the mainstream business and serviced well-understood markets. Away from the confines of traditional company thinking, nimble teams could quickly develop rough-and-ready concepts to pull apart, explore and rebuild in new ways.

Sounds obvious, doesn't it? The theoretical path is well-trodden and the evidence plentiful. It seems everyone else was listening, but when it comes to sales and marketing, managers fall into the big company trap time and time again. And it's not just amateur entrepreneurs who rush to act like the big boys and girls. History is littered with VC-backed investments that have thrown good money after bad in the hope that a 'cold call drive', or a 'brand-building campaign' will put a rocket under their investment.

With this in mind, the task for anyone developing startups or new products is clear. Listen to customers and listen to them early. If you can, go one step further and involve them in co-creating your product. Eric Von Hippel talks about 'lead user research' (with an emphasis on talking to those most likely to become early adopters), Steve Blank calls it 'discovering' and 'validating' customers. Phil McKinney, former CTO of Hewlett-Packard and author of the Killer Innovations podcast, urges managers to embrace "rapid prototyping": assembling product concepts quickly with an emphasis on getting them to a point where they can be run past customers. This type of prototyping isn't about testing the technology but about hand drawings, cardboard cutouts, draft feature lists, collations of clipart or photographs glued to a wall.

The notion of taking incomplete products to even a select group of customers is anathema to many marketers and salespeople (and, for that matter, it's horrifying for engineers and financiers too). It's common in the history of successful innovations (spawning Eric Ries' term 'minimal viable product' along the way), but it makes anyone trained in big company thinking feel distinctly queasy.

Marketers are particularly susceptible to getting sucked down a path of polish and improvement performed in abstract – far away from pesky customers. Ever noticed how frequently words like 'refinement' and 'resolving' get used within marketing departments? Terms like these typically relate to an inward-looking perspective – to what looks nice on the Powerpoint slide, or what fits elegantly with the other stuff a company is doing – not to how customers will respond to products.

Instead of spending time trying to look like a big company that is already flourishing, marketers responsible for startups or step-change innovations should be asking more fundamental questions: what features should the product include? How will it be priced? How will we get it to customers? How will they buy it? And they should ask these questions of the very consumers they hope to sell to.

Apple's Newton: no amount of big company marketing would have made it a success

As managers work through these issues, they should be particularly wary of making immovable commitments. Nothing is certain at this stage and it should stay that way. That means don't commission a print run of 10,000 spec sheets if it's likely to mean you can't tinker with the product after the market has given you its feedback.

I'll end by returning to Blank (I promised more from him and it's worth repeating this in full):

> "If you ask most startups if they would hire the head of IBM's sales on day one, most would leap at the chance. Yet consider what skills a world class VP of sales brings to a startup: an exceptional ability to hire, build and motivate a worldwide sales organisation; extreme competence in scaling a repeatable organisation nationally and internationally, along with great forecasting and budgeting skills. The bad news is that … none of these are relevant skills. In fact, these big company skills are toxic. They have a startup building sales organisations before they are needed, staffing at the wrong time and are uncomfortable operating in the chaos and uncertainty that defines the opening days of the company."[1]

He could just as easily have been speaking about marketing. When it comes to something really new, the task is simple. Get as close to your customer as possible. Listen to them, ask them questions. Better still, get them to join you on the journey. Just leave the ad or the slick sales presentation until later – and whatever you do, don't wait until the product's finished before you go to the market.

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1. Steve Blank, Four Steps to the Epiphany, 2005