Precious Gems

Your territory is filled with diamonds in the rough. To uncover them you need to qualify and grade your prospects. By Rick Davis

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What can the diamond trade teach us about LBM sales? More than you might think. The distribution and sale of these precious gems exemplifies the importance of having a systematic approach to qualify and grade your assets and, in turn, maximize their worth. By looking at the prospects in your territory as "assets," or diamonds in the rough, you can develop a similar approach that will help you to measure the value of current and potential business and dramatically improve your time- and territory-management skills.

The De Beers Group, based in South Africa, has a tightly controlled monopoly on the world's diamond resources. Its grip on the distribution network is so powerful that international distributors must wire millions of dollars *prior to the shipment* of an order to buy the stones. There is no negotiation or product selection for the customer, but rather a simple transaction in which the customer invests millions of dollars solely for a box of rocks sight unseen. The success of the distributors is therefore contingent on their ability to classify and resell the jewels for a maximum yield in order to achieve a satisfactory return on their investments, in much the same ways that organizations must qualify and maximize the value of prospecting opportunities and repeat business in the sales field.

A diamond distributor begins the process by establishing subjective measures of quality that individually rate each gem in their inventory. (The diamond rating system includes four basic criteria called the "four Cs": cut, color, clarity, and carat.) The distributors know that their ability to maximize ROI will require them to sell the highest quality diamonds at the highest prices, gems of secondary quality at secondary prices, and so on. Imagine if a distributor simply put all of the diamonds up for sale at the same price with no regard for their different properties. Naturally, this would completely destroy the diamond profit model in a hurry.

The scenario is no different for outside salespeople who operate in the lumber and building materials supply industry. A salesperson's "box of resources" is his territory, prospects and customers are the gems, and time is the financial resource that must be allocated. A salesperson who ignores valuable prospects or improperly allocates time with second-rate customers is committing the same mistake a jewel distributor would make if he were to improperly evaluate or, worse yet, disregard the quality of gems in inventory when pricing them for resale.

All businesses are not created equal; without a useful list of criteria to rate prospects and customers, a salesperson runs the costly risk of misallocating the most valuable resource available—time. Like the diamond industry has four Cs, there are characteristics that determine the value of a prospect, including purchasing volume, long-term potential, loyalty, profit margins, timely payment of bills, and the cost of doing business. A salesperson may choose to add or deduct from this list, but must certainly recognize that failure to establish a method of evaluation in this area may lead to a significant waste of time.

For example, a Sales Leader, given the choice of a slow-paying, low-margin *customer* that requires high

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levels of service versus a high-margin *prospect* with long-term potential, wisely trusts his rating system and allocates his time so that the most profitable prospect can be pursued. The factors that go into evaluating the worth of a customer or prospect are not as nebulous as you might think. It may not be an exact science, but a systematic approach enables you to make better use of your time in the field.

Exact science or not, identifying some of the characteristics you seek in your ideal clients will help dramatically improve your vision and time management. For instance, a customer that will purchase 25 house packages of material on a one-time basis may not be as valuable as a loyal customer that will purchase 10 house packages of materials annually over the next 15 years. Most salespeople would rather have a loyal customer than a large one-time sale. So, in this case, loyalty and long-term potential are the measurable characteristics that make the 15-year client worth more.

Polishing Your Performance

A Sales Leader that thinks like a sophisticated diamond merchant examines his prospects carefully and allows his or her actions to be guided by rational thought and logical comparisons of time-management opportunities. Try the following if you want to be a better manager of your box of resources:

Strengthen your vision by identifying the criteria you desire in a perfect prospect. The characteristics I described earlier in this article have always worked for me, but won't be an exact fit for everyone. The type of customers you seek may differ as a result of market factors, company capabilities, or personal preferences. I always preferred to target small- and medium-volume accounts that offered good margins and created more stability in my overall sales volume than big builders. With a large number of medium-size accounts, if I lost one it did not impact my bottom line. But you should carefully consider what works for you. For example, many other salespeople need to work with larger-volume customers in order to adapt to their local market conditions.

Don't be fooled by cliché approaches to valuing accounts, either. Many salespeople will blithely tell you that large-volume accounts are less loyal than small accounts. In reality, large-volume accounts usually display strong patterns of loyalty due to the nature of their businesses. When a large-volume builder signs up for your program, the company is obligated to its marketing and production departments. Model homes are built, ordering procedures are put in place, and production systems are created, which typically makes a sudden change of suppliers inconvenient at best or, at worst, a lot of difficult work.

Whatever criteria you choose to use to evaluate the value of your prospects and customers, recognize that they are factors that can be observed and measured with some degree of accuracy. After you have identified the criteria of the "perfect" customer, you are ready to go to work.

Proactively examine the box of resources—i.e., the territory. For many people, prospecting is a secondary priority. But great Sales Leaders *proactively* set time aside to devote to prospecting activities such as phone calls, examination of target lists, involvement in local associations, and other methods. Become a Sales Leader by scheduling prospecting time before you schedule all of your other weekly activities. It is not merely a "fill-in" activity.

Using the Yellow Pages, association directories, or other prospecting lists, you can discover hundreds of untapped opportunities. Many salespeople work in companies that have long lists of former customers that have purchased nothing over the past 12-month period; these are ideal candidates to contact first! As you make more contacts and learn more about the prospects in your territory, your sales power will increase.

Create opportunities for instant productivity. Just as a stage is set behind the curtain before a play begins, success in the field begins behind the scenes. Prepare yourself for successful sales calls by taking information about customers and prospects with you. There is an abundance of technical tools that make it possible to carry prospecting information on the road. Great Sales Leaders minimize travel times while maximizing time spent in front of customers and prospects by investing the time—visit that "one extra" prospect or customer while in a geographic area instead of making long drives that create wasted efforts. A ready-made list of prospects—with phone numbers, addresses, and important notes—will assist you in this quest.

While you may find success by accidentally stumbling onto opportunities while busy in the field, you will feel more gratified if you can do it on purpose. Take time to examine all the potential, untapped jewels of opportunity and watch your profitability soar. ■

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