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Credit Risk Ready Podcast

Host Linda Keith CPA with Joel Block

Sales and Marketing: Strategy Questions to Help (and Assess) Your Business Borrowers

Hi, this is Linda Keith CPA with Credit Risk Ready, a podcast where we interview senior credit and lending professionals from community financial institutions across the United States, their regulators, and banking advisors to better understand and mitigate credit risk.

Today we're going to learn what our most successful business clients are or should be considering now to do well in or coming out of this pandemic recession. In other episodes we cover planning, financial and innovation/actionable insights. This time we focus on sales and marketing. For each point we'll provide you the key strategy question that will unlock the insights to getting it right.

As with the other episodes in this series with Joel Block, a credit professional can use these questions in your conversations with your business borrowers and prospects to understand their plans as they're moving forward and, perhaps, to help them by giving them food for thought.

Joel Block is a long-time venture capitalist and hedge fund manager. Picture him in a real-life Shark Tank setting, like on TV. Since selling his publishing company to a Fortune 500, Joel keynotes and consults on disruption-resistant success strategies. What I appreciate about Joel is that he can apply these ideas from Wall Street directly to Main Street.

Hey, Joel, welcome back.

Joel Block:

Hey, Linda. How are you?

Linda Keith:

I'm doing great. Good to see you. Good to hear you.

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Joel Block:

Well, thank you very much. Happy to be here with you. Let's make it happen.

Linda Keith:

Let's make it happen. I have to say that many of my listeners might have thought we would do our first episode on sales and marketing, but this is our fourth. Sales and marketing seems to me to be the implementation of all the other topics we've been talking about. Money, innovation, ideas, communication. If we get those right, then we have a much better chance of not only choosing the right sales and marketing strategies but excelling in their implementation.

Does that resonate? Or should we have started out right out of the gate with sales and marketing?

Joel Block:

You know, you probably don't know this about me, but even though I'm a CPA by my background and I spent years, really my lifetime, in the money business. Raising money, doing deals, and buying and selling companies. If I was to pick one thing, the way that I think of myself, I think of myself as a salesman. I don't know if you know that about me or not, but that's how I think of myself. I would trade every other skill that I have away if I could just keep my selling skills because I think they are that important.

Linda Keith:

Wow!

Joel Block:

I'm quite strong at this. So, one of the things that I would say is that I think you're right. These things are all cumulative. I mean at the end of the day, everything is about selling. Because if you're not moving products, you know, and you're not running the cash register. If you're not telling your story. If people don't know who you are. If they don't understand what you're trying to accomplish, then everything else is always... Nothing else is going to matter.

Linda Keith:

I think it has a lot to do, Joel, with how people actually see sales. Because I see sales as a very positive thing. It's identifying needs, matching what you've got up to those needs, and frankly moving on if it doesn't match. When you define it that way, yes, everything in business is about sales.

Joel Block:

I would say a lot of people are embarrassed of it. That it's kind of just like pushy. To me, it's none of those things. If you've got a great product, then why wouldn't you want the whole world to get some help from your company with this product? Now, if you have a cruddy product and, granted, I would be embarrassed. But, you know, so be embarrassed of your product. Don't be embarrassed that you're selling. If you've got a great product, go out there and tell the world about it.

Linda Keith:

So, if you don't feel good about selling, consider the quality of your product or services because maybe it's just not there.

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Joel Block:

Well, right or wrong. I mean, that's how I look at the world. You know, to me, I think selling is one of the greatest gifts you can give someone. "Hey look, we have a great product and it's going to really help change your life and make your life better." And the person looks at it and says, "Wow! This is going to make my life better. Thank you for telling me about this. I would like to have this in my life." That's what's obvious to me.

Linda Keith:

Exactly. So, as usual with you, Joel, picking just three of your insights to include in this episode was tough. My first pick, though, is what you call 'simple over complex.' While we've all heard of the KISS principle, (keep it simple, stupid), it is easy to let that simplicity fade away. Particularly if your business is not a new business.

First, why in the area of sales and marketing is simplicity important?

Joel Block:

I can't tell you I've made up any of this stuff myself. This has been hashed, and rehashed, and rehashed for hundreds, if not thousands, of years. But a confused mind always says "no" because they get paralyzed with fear and they don't know what to do. That's part of sales parlance forever, but that's true. My concern is that the world has gotten so much more complex. It's gotten so noisy. I think of social media as a giant noise machine. You know that big white noise machine that may sit by your bed that buzzes?

Linda Keith:

Right.

Joel Block:

To me, that's what social media is. It's just a bunch of blah, blah, blah in the background that's distracting. It's very difficult for companies to get their message to come across. It's very, very difficult. So, the more simple the message, the louder it's going to resonate for people. Let me just tell you that nothing is more difficult than simple.

Linda Keith:

Simple is not easy.

Joel Block:

Right. Simple is really hard to do, especially for your own product. You have to go to other people, and you have to ask them, "What does this product do? What is it like? What does it remind you of? How does it work?" If you can't get a sixth-grader, or even better maybe third-grader, to understand what you're talking about, then something isn't right.

I'll tell all these bankers, "If you look at a one sheet or you look at a product sheet... Unless it's a technical product that requires technical specs. I'm not talking about simplifying that. That you've got to do what you've got to do. But if you're selling a product to a corporate buyer, to a business buyer, to a consumer of any kind, whether a person, business, organization, or whatever. If they can't understand it instantly, and they can't repeat it back...

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Because here's another thing. Many sales are not made to the person you talk to. Maybe they have to go talk to a colleague or a superior, and they have to explain whatever you told them to the next person. If you give them a 10-page explanation dissertation about whatever it is that you're doing, the likelihood of them being able to even report back more than a sentence to the next person is pretty limited.

Linda Keith:

Yeah.

Joel Block:

You have to give them very, very simple language. You have to give it to them in a way where they can remember exactly what you said so that they can go to the next person.

Now, let me give you an example. We're launching a new company and this new company is called Corp Cast. It's a communication platform, because we really believe that the social media is so noisy, so complicated, and so terrible that companies are not having an easy time getting their message across.

Linda Keith:

Okay.

Joel Block:

We put together this platform where management of companies, not for their internal people, but really for their dealers, distributors, for some of the people that are important to them but don't work directly for their company, could go right straight to the mobile phones of those people with whatever messaging. But not go through email, because there's thousands of emails in your box. Not go through text because everybody else is doing that, and not use Facebook and LinkedIn.

We came up with this new platform for doing that. I really needed a simple way to explain this. I socialized it, just like we talked about socializing your ideas in a previous episode. I socialized the concept, but I kept saying the concept out loud. Now, I did not expect that I was the one that was going to come up with the idea. But I figured if I socialize the idea enough to enough people, somebody would say, "Oh, you mean like whatever?"

So, I'm telling somebody about this. They go to say, "Oh, you mean like, like a hotline? You know, it's like a hotline." All of a sudden, that one word resonated. I came up with a little thing and here's what I did. I said, "Just like the president of the United States has a red phone, and just like Batman had a Bat Phone, now corporations have Corp Casts. They can put a message right into the pocket of all their most-important people."

Linda Keith:

There you go.

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Joel Block:

There isn't anybody that can't remember that little story, which is only a sentence, really, and tell it to their boss or whatever. It's, "Hey, look. This is something kind of cool. I think we should learn about this." Companies are loving this. They're just loving this idea because it is so simple and they want to control their communications better.

Linda Keith:

In the simple over complex, then, the key strategy question you've already sort of alluded to and that is: "Can a sixth-grader understand the message?"

Joel Block:

Yeah. The way they're going to develop this is they're going to socialize it to a variety of people and just be listening for something that people can kind of relate to. If you've got clients that have products that you know where there's a lot of blah, blah, blah, in the explanation. If you think it's blah, blah, blah, then so are other customers probably going to think that. Those are people that need to get some work done.

Linda Keith:

This is one that the lender can figure out pretty much for themselves. Because if you're talking to this, maybe, a prospective borrower for the first time. They're trying to explain what they do, and you keep realizing, "I just don't get this." Now, there is a possibility that if you're a really junior lender, you don't have a lot of business experience yet. In which case you take great notes. You run it by your mentor lender, and they go, "Oh, yeah, yeah, yeah. I get that." Right? Sometimes it could be that the person that is newer to lending and credit doesn't have the business chops yet.

But really, if you can't figure out what they are offering to their customers. If it takes way too long to say it. All those things. If it's still confusing. If you keep realizing that you couldn't even tell your manager at the bank what this business actually does, then clearly they have not mastered the simple over complex.

Joel Block:

Yeah, that's for sure. Listen, I don't do this kind of work with clients. But I'll tell you, I know a couple of people that are brilliant at this. They do a great job and great companies are able to say what they do in a word, or two, or three. If you can't do that, then you need to go back to the drawing board. If your clients aren't doing that, you need to send them back to the drawing board.

This is one of these things where, like I've said before on my website, one of the things that we say is that we tell the emperor what we think of his clothes. If you cannot understand what's going on, you're not doing your client a favor by nodding your head like you think he's got a great idea.

Linda Keith:

Right. Well, I ran across my tagline similar to what you're talking about. I actually was trying to figure out how would I explain to this guy that wants to interview me for his radio show what I do in just a short amount of time. So, I just said, "Well, I help lenders say "yes" to good loans." When I said that to

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numerous people, they went, “Oh! Got it.” Right? Now, it doesn't tell you all the ways that I help them say “yes,” but it definitely tells you the result of working with me. That lending credit professionals can say “yes” to loans that will perform and do well.

Joel Block:

Linda, keep in mind, this is really important. This is a great example you bring up. The goal is not to get them to know everything about you in three words.

Linda Keith:

Right.

Joel Block:

Because the goal is for them to lean in and say, “Boy, that's very interesting. I would like to know more.” Then, besides the three words, now they're giving you permission to talk to them for one, five, or 10 minutes and tell them more stuff.

Linda Keith:

Yeah.

Joel Block:

The goal isn't for you to do a data dump on the person. The goal is for you to give up one little scoop, a little taste of the ice cream. A little sample at the bakery. The first is, “Boy, that's a really tasty little thing. I would like to buy the whole loaf of bread.”

That's what it is. You've got to get somebody to just take a little taste so they say, “I want to know more.”

Linda Keith:

I love this. We are actually getting some Sales 101 advice from Joel, who loves sales. That's actually a bonus to this episode, I think. How do you sell yourself? Because lenders have to sell themselves all the time.

Joel Block:

Yeah. Listen, they're selling a commodity. It's a hard sale. They can't just promise that they're going to give the money away because there's underwriting and other kinds of things. It's a tough business.

Linda Keith:

It can be a tough business. Yet, if you've done well with the whole relationship piece and you work for a company that has strong credit culture, there's all kinds of ways it can go right. There are also ways that it can go wrong.

Well, let's move to our next insight. You called this one ‘draw a line to the money.’ I actually still have a ruler/calculator with my logo on it that says “show me the money” as the tagline.

So, draw a line to the money. What is that and how can a business improve in this category?

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Joel Block:

Well, remember we're talking about sales. This is sales and marketing capital. Right? We're talking about all the skills that are part of the sales and marketing formula.

Here is what I think that salespeople really need to do and a lot of them don't do this. We're not so much talking about the bank, we're talking about the clients of the bank. The borrowers.

Linda Keith:

Exactly. The business borrowers.

Joel Block:

What their salespeople should be doing is finding out what the problem is that the customer has. Then find out how much that problem is costing them and find out how much the solution is going to be worth to them. That thing right there with how much the solution's worth, that's the value. Most people kind of like self-impose value. "The value of my thing is this." Well, you have no idea what the value is. The value is in the eye of the beholder.

What you've got to do is you've got to kind of create a gap. How big is the gap? In other words, they've got this certain problem. How much is that problem costing them? Then, how much is it going to cost you to solve the problem? Then, what you're going to do is you're going to draw a line between how much the problem is costing and how much they're going to save by not having this problem anymore.

Keep in mind, the solution cannot be one-to-one. You can't say, "Well, you're losing \$100,000, so I'm going to charge you \$100,000." Every executive at a company, you've got to think of that person as a professional investor. I'm a professional investor because I run a hedge fund that I buy assets, like companies and things. But every executive is a professional investor in their own way. So, what their job is is to put out \$10,000 and get a return of \$100,000. A problem that is costing the company \$100,000 grand, if you can make the problem go away for \$10,000, they're going to get a 10-to-one return. A \$100,000 problem you can make go away for \$10,000. You say, "Listen, this problem is costing you \$100,000 and I can make go away for \$10,000. You're going to make 10-to-one all of a sudden." Your pricing doesn't sound that bad.

Linda Keith:

It sounds pretty good.

Joel Block:

By itself, it may sound like, "Wow! \$10,000 that sounds like a lot." But when you say, "But you're going to save \$100,000 on what we're doing here together, or you're going to recover \$100,000, or make another \$100,000," or whatever the deal is, and when you draw a line to the money, you're drawing a line between what it's going to cost and what they're really getting.

A lot of people don't do a good job of drawing the line to the money. But if you can just draw that line that people are going to look at the value of the relationship between how much money is going to go out and how much is going to come back in, and they just wait a little while for it to come back in.

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But just remember that executives or investors, they're looking for a 10-, 20-, or 50-to-one return on their money.

Linda Keith:

Right. So, the key strategy question: "What multiple of value does the customer receive on their investment with you?"

Joel Block:

By the way, Linda, that applies also to employees. Employees need to understand the companies are making an investment every time they run a paycheck.

Linda Keith:

Right.

Joel Block:

They're saying, "We're giving this person some money. We expect three, five, or seven times value every single day." Every day. If employees get all bent out of shape about the fact that the company's making money on them, then they don't understand the job of the company. They need to be doing the best job they can, so that the company can make as much money on them as they can, and then they can value them at a higher amount in the future. That's the way it works.

Linda Keith:

Well, when I was with the CPA firm, Joel, since we billed out by the quarter-of-an-hour or whatever, they actually definitely had metrics that said, "Your billable hours need to be some multiple of our cost for you."

Joel Block:

Yeah. In professional services firms, the minimum is usually three or four times the person's base. Some of the largest firms can be 10 times.

Linda Keith:

Right.

Joel Block:

Because they've got a big overhead they've got to pay and all the other stuff. Every single company, whether they're professional services, they're a manufacturing company, distribution, whatever it is that they do, every company thinks about it exactly the same way as it applies to their business.

But everybody is expecting some multiple of value based on every investment that they make. We're not talking about, "Well, you're going to get a 5% return," like you would in a savings account at the bank. That's not good enough because they want a multiple that's not like a fractional amount. They want a really sizable return, because otherwise it's not worth being in business.

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Linda Keith:

Well, there's another way that I think this comes into play with more of our small- to mid-sized Businesses. That is what we actually talked about in another episode about partnerships, joint ventures. The idea that maybe what your customer gets from investing with you is that they don't have to have that arm of their business. They don't have to have a podcast production unit. But because by hiring you they don't actually get revenue, but what they do, they clear their decks so that they can focus on what they actually do well.

Joel Block:

Companies need to be paying attention to revenue, reduction of expense, or some other combination of those things where there's a reduction of some outflow of another kind of resource. Every resource is either an asset or an expense. Everything falls into some category.

Linda Keith:

Yeah.

Joel Block:

If you can save time, that's not it. If you can save money, that's valuable. If you can make money, that's valuable. If it cost you \$50 and you can make \$500, who wouldn't do that all day long?

Linda Keith:

Right.

All right. So, let's do a third one. I'm closing with this last one because I believe it is so important to bankers. Particularly because when we are doing it right, we are succeeding because of the relationships we create with our borrowers instead of competing on rates and terms. This insight is called 'don't trade on relationships.'

Don't trade on relationships. That one needs a bit of explaining, Joel. What do you mean by that one?

Joel Block:

We live in a world that's all about relationships, but I think people take advantage of relationships Sometimes. You need to use the relationship in the right way. Don't over-depend on it because you're going to end up dissatisfied with your results.

For example, let's say that you're trying to make a big sale and you know somebody who knows the president of a company. That person will be able to help you to open the door, but do not expect that because you have that relationship that you're going to close the deal. Because that company that you just got into owes you nothing. Now, the door is open, so you may have a little advantage that other people don't have. But now it's up to you to be professional and put your best foot forward. Do the best job that you can.

If you just make the assumption, "Hey, look. I'm in there. My friend knows you, so you owe me a deal. Buy my product." You're going to be sorely disappointed.

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This is a hard lesson for people. A lot of people just don't understand this. It's not complicated. The bottom line is it's a really good thing to build great relationships. I have lots and lots of fabulous relationships. But I lean on them in a certain way. I don't over lean-on them. "Hey, can you introduce me to somebody? Yeah, great." Then, once I'm introduced, then I treat that person with the respect of, "Let's go through this from start to finish." like I would go through with anyone.

Linda Keith:

Right.

Joel Block:

I don't make an assumption that just because I got introduced that they're going to be an easier sale than anybody else would be.

Linda Keith:

Right.

Joel Block:

I think that a lot of people are sorely mistaken in how they network and use relationships.

Linda Keith:

So, your key strategy question on this one: "Are you treating the prospect with the same respect as if they were not known to you before the transaction began?"

I actually twisted this a little bit. Again, sometimes we treat our continuing clients with less respect, or attention, or care than we do with a prospect. It's like, "I already got that client." So, you maybe don't spend as much time reaching out or bringing resources.

I guess I would add as a follow up question, "Are you treating your current borrowers with the same respect?"

Joel Block:

I would put that in a totally different bucket, but that is very, very real. It's absolutely a real thing that once you marry into the family, they don't have to treat you special anymore. Now you're just one of the family. Once you become a customer, now you're just somebody else.

How often do we see commercials where, "If you're a new customer, we're going to give you all these bonuses." I go, "I just became a customer like six months ago. Why don't I get any bonuses?"

Linda Keith:

Yeah!

Joel Block:

We live in this very transparent world where all this information is available. There is another trend here that kind of relates to this, but we have to treat everybody in a really good way because everybody can see how everybody else is being treated.

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Linda Keith:

Yeah.

Joel Block:

A lot of people don't realize how much visibility into what you're doing other people have.

Linda Keith:

Well, anyone who's been in business or lending for any period of time has been absolutely shocked when a long-term client took their business elsewhere.

Joel Block:

Yeah.

Linda Keith:

It's happened to me. It's just not the time to take anybody for granted.

Joel Block:

That's the right way to put it. Let's not take anybody for granted. Let's not let our guard down. Let's not get complacent. Let's just do a really good job of servicing our customers, whether they're brand new or with us for a long time.

Linda Keith:

And let's assume that there are some other bankers who are taking their clients for granted. So, somebody you've been after for a long time. They were happy with their bank. I would not assume right now they're happy with their bank. This is a perfect time.

Joel Block:

I would not assume that either.

Linda Keith:

Yeah. Oh, my gosh. So, once again, Joel. Too little time but it is all we have.

I encourage our listeners to use the links in the show notes to access your report *Competing on Capital: 29 Business Trends for 2021 and Beyond*. I've got to tell you, if a business lender or anybody who lends to complex borrowers, and they're complex because they own businesses, understanding what businesses need to be doing now to do well now and to come out of this is critical. This report has so much practical information.

He also has a podcast, Profit from the Inside: Straight Talk on Business and Profits with Insiders in the Know. I highly recommend that podcast as well.

What a pleasure to talk with you.

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Joel Block:

Well, Linda. Thank you for having me. I appreciate the professional relationship that we have, too.

Linda Keith:

I am thrilled with that. I appreciate the fact that we ran into each other in an association where we weren't in the same business, but we did discover that we could be in these groups, help each other out, and actually apply a lot of these strategies that we're talking about in these podcasts.

Take care, Joel.

Thanks for joining us on the Credit Risk Ready podcast. Subscribe, comment, or share on social media to stay connected and spread the word. Join me next time as we bring our bank, our customers, and our communities through the recession safe and sound.

Take care.

Resources

Winners take the Inside Track. Here's the intel you need to join them...

- The Business Trend Report for 2021:
Competing on Capital: 29 Business Trends for 2021 and Beyond
<http://bit.ly/Bullseye-Trend2021>
- Podcast:
Profit from the Inside: Straight Talk on Business and Profits with Insiders in the Know
<https://bullseyecap.com/index.php/blog/>

About Joel Block

Joel's a futurist and longtime venture capitalist/hedge fund manager (gobbledygook for professional investor) who lives in a Shark Tank world like on TV. Since selling his publishing company to a Fortune 500 company, Joel's cage-rattling keynotes expose Wall Street insights and the inside track on high-velocity innovation, empowering business executives and their teams to "Disrupt Their Competitors' Future."

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Savvy industry leaders come to Joel for the high-impact advisory services that drive our disruption-resistant success strategies. His unique approach to innovative business model development helps structure, implement, and enable sustained results.

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About Linda Keith

Linda Keith, CPA, draws on her 30-plus years of experience consulting with and training lending institutions; background in public accounting; 15-plus years as CFO of the family residential construction company; and experience as an examiner with the Washington State Auditor's Office and as adjunct faculty in Accounting Principles and Managerial Accounting to help lending and credit professionals say “yes” to good loans.

Of course, you know those are not consecutive years or she'd be over 100 by now!

Linda is known by her clients to be both practical and funny. In fact, there is a movement afoot to change the 'P' in CPA to stand for 'Playful'. The fact is people absorb ideas and learn better when they are having a little bit of fun. So, Linda brings the fun along with her practical knowledge and depth of understanding to provide credit analysis training and presentations that make a difference.

She is the founder of Lenders Online Training, a virtual classroom approach to improving tax return and financial statement analysis capabilities; the host of the Credit Risk Ready Podcast; and a consultant/trainer on credit risk to banks and credit unions across the country.

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