

Every problem is an opportunity, every mistake an idea.

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I started Marshall Burns Computer Sales in 1982 for the purpose of raising enough money to get myself started in graduate school. I already had an IBM PC and some knowledge about how to buy them wholesale, which was very valuable knowledge in those days. I invested \$1,500 in a booth in a trade show as my initial promotion, and sold \$298,000 worth of computers in the next eight months. I did get enough money to go to graduate school.

I present three examples of difficulties whose solutions produced greater results than were anticipated before the problems arose. I also describe the emotional turmoil that being in business can bring about. I conclude with a mention of some of the payoffs of surviving the turmoil.

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I originally had intended to give you kind of a dry talk about some of my advertising and record keeping and that sort of thing, but I decided instead I'm going to talk on this theme, which is something I learned from a graphic arts teacher several years ago: that "every problem is an opportunity, and every mistake is an idea." These words of Ross Mendes have come back to teach me time and time again in my business and other activities. I am going to give you three example of how they turned out to be true in the case of Marshall Burns Computer Sales.

I was working from late 1981 until early 1982 at ComputerLand of Pasadena selling IBM Personal Computers. In about mid-April of 1982, I was fired over a misunderstanding with the owner of the store. He called me into his office one day and handed me my paycheck and told me I was free to leave. I was pretty concerned about this because I had already sent out applications and was planning to go to graduate school, and I already didn't know how on my commissions at ComputerLand I was going to raise enough money to go graduate school. Certainly without a job, it seemed that it would be even harder.

I got depressed for a while and walked around thinking about what to do. I was walking through Beverly Center, a beautiful shopping center on the outskirts of Beverly Hills, when I sat down with a piece of paper and calculated what I knew about the prices of IBM Personal Computers. Here is what I wrote down:

	My cost	Retail
16K computer	\$ 1,265	\$ 2,235
disk controller	250	included
disk cable	50	included
48K memory expansion	60	90
2 disk drives	400	570
text monitor	345	345
monitor adapter	335	335
	\$ 2,705	\$ 3,575

The middle column contains the prices that I knew were available to me for the components that went to make up that original model PC. The right hand column has the retail prices. There are a couple of interesting things about these columns. If you look at the last two items in the columns, you see that the two bottom items are the same price, retail and my cost. I knew that there was no way that I could buy those pieces wholesale. The only way to get them was directly from IBM at retail. However I could buy the basic computer at roughly \$1,000 off list and the other components also at very nice wholesale prices. It turned out, actually, that the numbers shown in the middle column were over-estimates. Once I got into the market and started buying the stuff, I was able to find better prices. Anyway, it looked to me like I had about an \$870 margin on an individual computer and I asked myself, "Why don't I go into business?" And that's what I did.

That is Example #1 of how a problem can become an opportunity. I lost my job, didn't know how I was going to get the money to go to graduate school, and ended up making ten times as much as I would have made in the next few months at ComputerLand, by going into business for myself.

But I'm jumping ahead of the story. One would not have guessed that I would be successful from the results of the first advertisement I placed. I paid \$300 for an ad in the Los Angeles Times and I got one call. That was from a man who picked my brain about computers for two hours before he finally left my apartment/office filled with a cloud of smoke from his cigar.

After that experience, I decided to do some research, determined that I was not going to fail again at advertising. I went to the Pasadena Public Library and got down past issues of several local and national newspapers. I knew that the major market for the computer I had for sale was business people. I also knew that other people were paying a lot of money to find out when is the right time and what are the right places to advertise to reach these business people. Here is a sample of my notes from that afternoon of marketing research:

Day of Week	Date	Page	Advertiser
Monday	5/17	2	CPI
Wednesday	5/19	26	47th St. Photo
Monday	5/24	2	CPI
"	"	14	47th St. Photo
Tuesday	5/25	6	ComputerLand
Thursday	5/27	5	MicroComputer Distributing
Friday	5/28	4	Olympic Sales (1/2 page)
Monday	5/31	n/a	(no paper)
Tuesday	6/1	2	CPI
"	"	17	47th St. Photo
"	"	16	Executive Photo

This data lists advertisements for technological products in the several thousand dollar range in the Wall Street Journal during May of 1982. Based on this and other information I collected, I placed an ad on page 2 of the Journal on Monday, June 14. I also paid a premium to ensure that my little ad would run at the top of its column. Finally, I worked with a typesetter and designed the ad myself instead of letting the paper design it for me, as I had done with the Times. The placement cost was \$400 and this ad pulled \$30,000 in sales the first two times I ran it.

I don't know whether to call this an example of a problem becoming an opportunity or a mistake giving birth to a valuable idea. I had made several mistakes on the Los Angeles Times ad. I let them design it. I let them put it wherever they wanted to. I let them run it on Sunday. Maybe even running it in the Times was a mistake. The correction of those mistakes yielded a fantastic idea, judging by the results.

Here is my last example of a problem becoming an opportunity. This goes back to the trade show that I first told you about, where I spent the \$1,500 that got me started. I walked into the Anaheim Convention Center and every booth had a sign over it with the name of the company represented there. I knew that I had the hottest product in the whole show, the IBM PC, but the name of my company was Marshall Burns Computer Sales. How was anyone going to know what I was doing there? So I asked the people in the show office, that when they made up the sign for my booth, would they please print "Marshall Burns Computer Sales / IBM Personal Computers." They said, "No, we are only allowed to put the name of your company." I thought about that for a while, probably walked around the complex a little bit wondering what I was going to do. Then I went back and asked them, "Well, how do you decide what the name of my company is." And they said "Well, whatever you say the name of your company is." So for that weekend my company became "Marshall Burns-IBM Personal Computer Sales," and the resulting sign:

Marshall Burns-IBM Personal Computer Sales

over my booth attracted a lot of attention. My sales from that show were about \$20,000.

WHY PAY RETAIL?



IBM Personal Computer
\$3,095
Complete

Includes 64K, 2 drives, IBM display, DOS 1.1

- Epson MX-80 \$450 • Diablo 630 \$2,350
- Corvus 6MB \$2,850 • Persyst 64K \$350
- Wordstar \$395 • Electrohome RGB \$450

Marshall Burns Computer Sales
 160 S. El Molino, Suite 201, Pasadena, CA 91101

(213) 795-1627
TERMS AVAILABLE

Many other microcomputers, accessories & software also available.
CALL FOR QUOTE

Those are my examples of problems and mistakes becoming opportunities and ideas. Now I'd like to inject some realism into this discussion and warn you that everything is not beautiful when you go into business, even if you take advantage of every opportunity and realize and learn from all your mistakes. I can best express this by sharing with you some rather personal moments that I have recorded in my diary for the month of May, 1982, the first month of operation of this business.

May 5: "I'm tired and high strung. I'm excited and scared. Tomorrow I will pay over \$1,000 to get into the computer show. ... God, please help me soar."

Friday, May 7, the night of the first day of the show: "... I gave out about 8-900 fliers, talked to one or two hundred people. ..."

Saturday night: "Lots of interest and no sales. ... I feel lost in the uncertainty of the crap-shoot I am in."

Sunday, after the last night of the show: "I am depressed. It has finally hit me that I failed. *FAILED* !! I did not sell any computers this weekend. That's it. The weekend is over. I have blown over \$2,000 and I have a big \$200 in sales. *OUCH!!* Help. ... I feel totally unconfident, helpless, lost. ..."

Now, actually, as you know, I had not failed. I just did not understand the dynamics of this kind of trade show. I didn't understand that some of the thousands of people who had taken my fliers would take them home and read them. So what looked like defeat and failure was actually something else.

Monday, May 10, next day after the show: "... I took ten calls and some said they were sending orders. ..."

Two days later, Wednesday: "I took an order!"

Skipping to the end of the month, May 30: "A very hectic week, excellent sales volume. Today I fasted ... to express thanks. Then set up and did set of books to find how successful I've been: over \$4,000 net profit in May!"

So, there can be some pretty wild emotional swings when you are in business. And you have to be ready for some pretty upsetting lessons.

The payoffs, however, can be very rewarding. I'll just close with a couple of examples of what the payoffs can be. First of all, it's nice to look at your bank account and see lots of digits. Everyone understands the advantage of money. But there is a more subtle pleasure that comes

from managing that money, such as when you sign a check with lots of digits on it. That is a feeling of powerful responsibility. Beyond that is the feeling that comes from authorizing someone else to exercise that power on your behalf.

The most amazing payoff of all though, is that after talking to a person on the telephone and agreeing to a deal that will give them a valuable tool and put several hundred dollars in your pocket, sometimes they will enclose a little note like this one with their cashier's check:

Dear Marshall Burns,

You were a pleasure to deal with concerning our future
IBM.

Thanks,

Loren and Joyce.

That you can make people happy, and make a lot of money in the process is the ultimate combined payoff of running a business. Just remember that your greatest opportunities lie in your problems, and your brightest ideas may grow out of your own mistakes.

Audience Questions

Of your \$20,000 in sales from the trade show, you said that your books showed a net profit of \$4,000 at the end of the month. Was that all from that trade show or did you do some other activities during that month to generate that profit?

Actually, the sales from the trade show continued to come in for several weeks into the following month. In the meantime, as soon as the first orders had come in, I knew that I needed to immediately go out and do something else to generate more sales. It was the profits from the first trade show that went into the ads in the LA Times and the Wall Street Journal. I also worked other trade shows. Some of the beginnings of that activity probably showed up in the profits of the first month of operation.

I should make the important point that I could answer your question down to the dollar by checking the records of sales that I still have from this business of six years ago. That kind of record-keeping is very important because it constitutes the experience that I have gained from running the business. I could tell you, for example, more accurately than after that afternoon at the Pasadena Library, the best day of the week to advertise a personal computer for sale in the Wall Street Journal.

Did you always intend for it to be a short term operation, and is that how you ran it?

Yes and no. I started the business with my plans already in place for graduate school. But when I was selling \$50,000 worth of computers per month, I didn't want to just close it down. I investigated selling the business, but my only valuable asset was the knowledge of how to buy and assemble the computers. It's very hard to negotiate a price for such ephemeral knowledge. What I did was hire a man in Los Angeles and move him out to Texas with me to run the business.

This could have worked well had I supervised him better. It did work for several months, but eventually the sales business collapsed for lack of direction. I learned a lot about management and supervision from that failure, so this is another example of a mistake with a golden lesson on its tail.

But there is another important aspect to your question. Long term or short, I sold every computer as if it were going to the house next door. Every computer was thoroughly tested before being shipped, and any problems customers reported received careful attention and were resolved. Maybe that was an unnecessary expense for a California business that had near-term plans to move to Texas. But that's just the way I am.

Did you go out and buy the computers after you had an order, or did you get some credit somewhere for your stock?

I explained to people that part of the reason for my low prices was that I didn't carry any inventory, and that I didn't take checks. Customers were told that their orders would be shipped up to a week after the order was received. Terms were 50% cash or cashier's check in advance with the order, balance COD, also cash or cashier's check.

I had to wait until I had three orders before I had enough cash to buy anything. When the third order came in, I confidently marched down to IBM and bought four computers, as well as placing rush orders with other suppliers for the other components.

The ironic thing is that while I went to IBM with cash in hand, they immediately offered me terms, giving me 30 days to pay without interest! This meant that I ended up having an unexpected cash resource on hand which, due to the high interest rates of 1982, became a supplementary source of revenue.

Why did you elect to sell the real IBM rather than a clone?

There were no clones. Or, put another way, you might say that my computers were the first clones. I essentially bought the components for an IBM Personal Computer and assembled them for a lower price than IBM's authorized dealers were asking. At first, absolutely every component in my computers was actually the identical component that went into IBM's product. The TM100-2 disk drives came from Tandon. My 16K 100 nanosecond memory chips were manufactured by AMD right here in Austin. The base computer, the display adapters and some other components were purchased directly from IBM because I didn't know where else to get them. Later on, as I learned more about the electronics that I was selling, I began to swap in equivalent but non-identical components. Always this was done with full disclosure to the customer of the differences, even if it was only in the labeling, from the IBM product.