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Take the Next Step.

Empowering businesses and people to break from the status quo in pursuit of their next goal

REAL PROFIT STRATEGYSM in action

Diagnosing sales and marketing organizations

Note: This article is the first in a three-part series exploring opportunities for middle market firms to improve performance of their sales and marketing organizations. The basis for improvements assumes an understanding of customer profitability from a company having performed a “whale curve” analysis. (See prior article **Learning from the customer profitability “whale curve”**... for additional detail.)

Armed with an understanding of customer profitability, middle market firms can identify opportunities for growth and improved profitability. While advisors or consultants today are often found recommending ill-advised cost-cutting or unproven, expensive technology, our experience has shown that many of these solutions require investment exceeding available resources or do not provide the foundation for long-term, sustainable profitable growth. Instead, at Strategic Resources, Inc. (SRI) we use customer profitability to understand the true drivers of a business and develop solutions tailored to our client's needs. Often, those solutions take the form of changes to sales and marketing processes, measurements, and tools that can be achieved within budget constraints, with just simple refocusing of the operating model, and without significant investment in technology. Our REAL PROFIT STRATEGYSM helps companies achieve these outcomes, starting with a diagnostic.

The power of one percent

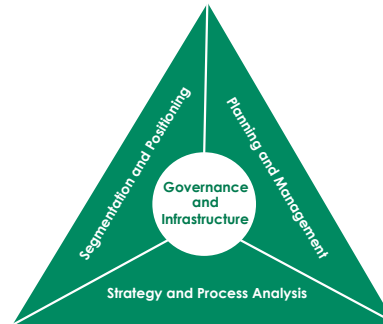
Why are sales and marketing important? Consider this fact: a 1% increase in price can improve operating profit by 8%, an improvement 50% greater than decreasing variable costs by the same amount.¹ Beyond that fact, further studies show that 90% of cost reduction programs fail to achieve targets.² Similarly, 68% of IT projects fail or are often prohibitively expensive for middle market firms.³ With these statistics, an approach focused on sales and marketing efforts (including pricing) is oftentimes the most effective way for companies to grow and improve profitability. Someone will always be peddling a new technology solution, and many firms have already cut costs in recent years. Given the complexity and competitiveness of today's “new normal,” a sales and marketing emphasis provides the basis for firms who successfully managed through the Great Recession to refocus efforts on profitable growth.

Start with a diagnostic

REAL PROFIT STRATEGYSM begins with a diagnostic that quickly assesses strengths and areas for improvement in sales and marketing organizations. A combination of interviews, internal analysis, external benchmarking, and surveys identify gaps in business performance. Once identified, we work with our clients and their team to generate a roadmap for improvement initiatives to close those gaps.

SRI has developed the framework below (see **Figure 1**) to describe four key capabilities where companies, using insights from a customer profitability analysis, should be evaluating the performance of sales and marketing.

Figure 1: Sales and Marketing Capabilities



Segmentation and positioning is concerned with segmenting and stratifying a firm to understand how that segmentation positions the business in the marketplace. Segmentation can be done by customers, products, or services and relies on profitability analysis. This information is combined with a customer needs analysis and competitive assessments to identify the right customers for targeting with a company's value proposition.

Planning and management looks at how effectively and productively a sales organization is functioning. Evaluation starts with planning and forecasting practices, and goes through to looking at sales force deployment and productivity. Special emphasis is put on specific account management activities and whether or not best practices are being shared effectively across the organization.

Strategy and process analysis focuses on the overall strategy of sales and marketing organizations as well as processes and tools that enable salesforce execution. Business processes, pricing, selling techniques, business development and other core activities can all be assessed to see if they fully align to strategic plans while also supporting day-to-day activities in the field.

Governance and infrastructure involves the organizational structure and “rules of the game” that surround the above capabilities. Having the right KPI's, scorecards, communication, roles and responsibilities, and rewards and recognition ensures a company is motivating and rewarding the right behavior and achieving measurable results. Such “rules of the game” align all of an organization's sales and marketing capabilities to make sure they function appropriately together.

Prioritize the right opportunities

Evaluation of each of the sales and marketing capabilities previously described highlights gaps in performance that can be closed through improvement initiatives. The next part of a diagnostic is to prioritize improvement initiatives based on what is right for our clients. The chart below (see **Figure 2**) represents a common way to organize initiatives based on financial impact, time to implement, and investment requirements.

See the next article in this series for case studies of common challenges and solutions associated with each of an organization's sales and marketing capabilities.

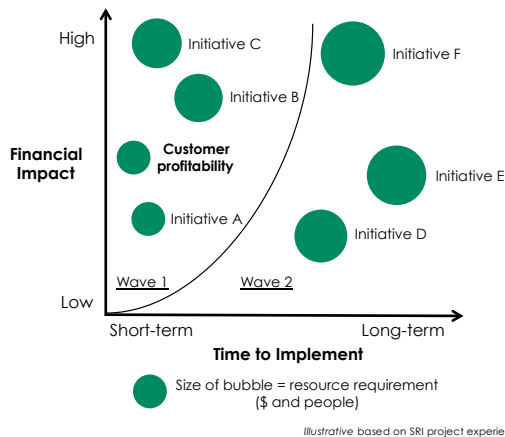
Footnotes

¹ *The Price Advantage*, 2010.

² *KPMG*, 2007.

³ *IAG Consulting*, 2008.

Figure 2: Opportunity Prioritization Chart



Financial impact measures the value (e.g. sales growth, increased profitability) a business can realize by closing a performance gap. Time to implement reflects the length of time necessary to successfully execute an initiative and when results may be realized. Lastly, resource requirements include both dollars and human resources. Consideration of these factors and how they fit a firm's goals and strategic direction will ultimately define how to prioritize opportunities. Examples of short-term improvements include customer share-of-wallet, product mix shifts, and pricing actions, while business development, new product development, and establishing new channels represent long-term opportunities.

Follow a roadmap for success

The final part of a diagnostic is to develop a roadmap for sales and marketing organizations that acts as a go-forward guide for improvement. The roadmap includes a timeline of key activities and milestones to hold an organization accountable. It also shows how activities overlap and are dependent upon each other to align the entire organization on what is necessary to achieve success. From capability assessment to roadmap, REAL PROFIT STRATEGYSM helps middle market firms through each part of a diagnostic.

How would you diagnose the health of your sales and marketing organizations? What does your roadmap look like? How do you measure customer profitability? If you don't have answers to these questions, or if you'd like to learn more, give us a call. Let us help you – Profit From The Know-HowSM.



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