



Sharpening Your Sales Edge for the Industrial Recovery

After years of being stalled, the industrial sector is again moving forward and is growing. Many manufacturing companies that have been in a defensive posture to protect share during the economic slowdown now have an opportunity to expand their sales and other core operations that were slashed to reduce expenses. But the impact of the last few years has reshaped the manufacturing and industrial industry, creating a new landscape that may be deceptively different than the environment of just a few years ago.

There are a number of sales-related issues that executives need to address quickly as they begin retooling their organizations to address emerging market demands and differentiate themselves from the competition. In many cases, this can be challenging because sales operations are often hardest hit during lean economic times, and the cutbacks are felt across the sales process: go-to-market strategies, lead generation, conversion and account growth.

L.E.K. Consulting examines how certain organizations have addressed these issues during the recessionary economy, and offers three strategies to strengthen these areas and realign your sales operations as new market opportunities emerge. L.E.K. also outlines its framework for bolstering sales force effectiveness.

I. Strengthen Your Strategic Selling Focus

In pressured economic times, conversations with customers tend to be much more focused on price than on product or service differences. Once price-based selling becomes the norm, it is difficult to refocus the value proposition to anything other than “low price.” L.E.K. has identified four areas to target customers who are more likely to value (and pay for) your differentiated value proposition.

1) Reexamine Your Unique Selling Proposition (USP)

After an economic downturn, organizations can find that their USP is weakened or is no longer clearly communicated. Also, the competitive landscape and customer purchase criteria may have changed, which may make a company’s USP less differentiated or, even worse, irrelevant. During the recovery, companies should revisit and refresh their USPs.

Update your customer-focused market research and reassess the competitive landscape to better differentiate your organization from competitors. A refreshed and relevant USP will position companies for margin expansion and profitable growth during the recovery.

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For example, L.E.K. recently worked with a global business services client to refine its USP and improve its sales force effectiveness. We conducted significant customer research and identified how customer purchasing criteria were shifting as the market was recovering. Historically important criteria such as product quality and on-time delivery had become mere table stakes, not true differentiators. By identifying how customers' needs were changing, our client was able to update its USP and improve its positioning by addressing the market need for more value-added services.

2) Prioritize Customer Segments

The relative attractiveness of different industrial customer segments may look quite different post-recession than they did pre-recession. For example, relatively cheap natural gas liquids in North America are driving growth in industrial segments in packaging and chemicals that rely on gas for energy or on gas liquids for feedstock. Coming out of a recession, companies can benefit by focusing on two questions:

- i. Which customer segments are experiencing the greatest growth and highest profitability?
- ii. Which customer segments will most highly value our USP?

Once customer segment priorities are clearly established, assess your commercial resources to ensure alignment. For example, there may be opportunities to optimize your approach to different customer segments based on how they value your USP.

L.E.K. worked closely with a leading business services client to better serve its smaller accounts, which the company under-supported during the downturn due to sales resource reductions. Many smaller customers valued the client's offering (and the economics showed this), but found better service elsewhere. To help strengthen the company's position in this segment, L.E.K. developed a new sales coverage model that assigned existing sales resources to accounts more efficiently. We also identified key commercial functions that were understaffed and, with modest investments in new resources, enabled the client to address sales and margin opportunities more effectively.

3) Filter Strategic Sales Opportunities

As a company exits a period when "all revenue is good revenue," there is an opportunity to set selling priorities that focus on customer segments that highly value its USP. These priorities must be reflected in new business selling plans and in customer bid requests that pass initial qualifications and enter the pipeline. A filter either at the front-end of the RFP or bid pipeline will help to ensure that scarce resources are not wasted on low-value sales opportunities.

As an example, a sales force at an industrial packaging company spent a considerable amount of time developing proposals. In the hunt for revenue during the downturn, its sales force had chased a lot of deals, which consumed significant internal sales and support resources. However, there was no firm framework to determine if the company should pursue particular opportunities, and a case could always be made to pursue a particular account. To help the company enhance its sales efforts, L.E.K. worked closely with leaders from the sales organization and key support functions – marketing, operations and finance. We then helped to define the strategic sales criteria and developed a filtering process that now guides their team. In addition to closely aligning sales with the company's go-to-market strategy, the company now has a much sharper focus on the right sales opportunities, and much more efficient use of internal resources to capture them.

4) Focus on the Right Service & Product Mix

A market upswing is an ideal time to introduce new or enhanced products and services. However, new introductions frequently fail to achieve their sales numbers because of a lack of alignment with the selling effort. Sales force training is required, performance metrics and incentive plans need to be adjusted, and account plans often need to be reviewed for specific opportunities to penetrate target accounts with the new offerings. Coordinating this type of effort with the sales force can sometimes take a backseat to just launching a new product or service. But cutting such corners as a new product foundation is being set can lead to long-term problems.

II. Redeploy Sales Efforts Outward

Sales representatives at one L.E.K. client spent 50-60% of their time focusing on administrative and operational issues – instead of direct selling activities – because sales support had been eliminated. So how should companies address this lean staffing reality? Because many companies are hesitant to add significant staff during times of slow growth, L.E.K. offers two main alternatives:

1) Redefine Sales and Support Roles

During the recovery, companies should reprioritize the most important tasks and identify steps that can be eliminated or reduced, and which roles are best suited to manage each responsibility. First, group activities into selling, operational, and administration work based on current activity volumes and how employees really spend their time. Then estimate resource levels for each activity group to determine the actual staffing requirements for each group. Also revisit and update job descriptions to ensure they reflect the new approach. Skills should be evaluated as part of the effort to ensure that the right employees are placed into the right roles. Additionally, training programs should be rekindled to support the new roles and responsibilities.

2) Reengineer Core Sales Processes

One way companies can overcome the reduction in sales support staff is by recalibrating their core sales processes to be more market facing. A useful start is to work with sales reps and support staff to really understand what works well and where there are frustrations and inefficiencies. Often, the initial diagnostic effort can lead to reengineering targeted operations – such as proposal development or pipeline management – that have an immediate impact with only minimal effort and disruption. Some processes may need to be reworked altogether to better fit the current resource levels.

Some companies may consider this approach and entirely rethink their sales strategies. Recently, one manufacturer enlisted L.E.K. to find more effective ways to support its sales force amid company growth. After initial diagnostic work and discussions with sales reps and support staff, L.E.K. developed

a new process to convert critical sales opportunities. Historically, the company used the same process for all opportunities, almost regardless of each opportunity's importance. We designed new processes that better scored sales opportunities by relative importance to optimize limited resources and ensure that the right capabilities are deployed to improve the odds of winning.

III. Reward Profitability, Not Just Volume

Companies emerging from a period of significant price discounting often find that selling price discipline must be reinforced in a variety of ways, including salesperson compensation. Introducing a profitability metric to the compensation calculation can quickly reorient the sales force away from price discounting. Yet this compensation change can be challenging.

Measuring the profit contribution can raise unexpected complexities. For example, if you rely on a gross margin metric, then you may incent salespeople to “give away” services whose costs are tracked below the gross profit line. Alternatively, if you rely on a more “all in” measure of customer profitability, you must inevitably allocate a variety of costs that make the profitability metric more complex to implement.

One packaging industry company wrestled with this issue during a time when its markets were recovering, but its sales force remained focused on driving volume over price because the company continued to emphasize sales to fill up capacity. Incentive plans continued to reward sales reps for revenue growth but not profitable growth. As a result, contribution margins varied widely.

L.E.K. worked with the company to understand the current approach to sales performance measurement – what was measured, how performance was tracked and shared, and how information was used to support decision making. We then helped our client devise a series of additional performance metrics that were better aligned with its sales and profit objectives (see Figure 1) and brought clarity to the overall selling effort. Incentive plans were also adjusted, which helped to bring the wide variance in contribution margins in line and led to overall margin improvement.

Figure 1
Sales Performance Metrics – Current and Future State Example

Metric Category	Current Sales Performance Metrics	Additional Future Sales Performance Metrics
Sales Rep Performance	<ul style="list-style-type: none"> • Sales • Sales Growth • New Account Generation 	<ul style="list-style-type: none"> • Contribution Margin • Account Retention • Market Penetration
Sales Activity	<ul style="list-style-type: none"> • Sales in Pipeline by Stage • Win Rates 	<ul style="list-style-type: none"> • Sales Calls – Meetings and Calls by Type (new account, cross-sell, etc.) • Travel Time
Sales Forecast	<ul style="list-style-type: none"> • Monthly Sales Forecast 	<ul style="list-style-type: none"> • No change in metrics but improved quality of forecasts due to other improvements
Customers	<ul style="list-style-type: none"> • Quality Issues by Account 	<ul style="list-style-type: none"> • Customer Satisfaction by Account • Complaints
Sales Rep Training and Development	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Sales Rep Training – successful completion of new sales skills, product and technical training programs • Sales Rep Satisfaction – employee views on roles, incentives, support, etc.

Source: L.E.K. Consulting

Adopting a Holistic Approach to Improve Sales Force Effectiveness

With the recovery gaining momentum, now is the time to rethink your sales operations and recalibrate your business accordingly. But latching onto new growth opportunities is contingent on having the right strategy and steering your sales teams away from the price-based levers that were used out of necessity across many industrial markets during the recession.

Companies that had been forced to dramatically restructure their operations by reducing manufacturing production and cutting operations need to do more than just update their sales performance measurements and other tactical program elements. While addressing specific sales processes may yield some improvements, they likely won't address overall sales performance gaps in a meaningful way, and won't enable you to compete effectively with businesses that are realigning their sales operations and tuning each point in the sales cycle accordingly. In these cases, a more holistic approach to sales force improvement may be required to capture new opportunities and remain competitive.

The L.E.K. Framework for Sales Force Effectiveness

Improving the effectiveness of a sales force can quickly accelerate revenues and profits during an economic recovery. There are often hidden opportunities to increase selling time and improve sales win rates. L.E.K. takes a holistic view of the sales function to identify and realize sustainable performance improvement opportunities in two key areas:

1) Sales Process and Management Improvements: Sales processes can break down in a number of areas that may appear minor when viewed in isolation, but collectively can impose a significant drag on an organization's growth trajectory. L.E.K. addresses common challenges such as poor prioritization of target markets, trouble separating high- and low-quality sales leads, incorporating customer feedback,

and using a "one-size-fits-all" approach to vastly different sales opportunities. Addressing these issues in a strategy-driven, results-oriented process can super-charge commercial organizations and have a significant cumulative impact on sales.

2) Sales Force Enablers: L.E.K. helps to develop a structure and support across the company to optimize sales team effectiveness. Based on our experience, we work with clients to define and implement sales management processes, performance measurement and incentive frameworks, systems and tools, and help to instill a performance culture that provides a foundation for successful and high-performing sales teams.

Sales Force Effectiveness: The L.E.K. Framework

1 Sales Process and Management Improvements



2 Sales Force Enablers



Source: L.E.K. Consulting

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and analytical rigor to help clients solve their most critical business problems. Founded 30 years ago, L.E.K. employs more than 1,000 professionals in 21 offices across Europe, the Americas and Asia-Pacific. L.E.K. advises and supports global companies that are leaders in their industries – including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. L.E.K. helps business leaders consistently make better decisions, deliver improved business performance and create greater shareholder returns.

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