



Insights

Planning, Marketing and Sales

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Planning – if only life were so simple ...

In planning workshops we often ask the group we are working with why they should have a plan. We get a wide range of answers. For Red Splash, a plan provides clarity. A plan delivers into day-to-day operations by someone closing a telephone conversation by saying that “I’m sorry, we don’t / can’t / won’t do that, it isn’t part of our current plan”. That saves the business time, because it doesn’t have to devote resources to review whether the telephone conversation represents a new business opportunity with limitless potential. Those opportunities are always there and there are always many more ideas than successful implementations.

Some consultants seem to believe that the answer to every problem is to develop a Business Plan. Our view is a bit different. If a business needs to convince a 3rd party that it is robust and stable – to provide the confidence that the cashflow is sufficient to repay a commercial loan or that the planned growth will provide a high exit multiple for an equity investor – then a Business Plan is almost certainly essential. When there are no 3rd parties to convince then why go to the bother of having a formal Business Plan?

A Business Plan is a document that provides a model of the business and articulates a course of action which, given certain assumptions may deliver particular outcomes. A Business Plan tends to be strategic in nature and considers the development of the business over the 3 to 5 year term. A Plan like this frequently considers the impact of acquisitions or changed resources. It is often written with a specific audience in mind – it should be; the needs of bankers and equity investors are quite different.

We were recently asked to review a plan for a business importing a manufactured product for a leisure application. The company had spent some time on developing the plan and had been disappointed that it had not generated any interest from lenders or equity investors.

The plan had a number of issues which provide a neat illustration of the problems that can be encountered in writing a plan:

- there was only a single plan although it was being sent out to two different audiences – indeed, it wasn’t clear which audience it had been written for since it didn’t appear to meet the needs of either a banker or a prospective investor
- the document had been produced by more than one person and the different sections didn’t relate easily to one another
- although the business model appeared sound (buy at £x and sell at £y), the sales plan relied on a sales channel with a high degree of risk

The major problem with Business Plans is that they are forecasts. The only thing that we know about a forecast is that it is almost certainly wrong – it is only the size of the error that is in question. The key to success is often not in having a formal plan, but in having a planning process. Plans, like forecasts, don't survive long in the real world. The unexpected occurs, and all at once, the Plan doesn't have a scenario which guides management what to do. Plans like that belong in the bottom drawer and that is where most managers keep them.

The things that throw the long term Strategic Plan or Business Plan off balance allow the short-term internal planning process to deliver its real power. A robust planning process is one which looks at real performance on a regular basis and asks difficult questions:

- given our performance this month, can we hit our budget?
- with the changed demand at this customer, how can we bring our revenues back on track?
- now that we have lost this source of supply, what can we do that will protect our financial position?
- how should we redeploy our resources if we want to beat our budget?

A planning process like this needs to include people from across the business because it requires their cooperation to succeed. The outputs aren't a formal planning document – they are action points in a loosely structured short-term plan which provides the context for decisions being made over the next few weeks.

Marketing – does it deliver?

Marketing should focus on the profitable delivery of products or services to customers. Does it manage to do it in practice? In manufacturing they say “you get what you inspect, not what you expect”. On that basis, very few companies get what they expect out of marketing. Why is that? Why do companies advertise, produce brochures or buy stand space at industry trade shows without measuring the payback? We don't have a good answer – but unless businesses try to measure and test what they are doing then it is probable that they will spend money which doesn't give them the market advantages that they hope for.

Or they spend more money than they should for the returns they are getting or less money than they should in order for the activity to have any real value at all.

One of the reasons that marketing doesn't often deliver a payback is that for many companies, marketing is confused with advertising. Now that wouldn't be a bad misconception if they had an idea about what kind of advertising would work for them. Too often, a fledgling business takes a look around the market and decides to loosely copy or “improve on” the advertising that is being placed by its competitors. There is no question - copying competitors' advertising strategies is nearly always guaranteed to end in failure. The competitors aren't sure what works, they aren't measuring what they are doing and much of their investment is probably money down the drain, too.

So, how can Marketing be made to deliver? Let's use direct mailing as an example to illustrate the point. Many businesses carry out direct mailings. They have a brochure, or they print a brochure or promotional offer specially, they send out the mailing to their entire database and they don't track whether they gain any sales as a result. They aren't disappointed with the results – how could they be, they aren't doing any measurement? Businesses like this are often pleased that they are carrying out a marketing activity because they feel that it's a good thing to be doing something. This is simply activity for activities' sake.

Direct Mail can be profitable – personal fortunes have been built on that simple truth - and the very best direct mail is a work of art which professional Marketers can admire. The key to understanding whether direct mail can work in your environment is to work out what success would look like. Given the costs of the proposed mailing, the brochure, the list, the time, what level of sales response would be required to make this mailshot profitable? If the answer isn't unrealistically high, then you are in with a solid chance that you can make it work. We have deliberately avoided talking about specific response rates because truthfully, response rates differ depending on the product or service, the price and the attractiveness of the offer. However, if it looks as though you need a very high response rate then you should ask yourself the question about whether you will be able to achieve that or whether there is anything you can do to the cost base to drive the required response rate down. The next stage is to test the mailshot live on part of your data.

The importance of testing is that whatever your response rate – 0.1% or 5%, scaling up to larger numbers of targets probably won't impact it significantly. So, if you can demonstrate to your satisfaction that a test sample delivers a satisfactory response in economic terms then go ahead and run the campaign. If the trial mailing fails that primary hurdle, then be prepared to extend the experiment, by changing the offer, the stratification of the targets or the copy itself – but be careful not to change too many variables simultaneously and keep the trial sample small. These days, digital printing has made this kind of low volume experimentation relatively low cost.

So what kind of samples should you test?

- existing customers
- ex customers
- lists of potential customers from different suppliers
- different list stratifications

When you are satisfied that you have an attractive offer, presented by appealing copy which produces an economic response rate – do your mailing. And when it comes to developing another mailing, go through the process again.

Each aspect of your marketing should be dealt with on the same basis. As a high level guide, if you find yourself doing things which can't be measured then you are probably doing them for non-marketing reasons. That doesn't mean that they shouldn't be done, just that if you decide to retain them, then don't charge them to the marketing budget.

Sales – the end result

Imagine that the key function of the business is to sell something to someone in order to make a living. The old saying used to be "If you build a better mousetrap, the world will beat a path to your door." It doesn't matter if that was ever an accurate description of the way markets behave – it isn't an accurate picture now, and it isn't likely to change any time soon.

Whether you choose to use direct or indirect resources will depend to a degree on the maturity of the market. Direct resources tend to be effective in building market awareness for a new product or service, developing initial interest with customers and developing long-term relationships with key accounts. Distributors and other indirect channels are less effective at building market awareness, but they can represent a low cost resource which quickly increases the reach of the business. Indirect channels tend to work best with products where the product is well understood and the primary issues are availability and price.

The Value Proposition is the amount of money which buyers could potentially save by using the new product or service. The Value Proposition needs to be backed up by a detailed assessment of market positioning so that the salespeople (and it doesn't matter if they are direct or indirect salespeople) know where they should be targeting and where they are preferentially attractive to buyers.

That said, an excellent Value Proposition and well-thought through positioning will not guarantee success. It doesn't matter if you rely on your own team of direct salespeople, commission agents or distributors. You need to back up your sales efforts with a solid sales management process which delivers:

- tracking and measurement of opportunities
- mobilisation of support teams, particularly in relation to teamwork and communications
- evaluation of win/loss rates
- performance management

Done well, an effective sales management process delivers shorter sales cycles and better win/loss rates because it tracks and measures why business is lost and does something about it. If you don't measure what you do then don't be surprised if you have difficulty in improving your performance. The process has to consistently attempt to increase the efficiency of the sales resource and deliver whatever resources, materials, coaching or training interventions are required to help the sales people close business at an acceptable cost.

A powerful sales process begins by analysing sales opportunities systematically and assessing the chances of success. It works by reviewing several key criteria: buying influences, individual roles, degrees of influence, the customer's view of the situation, their business results and how they see their competition.

During a complex sale, the sales management process reviews which are the key benefits for each of the major influencers and ensures that those benefits are presented in a way which is compelling for each of the influencers. Making a sale is not about listing out all the benefits anyone has ever experienced from the product or the service – it requires a good understanding of which benefits will deliver most strongly in the customer's environment and presenting that case effectively.

Rigorously applied, a good sales management process can help individual sales resources to improve their win/loss ratios by focusing on actions that close business and by cutting out unproductive activity. This same process helps keep the sales resource robust by ensuring that new recruits to the sales team deliver results quickly by benefiting from the knowledge base that the business has built up over time.