Top Line Growth

Growing sales in a slowing market

The Challenge/Opportunity

- In the large deal, business to business, direct sales environment, there is a continuing, even increasing, focus on top line growth:
  - Most organizations have already cut the expense side of the earnings equation
  - Many markets are slowing.

- The pressure is for continuing sales growth in the face of slowing markets.

- There are no easy answers and no one has it figured out.

Situation

- With the current slowdown in the economy today, prospective business customers are curtailing their spending plans and increasingly scrutinizing all expenditures, especially new ones.
- Prospective customers are demanding a growing level of financial rigor from vendors - asking for proof that the product or service offering is an overwhelmingly compelling financial opportunity.
- This is not the perfunctory value-added, increase revenue, reduce expenses, yadda-yadda story that we all have been through - these customers are serious.
- This is a demanding environment for all vendors, but especially so for those with new and innovative offerings, like most start-ups, where there is no established track record of success to justify the cost.
- As well, slowing markets inevitably mean an increase in competitive intensity.
- Sales growth demands not only being able to convince the prospect of the value of your offering, but also being able to increase your hit rate - winning a higher percentage of the deals you compete for.
- These are not new obstacles for vendors, but the convergence of the constraints of the economic slowdown, the pace of technological evolution and innovation, and the complexities of the new economy is making this situation now both a daunting challenge and a significant opportunity.

The Process

- The first step is to convince the prospective customer that their business will be better off after having purchased your *solution* than before; that is, *create the need* for your solution.

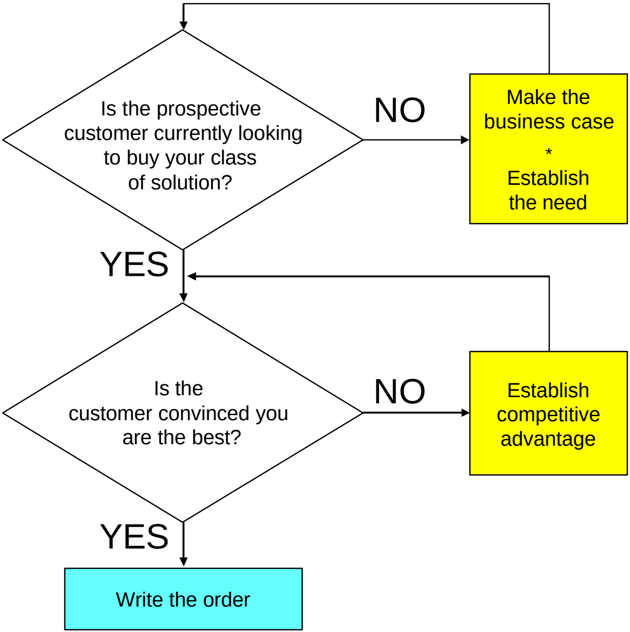
- If, and when, you are successful in this first step, there is every chance that the prospective customer will spare no effort in shopping for every possible alternative source for this type of solution, comparing them to yours, and ultimately buying what they consider to be **their** best solution.

- The second step is winning the competitive battle.

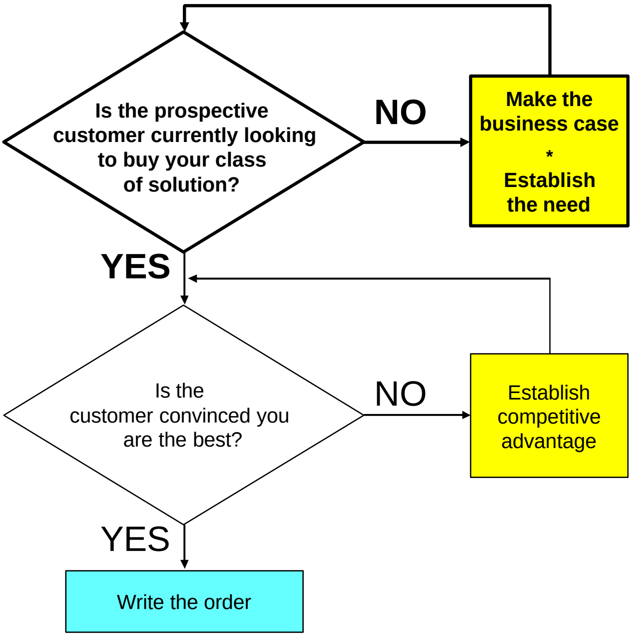
- This is clearly a two step process - creating the need or justifying the solution and competing for the deal. Although these are two very different evaluations done by the prospective customer, everything you do in the first can/will influence your ability to succeed in the second. Therefore, the challenge is to successfully create the need while positioning to win the competitive battle and close the deal.

- The next page depicts this two step challenge and is followed by an overview of the KappaEast approach to each. Understanding the two steps, knowing where/why you encounter critical obstacles and figuring out how to overcome them are all vital to successfully producing revenue growth in this environment.

Roadmap


Is the prospective customer currently looking to buy your class of solution?
NO
Make the business case
*
Establish the need
YES
Is the customer convinced you are the best?
NO
Establish competitive advantage
YES
Write the order

Step 1



The Value Proposition

The Value Proposition

- KappaEast uses the term **Value Proposition** for the description of why the customer will be better off with the vendor's solution, or at least this class of solution, than without it. It must encompass a compelling rationale that resonates with the customer's needs and priorities and be accompanied by the requisite substantiation.

- The KappaEast approach to developing an effective Value Proposition consists of three phases:
  - **I - Building the business case**: understanding and satisfying the criteria for justifying a financial outlay - how to convince the customer that this is worth doing. Page 8 outlines the three possible levels of rigor typically involved in making the business case.
  - **II - Creating the winning playing field**: doing a value proposition/competitive strategy iteration to ensure the value proposition establishes an optimal positioning for competitive advantage.
  - **III - Providing the weapons**: highlighting the critical tools and tactics for effective selling execution of this particular Value Proposition.

- The work involved in carrying out the above three phases is highly dependent on the vendor products/services and the expected scope of customer decision processes. Following on page 9 are broadly applicable Guiding Principles spanning the three phases.

3 Levels of: "Making the business case"

The customer perspective on whether to shop for this class of solution:

I am not aware that this class of solution will improve my business, at least to the extent that would justify the time and expense of implementing it - prove it (through any/all the following means):

- **Financial analysis impact**
  - Most rigorous, theoretically correct approach, typically a standardized cash flow methodology.
  - Decision criteria of payback, NPV, IRR not well understood, usually mean involvement of financial analyst types.
  - Requires significant effort in debating/negotiating assumptions on analysis parameters, operational impact, then conversion into financial costs and benefits.
  - Never provides basis for any future follow-up to verify initial claims.
- **Financial reporting impact**
  - A more practical approach reflecting the requirement that the proposed solution improve the reported financial results of a specific business entity.
  - Decision criteria of earnings, operating income, budget, etc. are specific to the business entity responsible for the purchase of the solution and the overall corporate environment.
  - As with the above, significant effort is involved in establishing costs and benefits but the process is more accounting driven and specific reporting rules must be adhered to.
  - Usually provides a means of verification, depending on the impact of other changes.
- **Operational impact**
  - A phase of analysis that precedes the above two and that may be sufficient to establish the need, especially if the organization is already experiencing problems in the areas impacted by the solution.
  - Decision criteria of productivity, quality, response time, etc. involve debating/negotiating assumptions around the impact of the solution and usually some form of substantiation.
  - References, 3rd party expert analysis, white papers all enter the process at this point as sources of verification for the claims of operational impact.
  - Operational metrics may evolve at this stage and persist through vendor selection and the establishment of performance parameters for the selected vendor.

Guiding Principles

- As with any selling situation, and this is a selling situation, the first step is to understand the customer's requirements - how must you convince the customer that making this expenditure is worthwhile?

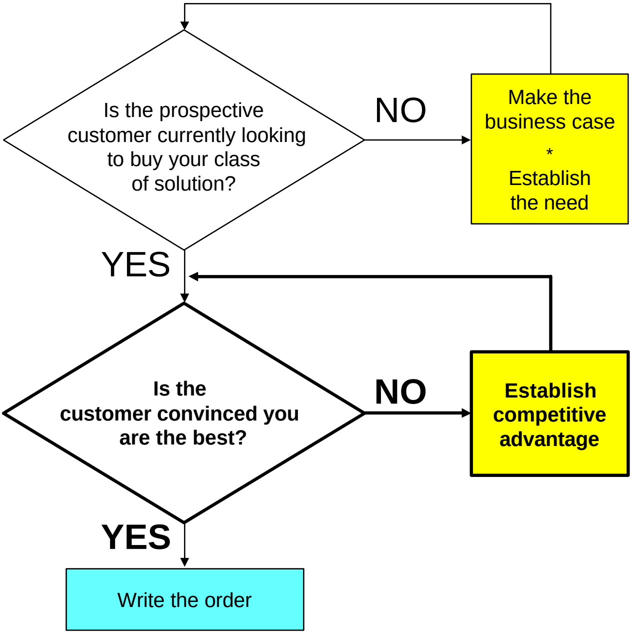
- The above may be part of a formal internal process that the buying team must satisfy to obtain approval/funding for the expenditure or it may be a more arbitrary hurdle created by the buying team themselves. In the former you may get more cooperation from the buying team in trying to sell the expenditure through what should be a clearly defined process. In the latter, the process may be more varying, ill-defined and at times, arbitrary. In any case, you must endeavor to understand the criteria and the process.

- Many vendors invest far too much time and money constructing *the definitive analysis* for their offering and therefore set themselves up to spend an additional inordinate amount of selling resources attempting to sell the analysis to the prospective customer, with little hope of success. These vendors miss the point. The point is to have the customer buy-in to an analysis - any analysis - that satisfies their criteria. And, buy-in comes from participation. So, the customer must be engaged in a process of analysis/discovery, arriving at an answer that they are committed to AND that meets their criteria - the right answer.

- The critical preparation is the creation of an analysis framework, including all the salient components of costs and benefits and their relationships to the decision criteria. The purpose of the framework is to enable the sales team to promote and manage the engagement of the customer in the analysis process, always in pursuit of the right answer. The framework provides quick feedback about what mix of cost/benefit assumptions yield a right answer and what mix will not, always keeping the sales team ahead of the customer in the analysis/discovery process.

- Key to achieving the customer engagement is the development of *ROI teasers* in the following categories. Again, the goal is not agreement but engagement:
  - Reference statistics - a sample of significant financial results achieved with previous customers.
  - Hypotheticals - a sample of "fact-based" hypothetical financial results potentially available to a customer.

Step 2



Competitive Strategy

Competitive Strategy

- Every sales and marketing executive talks about strategy, competitive advantage, differentiation, etc. and yet most all of them violate the two most basic tenets of competitive strategy.

- Even when an organization develops a sound competitive strategy, rarely is it able to convert the strategy to effective execution that results in a palpable competitive advantage in the marketplace.

- The KappaEast approach is designed to address these shortcomings with a simple, practical, yet rigorous, process. Michael Porter's fundamentals of competitive advantage are the cornerstone of the approach:
  - Competitive advantage can only be defined in customer terms - issues that are important to the customer(s)
  - Competitive advantage is relative - not strengths and weaknesses, but "***better or worse than"*** the competitor in satisfying the customer's issues (in the customer's eyes)

- The approach is based on combining Porter's fundamentals with Ohmae's 3Cs (Customer, Competitors, Company) for a step-by-step process that results in *pictures* of competitive advantage and strategy and the actions necessary to produce the advantage in the marketplace - achieving the customer's perception that the *"better than"* outweighs the *"worse than".*

How to

- The implementation of this approach requires the assembling of representatives from each of the organizational constituencies involved in the execution of competitive strategy - Marketing, Sales, Product management, Support, etc. - that can commit resources to the execution of the strategy. This team approach is key because, if done correctly, it maximizes both the quality of the thinking and the cross-functional commitment to the results so necessary for effective execution.

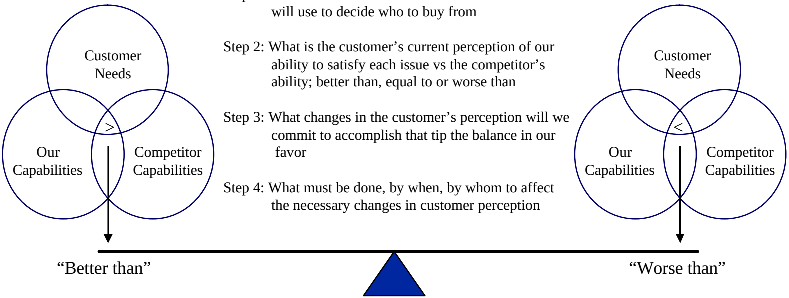
- This team must then work through the following four steps, gaining consensus on the output of each:

Step 1: What are the issues/decision criteria the customer will use to decide who to buy from

Step 2: What is the customer's current perception of our ability to satisfy each issue vs the competitor's ability; better than, equal to or worse than

Step 3: What changes in the customer's perception will we commit to accomplish that tip the balance in our favor

Step 4: What must be done, by when, by whom to affect the necessary changes in customer perception



- This process produces significant insights at every step and results in a rigorous, simple, effective and implementable competitive strategy that will increase your hit rate.