



Pursuing Profit:

The New Growth Agenda

Insights from the Deloitte Consulting LLP Sales Executive Forum.

Growth is back on the agenda for the world's top companies.
But this time, the emphasis is on growing profitably – not growth at any cost.

Speakers and attendees at the Deloitte Consulting Sales Executive Forum were more focused on growth than at any time since the dot-com boom. This year's Forum – which attracted senior sales executives from more than 30 of the world's largest companies, including DuPont, Hewlett-Packard, General Electric and more – offered participants a rare opportunity to see what other leading companies are doing to grow revenue and profits, and to share ideas in a non-competitive environment.

Not surprisingly, many companies are focusing their growth strategies on increased customer centrality – something lots of companies talk about, but few actually do well. The reason lies in the common misconception that becoming customer-centric implies turning over the keys of your operation to your customers a concern that tends to inhibit customer centrality. As a result, companies often fail to define customer segments accurately. They don't fully understand their customers' needs. And, they end up building exorbitant costs and complexity into their operating model, driving up the cost-to-serve and making the customer base unprofitable.

In contrast, truly customer-centric companies understand not only what a customer values and, therefore, is willing to buy, but also the value of that customer to the bottom line.

These companies then align their resources and operating model behind a quantified customer segmentation strategy, tailoring their processes – product/solution development, sales, service, account management, etc. – to deliver the greatest value to customers at the optimal cost.

This white paper examines three related growth strategies that struck a chord with the sales executives at this year's Forum:

1. How to make customer segmentation work
2. Solution-selling as a complementary business strategy
3. The trend toward greater executive involvement in managing key accounts

The process begins with a quantified customer segmentation strategy, which provides insights into needs and values that can be addressed through innovative solutions and robust account management. Together, these three strategies provide the necessary components to help a company become more customercentric.

Making Customer. Segmentation Work.

The benefits of customer segmentation are simple, yet compelling. When properly done, segmentation yields a deeper understanding of customer needs, so you can tailor your products, services, and messaging to fit those needs precisely. You also confront the true cost of serving each segment, so you can deliver the appropriate level of service. In addition, sales and marketing programs are more focused and effective – producing greater revenue, profitability, and customer satisfaction. While these concepts might be easy to grasp, putting them in place and achieving real results is anything but easy.



When we asked Forum participants to identify their “biggest challenge to segmentation,” the leading response was, “People don’t understand what my company does best.” (See Exhibit 1.) That’s a sure sign that the company’s segmentation model is broken or isn’t delivering its full potential. After all, one of the main reasons for segmenting customers is to target your offerings and sales approach more precisely to their needs – creating a strong connection in the customers mind that “what they need” is “what your company does best.”

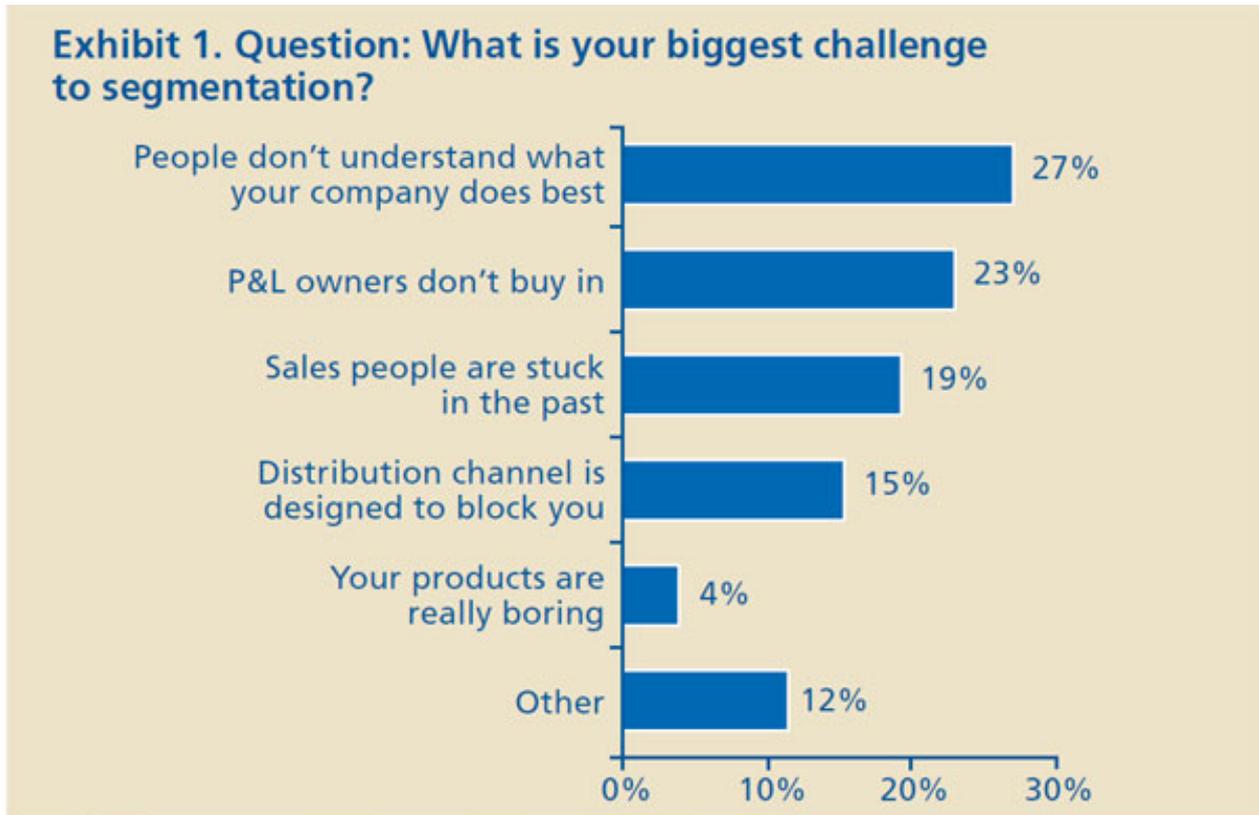


Exhibit 1. Question: What is your biggest challenge to segmentation?

Through the Forum discussions – as well as in our work with many leading sales organizations – we’ve identified five key principles that can help any company get more value from its segmentation effort.

1. Invest in real customer insights. Sales people often believe that after working with a customer for many years, they pretty much know everything there is to know about what that customer needs. Yet according to the executives at our Forum, well-designed “voice of the customer” programs almost always yield new and useful insights.
2. Take the customer perspective. Most companies – and most people, for that matter – tend to look at things from their own perspective. Unfortunately, this inward focus can blind you to the things that are really important. It takes humility to view the world from your customer’s point of view, but that’s exactly what you must do. Ask yourself what the customer really needs – even if the answer isn’t something you currently have to offer.
3. Keep it simple. You hired a statistics wizard to develop a cuttingedge segmentation model. So why isn’t anyone using it? The truth is, the most advanced model in the world is worthless if no one understands it. Stick with the basics – particularly when you’re just getting started. Segmentation doesn’t have to be complex to be effective.



4. Hold people accountable. Once a new segmentation model has been developed, assign segment champions who are accountable for segment performance. Keep a scorecard to monitor their progress and results.

5. Connect the dots. This ties back to the idea of linking “what your company does best” to “what the customer needs.” From a sales perspective, that’s really the whole point of segmentation. Challenge your sales people to articulate clearly the unique value proposition they will take to each segment. Then ask them to think how that new value proposition will improve their customers’ experiences.

Executing against solid customer segmentation strategies has a positive impact throughout the company, enabling companies to offer differentiated service and, ultimately, improving sales, profitability, and customer satisfaction. For example, customers who are “early adopters” may enjoy the privilege of closer collaboration with the organization’s R&D group. Similarly, a company’s most profitable customers may appreciate expedited shipping or other special terms.

In all cases, the impact is clear: a well-defined customer segmentation strategy allows companies to tailor and sell products and solutions that meet the ever-changing needs of their customer base more effectively and profitably.

Selling Solutions.

Every sales executive understands the importance of solution-selling. In fact, in a formal survey of the executives at our Forum, 100 percent said their companies were highly committed to selling solutions – not just products. That’s when one of our guest speakers dropped this bomb:

“Solution-selling should not be a replacement for a company’s core business model. Although solution-selling is a priority, you still need to focus on your company’s core strengths.”

The speaker was a senior sales executive from a technology business that is a leader in its segment – a market position it established through technology innovation and product development, not solution-selling. His point was that solution-selling needs to fit with your overall business strategy. But, it shouldn’t be your overall strategy. If your products and services don’t measure up, neither will your solutions. The key to success is finding the right balance.

Despite widespread acceptance of solution-selling as a concept, many companies are still struggling to make it work. When we asked our Forum participants if their current returns from solution-selling met their expectations, nearly half said, “Not yet.” (See Exhibit 2.)



Exhibit 2. Question: Have you realized the expected benefits

Selling solutions is all about understanding a customer's needs – then filling those needs as precisely and completely as possible. You can't just throw together a random bundle of related products and services and call it a "solution." Yet, that's exactly what many companies do.

Here are a few ideas and recommendations for solution-selling that emerged from the Forum:

- Train the sales force to consult. Solution-selling is consultative selling, which means working with customers to understand their needs, then tailoring a solution to satisfy those exact needs. That's different from the traditional approach of pushing products. To sell solutions effectively, sales people must learn how to: add insight to customer problems, develop compelling solutions, and raise awareness of hidden factors. They must also learn the best ways to tap their company's internal network of specialists and resources to address customer needs.
- Simplify the organizational structure. With solution-selling, the customer and sales professional are co-creating value at the point of sale. In that environment, it's essential for sales people to have the authority to make decisions. The sales organization essentially serves as a network of resources to support the person on the front line, with informal teams coalescing – then disbanding – in response to changing opportunities. This kind of selfadapting sales organization represents team selling at its best.
- Foster a service culture. The selling process doesn't end with a signed purchase order. In fact, that's just the beginning. The more complex the solution, the greater the opportunity to provide follow-on services that can generate tremendous value for you and your customers. A service-oriented culture helps transform one-time deals into ongoing customer relationships, which is the key to profitable growth.
- Move upstream. Solution sales generally occur higher in the customer organization because the offerings themselves are more complex and expensive and tend to cut across organizational boundaries. That's why it's so important for sales teams to foster relationships at all levels. Aggressive campaigns are often needed to move up the food chain toward buyers with the broad perspective needed to appreciate a comprehensive solution – and the purchasing authority to pay for it.



Developing the capabilities for solution-selling is a major undertaking, one that fundamentally changes the way a company operates. Yet, as noted earlier, it's important to keep sight of the core strengths and business model that made you successful in the first place. Compelling products are the foundation upon which compelling solutions are built. It's not a question of one or the other. In today's ultra-competitive market, companies need both.

Managing Key Accounts.

The idea of focusing special management attention on key accounts has been around for more than 20 years – and has gained nearly universal acceptance. In fact, the executives at our Forum rated it their number one priority. The benefits of a dedicated account team for key accounts include:

- Greater visibility. Employees across the company are more likely to recognize a strategic customer's importance – and provide the appropriate support.
- Increased effort. Team members on key accounts typically dedicate twice as much time to the relationship, compared to team members on regular accounts.
- Cross-functional collaboration. Key account teams meet, on average, twice as often with other functions, business units, and geographies to deliver a coordinated effort.

In the past, responsibility for managing key accounts fell squarely on the shoulders of the sales department. But today, there is a major trend toward hands-on involvement from top executives – including non-sales executives – for a company's most important customers.

A recent Deloitte Research study showed that key account teams that receive CEO sponsorship are 60 percent more likely to achieve their goals.¹ But that's not the only advantage. As one Forum speaker noted, a primary reason to involve senior executives with key accounts is to emphasize accountability – avoiding the pitfall of "public acceptance and private denial."

A dedicated executive can help the account team understand its important role in the company's overall strategy, then prompt the team to set an aggressive goal outside its normal comfort zone. The executive can also help confirm that goal is met by monitoring the team's progress, then helping it acquire scarce resources or break down barriers that might otherwise limit success. Executive involvement also makes customers feel more important and respected, which can open the door to their executive suite.

Here are some tips from our Forum participants and speakers about effectively managing key accounts:

- Provide ongoing executive involvement. As one of our keynote speakers put it, "Strategic selling can't be a drive-by effort. Executives need to engage the account team and customer on a regular basis, not just drop in once a year."
- Go deep. Forge significant personal relationships based on mutual trust, respect and value. Don't be just a sales person or "order taker." Be sure everyone on the account team understands the customer's business strategy and needs – and how they relate to your company's own objectives.
- Choose your targets carefully. It takes considerable time, effort, and resources to manage a key account effectively, so choose your targets carefully. Conduct an in-depth customer segmentation analysis. Consider the customer's long-term value and cost-to-serve. Don't just pick the accounts that currently generate the highest sales.



- Give teams the authority to succeed. Growth expectations for key accounts are naturally higher than for regular accounts. If key account teams and managers are to meet those aggressive goals, they must also have the authority to make decisions and allocate the necessary resources. Executive involvement shouldn't rob a team of its power to take effective action.

An increasing number of companies are recognizing the potential of key account management as a major driver of profitable growth. That's the main reason senior executives are becoming involved. But for executive involvement to be effective, it must be accompanied by a strong and lasting commitment. It can't be just the trend du jour.

Pursuing Growth and Profits About the Sales Executive Forum.

According to speakers and guests at Deloitte Consulting's Sales Executive Forum, growth has re-emerged as the top priority for many leading companies. Yet today's growth strategies are tempered by a need to balance aggressive performance with sustainability and control. Instead of throwing money at the problem – or going on a massive acquisition binge – companies are getting back to the basics.

Understanding customers better. Solving real customer needs. And, assigning top executives to their most important accounts. Fundamental practices like these – executed exceptionally well – are the keys to profitable and sustainable growth.

One of the challenges of being a top sales executive is having no one else to talk to – at least not about improving your sales force. After all, when it comes to that subject, you are the company's leading authority. And talking to yourself? Well, that's just bad for business. The Sales Executive Forum, hosted by Deloitte Consulting LLP, is an invitation-only event that gives sales executives from the world's leading companies a rare opportunity to share ideas with their peers – and to discuss their most pressing issues with others who are feeling the same pain. It also features presentations by some of the world's leading authorities on sales and marketing. For more information about the Sales Executive Forum, please contact:

Jonathan Copulsky, Principal
Deloitte Consulting LLP
Chicago, IL
Tel: 312.486.3751
e-mail: jcopulsky@deloitte.com

1 "Strategic Account Management: What Works and Why?," Deloitte Research, May 2004.

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas, audit, tax, consulting and financial advisory services, and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fastgrowing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.