Growing Against The Market

2009

How top performing European companies are improving their market impact and experiencing continuous market growth

Version en

ACE (Allied Consultants Europe) – a strategic alliance of European management consulting firms – regularly conducts European surveys on pressing economic matters, offering its clients valuable insights into trends, best practice methods, different approaches and solutions applied across Europe.

The focus of this year's survey is to understand how companies set up strategies and align them with targets within their sales, marketing and innovation departments, allowing them to grow in difficult market conditions and still outperform their competitors. The on-going global economic crisis continues to impact many industries and organisations and this has strongly influenced the findings of this survey. Our question on how companies manage to grow against the current downward market trend reflects today's difficult economic conditions.

We invite you to reflect on our findings and compare hard core facts to the situation of your company. We have carried out our analysis and interpreted the results, some of which will undoubtedly provoke and initiate debate within your firms. We therefore welcome and encourage your feedback.

We hope that you will benefit from the invaluable insights and ideas found in this report, and look forward to sharing and discussing any thoughts you may have.

On behalf of the ACE Strategy & Market Impact Team

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Executive Summary

This survey focuses on how companies across Europe are improving their market impact to insure continuous growth. We were able to identify three key areas where top performing companies achieve and deliver better than market average. The following pages will give you more insight into our key results.

This year we decided to focus our survey on how companies across Europe are improving their market impact to ensure continuous growth. Our aim was to differentiate between top performing companies and the rest, in terms of strategic management, innovation, sales and marketing activities. As most companies have been exposed to the on-going global economic crisis, we also wanted to trace differences in how they were thriving in difficult market conditions.

Pulling together all the insights that we received from 600 senior managers and heads of marketing and sales departments, we were able to identify three key areas (strategic management, marketing and sales management) where they achieve and deliver better than market average results. Our survey revealed that top performing companies are able to outrun their competitors in all three key areas and therefore manage to grow their sales and profitability above market average. The main difference between top performers and the rest is not so much about what they do, but mostly how they do it. Their advantage, as is revealed in the report, lies more on execution and implementation rather than on new, cutting-edge strategies. In the following pages, you'll discover what top performers do better on Strategy and Transformation, Marketing and Sales and where they make a difference.

Strategy and Transformation Management

WHAT TOP PERFORMERS DO BETTER ON STRATEGY & TRANSFORMATION
1. EFFECTIVE PROCESS AND PLANNING TOOLS
2. FAST AND FLEXIBLE STRATEGIC PROCESS
3. STRATEGIC FOCUS ON INNOVATION AND CUSTOMER INTIMACY
4. ALIGNMENT OF PEOPLE & PROCESS THROUGH A VARIETY OF METHODS
5. USE OF OFFENSIVE STRATEGIES, EXPLOITING THE CURRENT CRISIS
6. MAINTAIN FOCUS ON STRATEGY AND STRATEGIC PROJECTS

1. Our survey revealed that top performers have effective, well-formulised *strategic processes and planning tools* in place, that are helping them to make a difference.

2. Their company's *strategic processes also tend to be faster and more flexible*. Top performers engage in intensive monitoring of their performance against changing market conditions, compared to worst performers who tend to focus more on budgets, revised budgets and linear forecasts.

3. Top performers focus much more on *innovation* in relation to *customer intimacy*, whereas worst performers tend to place a higher priority on operational excellence and cost advantage, as a way to improve perceived value of their offers.

4. Another factor that clearly distinguishes top from worst performers, is that top performers have the ability to align operations and people with strategies using a *variety of methods to ensure commitment and alignment*, taking into account the emotional buy-in of their staff. They are also better at improving the learning process across their organisation and the development of new people capabilities to help reduce competing demands from functions and business units.

5. Top performers *attack their competitors using offensive strategies*, taking advantage of the economic crisis, even though resources might be limited, compared to the majority of worst performers who protect themselves by focusing more on their core business.

6. Finally, top performers tend to *stick to* their *strategies and maintain focus on* their *strategic projects* despite being exposed to the crisis, whereas worst performers are more likely to change strategic direction and lose focus.

Marketing

WHAT TOP PERFORMERS DO BETTER ON MARKETING
7. INCREASING INVESTMENT IN INNOVATION
8. FOCUSING INNOVATION ON UNIQUE PRODUCTS AND CUSTOMER BENEFITS
9. INCREASING ADVERTISING AND PROMOTION, FOCUSING ON IMPROVED BRAND POSITIONING
10. MOVING FASTER TOWARDS TARGET GROUPS AND ONE-TO-ONE COMMUNICATION
11. PRICES DEFINED THROUGH ANALYSIS OF CUSTOMER VALUE
12. PRICES CUSTOMISED THROUGH AN ARRAY OF DIFFERENT METHODS
13. ACTING IN ORDER TO PROTECT INDUSTRY'S PRICES AND MARGINS

7. In marketing, most top performers are keeping up the virtuous cycle of innovation, which allows them to constantly extract value and gain better margins *increasing their investment in innovation*, if not maintaining the same pace, despite the crisis. Worst performers, on the other hand, are cutting back on projects.

8. Top performers are leading the innovation race and focusing much more on introducing *unique, or evolutionary*, solutions to the market, hunting for customer benefit enhancements. Worst performers, however, tend to focus on the short-term ROI of their innovation efforts and deliver market average products.

9. Top performers will be retaining, if not increasing their advertising and promotional budget to *improve* their *brand positioning, as one of their top priorities*.

10. They are investing more and more in *target groups and one-to-one communication*, leading the way in customer centricity ("knowing the customer" and "delivering a specific offer to him/her") – a trend that worst companies still investing in institutional and mass-market communication need to catch up with.

11. In order to maximise profits of their innovation efforts, many companies are increasingly *determining their pricing strategy around customer value* and evaluating price responses by asking their customers directly, as well as using techniques such as conjoint analysis. Quite a few companies, however, are still basing their pricing definition on the old cost-plus method and evaluating price responses by just comparing their offer with those of their competitors.

12. Few of the companies interviewed are yet *customising* their *pricing strategy* using an array of different methods, and therefore being able to maximise their profits by matching the different willingness to pay of different segments, geographic areas, channels, times and demand velocities.

13. Many companies are still not taking any action to protect and manage general market price levels, or at the very most they simply monitor what competitors are doing, whereas top performers tend to *take action to protect margins in the industry*, avoiding the slip from a "value market" to a "cost market".

Sales

WHAT TOP PERFORMERS DO BETTER ON SALES
14. MULTI CHANNEL APPROACH, GROWING IN TRANSACTIONAL CHANNELS
15. MORE FOCUS ON IMPROVED SALES MANAGEMENT RATHER THAN SALES FORCE DESIGN
16. INCENTIVE SYSTEMS BASED ON MORE THAN JUST TURNOVER
17. SALE PROCESS ALIGNED WITH CUSTOMER BUYING HABITS AND NEEDS
18. MORE FOCUS ON LEAD CREATION RATHER THAN JUST CUSTOMER RETENTION
19. USING A WIDER SET OF METHODS TO SEGMENT THEIR CUSTOMER BASE
20. INCREASING INVESTMENTS ON CUSTOMER KNOWLEDGE

14. In sales, top performers are moving towards a more *balanced multi-channel* approach with a growing share coming from transactional channels using different channels effectively to address specific segments, according to customer value, potential and cost to serve. Worst performers, however, are focusing solely on key account management and a personal sales approach.

15. Worst performers are still trying to catch up by investing in sales tools and optimising their sales force design (e.g. sales organisation and territory planning), whereas top performers who have already achieved this, are now focusing on *improving their sales management* so that they can lead and manage their sales force more efficiently.

16. In terms of incentives, worst performers are still basing them on turnover growth, whereas top performers use other methods such as margins and customer satisfaction, despite the fact they can be difficult to evaluate. Although we have seen an increase in new methods, our survey reveals that most companies are sticking to the old and simple turnover standard when it comes to incentives.

17. Top performers have *customised sales processes aligned with specific customer's buying habits and needs*, as they are able to better understand their customers and use this knowledge alongside the sales process.

18. Worst performers continue to focus on their existing customer base and customer retention, whereas top performers use a more balanced approach focusing on both old and new customers at the same time. Top performers are able to deliver better results in terms of new customer acquisition through effective management of all the steps along the sales funnel and through particular focus on *lead creation and quality of the proposal*.

19. Top performers have far more superior methods of *segmenting* their *customer base than worst performers*. By using more than one criteria, they can better capture customers' value and potential.

20. They are also increasing *investments in projects to further broaden* their customer *knowledge and intelligence with* highly sophisticated systems that allow them to track customer profitability for each transaction and customer. This knowledge is helping top performers to pinpoint further sales potential and, as a result, improve their profits.

We hope our report and its conclusions will help your organisation to better understand how to make the difference in terms of market impact that will ultimately benefit your customers and, of course, your company too.

ACE Allied Consultants Europe

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Introduction

This chapter explains which companies participated in our survey. It gives you an insight into their industries, their size and growth and profit outlook. Also, we explain how we distinguish top performing companies from the rest.

Introduction

This web-based survey was conducted online during May and June 2009. In total, nearly 600 companies from all ACE member countries (including Czech Republic, Denmark, France, Germany, Italy, Sweden, Switzerland, The Netherlands and United Kingdom) participated in the survey. To preserve anonymity none of the given individual information will be published or directly analysed at any given time.

We covered several industries across Europe, concentrating on private enterprises so we could focus on similar realities and make better comparisons. In order to explore in detail the differences between various sectors we followed four specific industries, which represent 40% of the responses: financial services, engineering, fast moving consumer goods (FMCG) and consumer durables.

Only senior level management from private companies participated in the survey.

To guarantee quality and knowledgeable responses, we targeted top level management and heads of marketing and sales departments.

Below distribution of responses based on position and industry:

Figure 2.1
Position

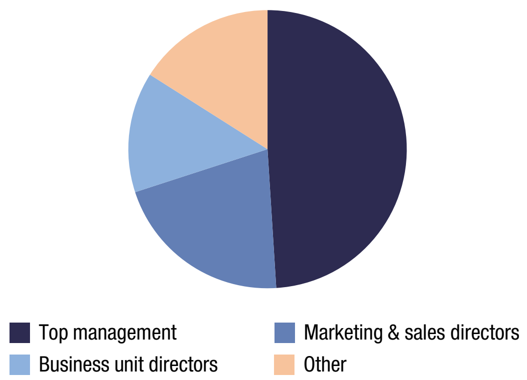


Figure 2.2
Industries

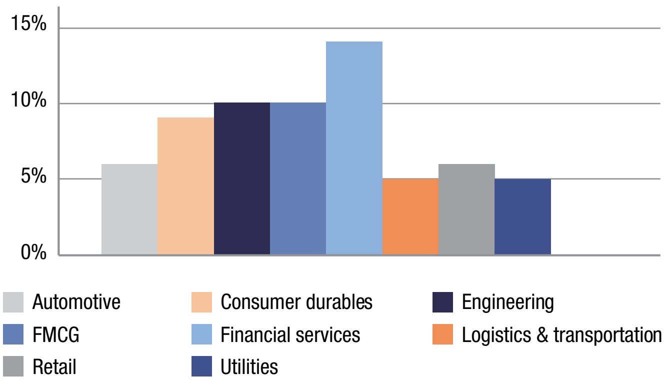
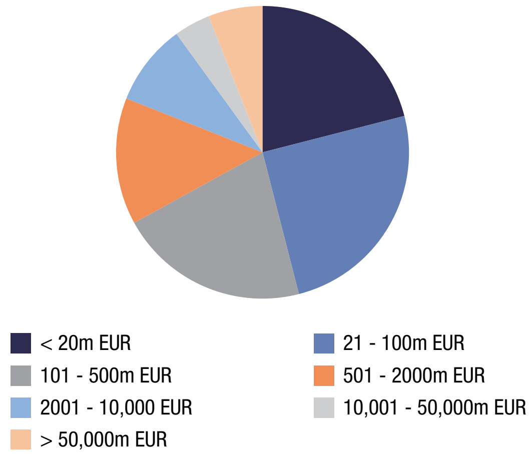


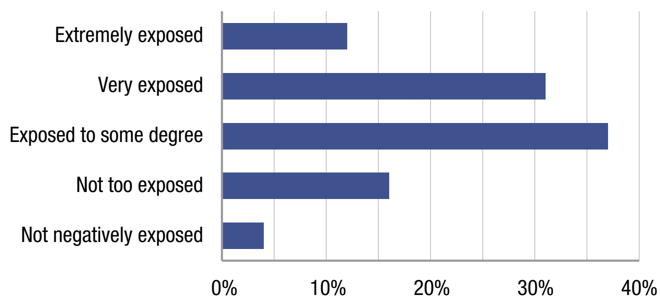
Figure 2.3
Distribution of companies by turnover



Nearly 70% of the participating companies are small/medium enterprises (SMEs), each employing a maximum of up to 500 full-time employees. Approximately 15% of all companies are leaders in their industries; almost as many consider themselves as niche players; and more than half are amongst the top five market leaders.

More than 80% of participating companies are exposed to the current economic climate.

Figure 2.4
Degree of exposure to economic situation



Not surprisingly, most of our respondents indicated that their industry is suffering from the current economic crisis (80%), whereas 20% are less, or not at all, exposed to the economic turmoil. Approximately 60% of all companies feel they are just as much, if not even more, affected by the actual downturn than their competitors; however, the remaining 40% believe they are in a better position than their competitors.

Fewer companies feel they are in a position where they can outperform their competitors than just a few years ago.

The current economic situation is also affecting a company's prospect of growing and/or being profitable. Two years ago, 20% of all participating companies achieved healthy growth – in fact, "significantly above industry average". But only half of them (10%) expect this to happen in the coming two years. The overall trend is to keep growth at an industry average. The outlook on profitability, however, looks less daunting – 80% of all companies expect to be achieving industry average or above profit rate (compared to less than 70% two years ago), indicating more confidence returning to the market.

Figure 2.5
Trend in growth (%)

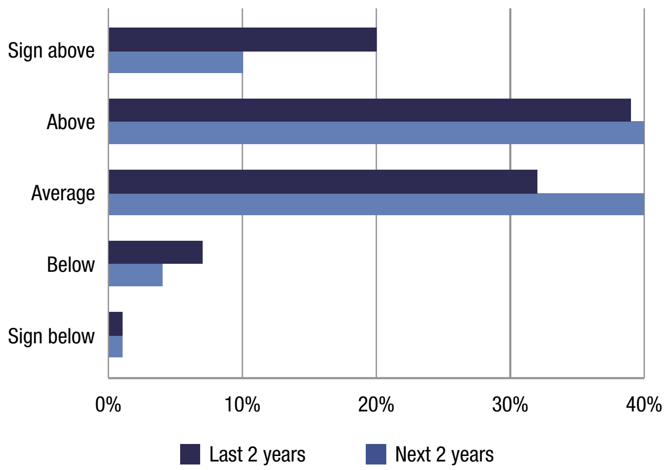
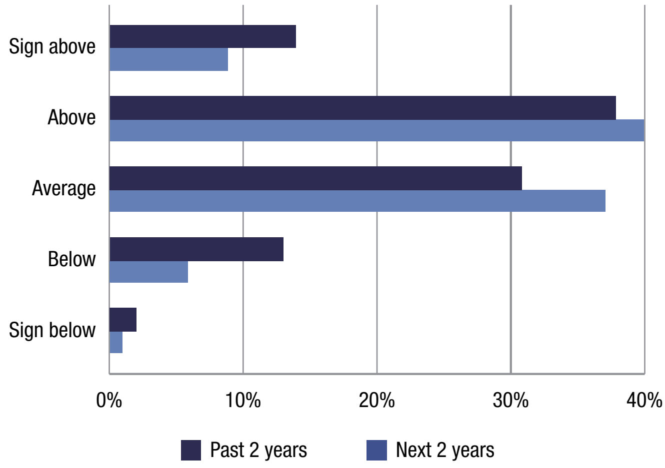


Figure 2.6
Trend in profit (%)



We distinguish between top and worst performing companies throughout the report.

To illustrate the various strategic approaches and their related marketing and/or sales tactics, we divided participating companies into the following categories, depending on their performance (growth and profit achievements) over the past two years:

Top performers: Growth and profit rates have been significantly above industry average over the last two years.

Worst performers: Growth and/or profit rates have been below or significantly lower than the industry average over the last two years.

Approximately 7% of respondents are considered to be "Top performers", and 12% belong to the worst performing companies. The "Good" and "Poor" performers are more evenly spread, as illustrated in Table 1.

Table 1
Distribution of companies on performance

Top	**7%**
Good	37%
Poor	44%
Worst	**12%**

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Strategy and Transformation Management

In this chapter we focus on how companies organise and manage their strategy processes, as well as their strategic responses in relation to the situation they face. We also explore the important theme of how good they are at aligning innovation, marketing and sales tactics with their strategic decisions and ambitions.

Strategy process development and strategic management

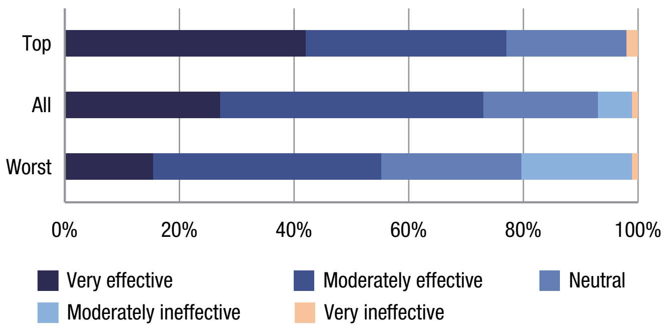
Top performers have highly efficient strategy processes and tools that emphasise flexibility and speed in their strategic management.

Almost half of the participants feel that their strategy and planning tools are moderately effective (46%), and more than a quarter consider them to be very effective (27%).

Top performers – the majority – in the group have very effective strategy and planning tools (42% compared to the overall average of 27%; see chart below). Worst performers are more likely to have ineffective tools (20% versus the 7% overall average).

Figure 3.1

Top performers have more effective strategy and planning tools



Participants in the engineering and consumer durables industries feel they have remarkably less efficient strategy planning tools than those in the other sectors.

In the engineering sector only 15% have very effective planning tools, compared to 54% that have moderately effective tools. Figures for consumer durables are not much better – 22% and 57%, respectively. In all other industries, approximately 30% state their tools are very effective and about 42% have moderately effective tools.

Thus participants in the engineering field clearly demonstrate less effective strategy and planning and are therefore at the same level as worst performers (15%). A possible reason for this could be due to a more concentrated focus on product and technical skills. Also strategy development can be an area that gets neglected during industrial crises, and as a result suffers more in difficult times.

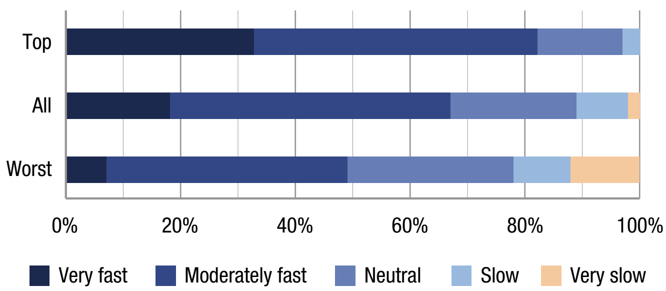
These results demonstrate that effective strategy and planning tools combined with a flexible and fast strategy development process, will not only help businesses cope more effectively with a downturn situation, but also perform better.

Our analysis reveals that the engineering industry needs to do more to improve the effectiveness of its strategic and planning tools than the other sectors.

Top performers are more likely to have the advantage of having a very fast and flexible strategy process (30%), compared to the overall average (22%) and worst performers (7%).

Figure 3.2

Top performers act faster and more flexible in their strategy development process



Top performers spend relatively more time on monitoring market conditions and scenario development, whilst worst performers focus more on forecasting, budgets and internal issues.

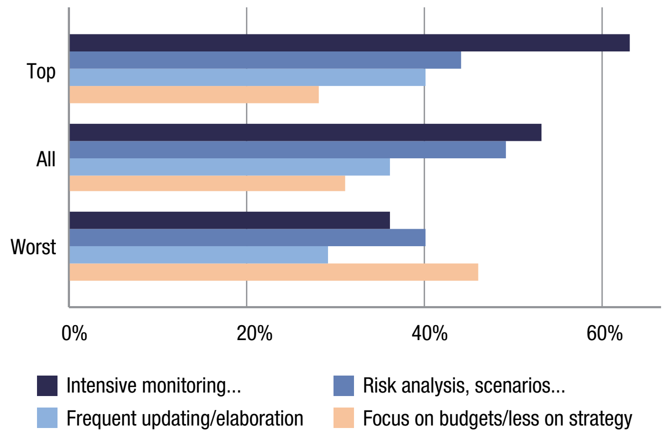
The main methods used to ensure flexibility and speed in the management and strategy process are:

1) Intensive monitoring of market conditions and performances.

2) Risk analysis and the development of scenarios.

But there are some remarkable differences between top and worst performers: Top performers tend to keep a close watch on the actual environment (63% versus 53% for average performers and 36% for worst performers), whereas worst performers focus much more on budgets and forecasts than the other groups, and relatively less on strategy (46% versus overall average of 31% and 28% for top performers) – see below.

Figure 3.3
Means to ensure flexibility and speed in management and strategy processes



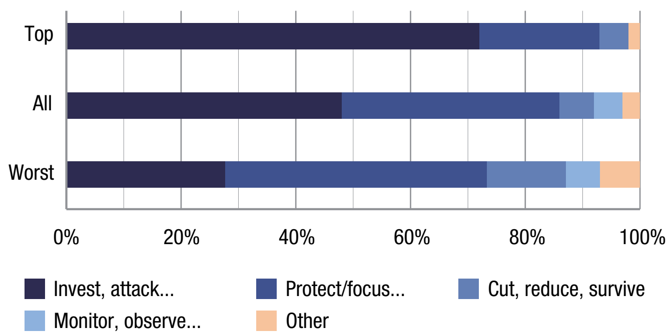
Although it's quite normal to pay more attention to internal budgets and forecasts of the company in difficult market conditions, we recommend an intense review of external market conditions, as our analysis reveals that this is what top performers do far more than the others.

Strategic response

Top performers take advantage of the situation by investing more and using offensive strategies to attack their competitors more.

Top performers that invest and/or use offensive strategies to attack their competitors (to gain market share, for example) form the majority in this group (72% versus the overall average of 48%). Those that protect and/or focus on their core business form the minority (21% versus the overall average of 38%). Worst performers tend to protect and focus on core business much more often (46% more than others) and, rarely invest and engage in "attack" tactics (28%).

Figure 3.4
Top performers invest and "attack", whilst worst performers protect and focus more on core business



The more severe a downturn situation is, the more pressure a company is under, with fewer alternatives available to react to the consequences of a crisis. Nevertheless, a crisis also offers more opportunities than usual to improve the positioning of a company by taking advantage of their competitors' temporary weaknesses. Creating financial and operative reserves in less critical times gives top performers the freedom to act, enabling them to exploit downturn situations.

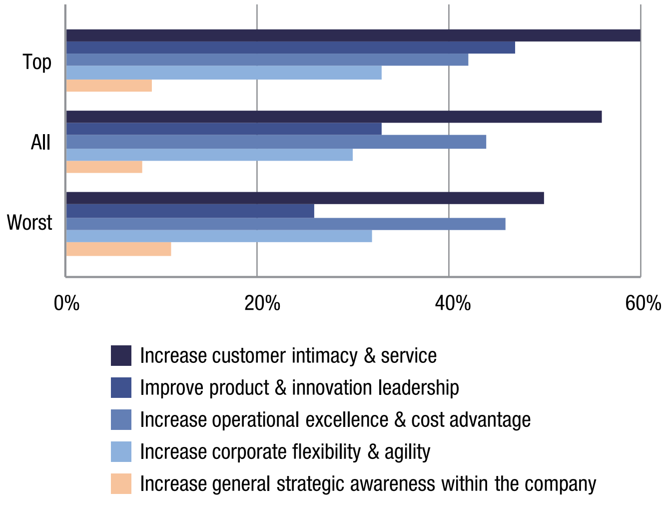
Customer intimacy major strategic focus for next two years.

The main priority for all participants is "increasing customer intimacy", followed by "increase operational excellence and cost advantage".

Top performers tend to focus on "improve product and innovation leadership" much more often than the overall average (47% versus 33%) or even worst performers (26% only). "Improving strategic awareness", however, is less important than the aforementioned priorities.

Figure 3.5

Actual strategic priorities



There are significant differences on how important different industries consider some strategic priorities.

The consumer durables sector, for example, focuses more on product and innovation (61%), compared to other industries which prioritise increased customer intimacy more (54%).

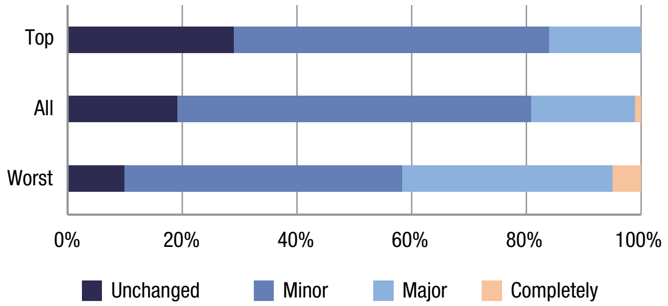
Given that customer intimacy is the most important target for almost all participants, it's useful to think about integrating customers into the product development process at an early stage of the process. Advisory or sounding-boards consisting of your main and target customers can help to get in touch with your customers' needs quickly.

Top performers in exposed industries stick to their strategies and maintain focus on strategic projects.

Top performers tend to stick to their strategic projects without making any changes more often (26%) than overall average (18%) and worst performers (8%). Worst performers, however, try to improve their situation by making major changes in their strategic projects much more often than others (32% versus the overall average of 17%). Approximately, 30% of companies that are exposed to the economic crisis need to change their strategic projects, compared to 12% companies that are not as vulnerable.

Figure 3.6

Top performers make fewer changes in their strategic projects



Although more than 40% of worst performers change their strategic projects, the majority of them tend to adapt strategic changes in a minor way, or not at all, even though they clearly suffer. This reflects Dr. Spencer Johnson's management story* about the mouse who, on finding one day that his cheese source had disappeared, continued to revisit the same spot, in hope of finding cheese there again.

At a time when your firm is suffering a set-back, you may lack the confidence to switch strategies, but that may well be exactly what you need to do to become successful again.

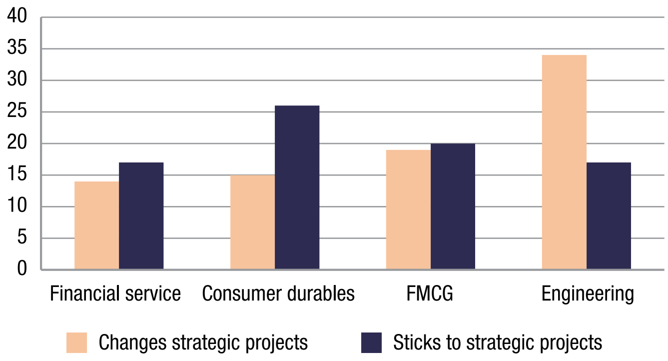
It's up to the senior management team to raise the question: Should we adjust the priorities of our projects and initiatives, or do we need a more fundamental strategic change?

Engineering make the most changes to their portfolio – financial services make the least.

Approximately one-third (34%) of engineering companies make major changes to their strategic project portfolio compared to 19% of FMCG companies, 15% of those in consumer durables and 14% of financial services firms.

Figure 3.7

Different degrees of strategic project changes per industry



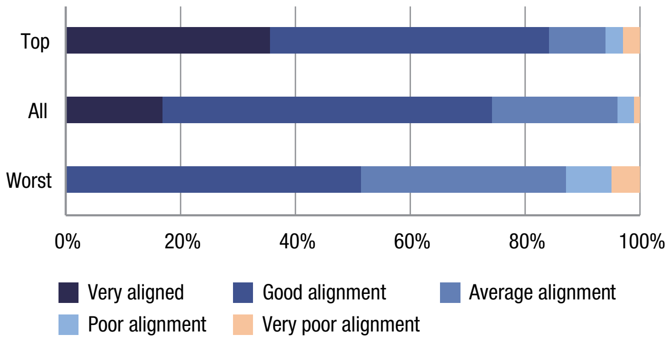
* Dr. Spencer Johnson: *Who moved my cheese?* Ebury Publishing 1998

Strategic alignment and implementation

Ability to align operations with strategy clearly distinguish top from worst performers.

The results clearly show that top performers manage to align operations with their strategy much better than the overall average and worst performers. Without alignment the individual initiatives tend to drag the organisation in different directions, which can be counterproductive, and negatively influence the operational results, as well as the strategic momentum.

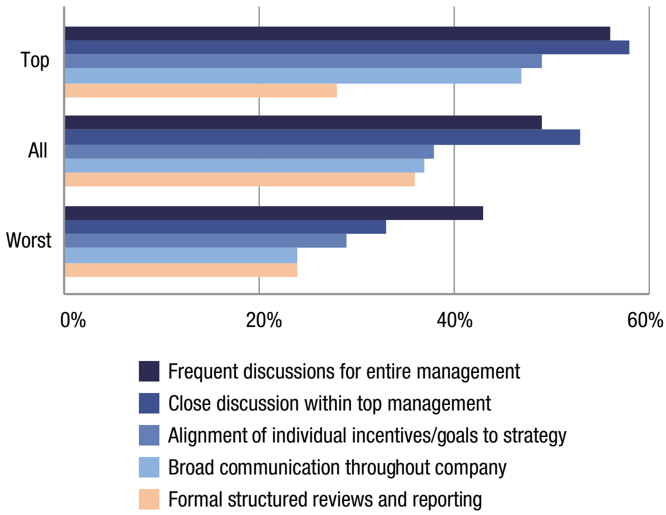
Figure 3.8
Top performers are better at aligning operations with strategy



Top performers tend to use both structural and leadership approaches to ensure commitment throughout the organisation.

Top performers use a range of different methods to ensure the commitment of their employees in comparison to the others. Top performers also give almost as much importance to the "alignment of goals and individual incentives with strategy" as they give to "open discussion with their management". However, they use formal structured reviews and reporting of progress amongst the entire management far less often (28%) than the others.

Figure 3.9
How to ensure commitment when implementing the company strategy



Overall the most used method to get staff commitment is "close discussions within the top management team" (53% of all companies), followed by "frequent and open discussions in the entire management" (50 %). The least used methods are "formal structured reviews and reporting of progress amongst the management" and "broad and frequent communication".

To help you get that buy-in and commitment of all your employees, we strongly recommend the use of a variety of methods to communicate strategy to staff, in particular utilising frequent and open discussions, rather than relying on the more formal reviews and reporting. This ensures that the importance of the strategy transformation becomes clear to everyone in the company.

The more structural oriented methods, such as formal reviews and reporting, although beneficial, don't provide the solutions to ensure real alignment and commitment.

Getting broad involvement is hard work. Top performers put considerable effort into this.

Our analysis reveals that top performers apply nearly all methods more than worst performers to get the emotional buy-in of their employees towards change. This became especially obvious when we listened to feedback on change. Translating your company's need for change into individual employee contributions is difficult in most cases. However, worst performers fail more often in this specific aspect than others.

Figure 3.10

Achieving the buy-in of employees towards change

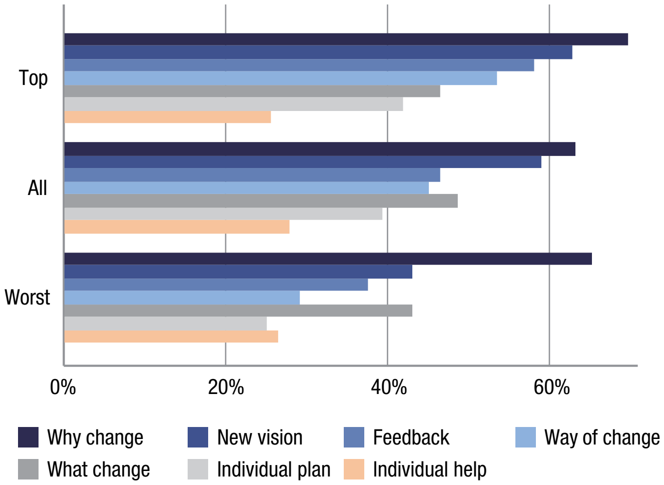
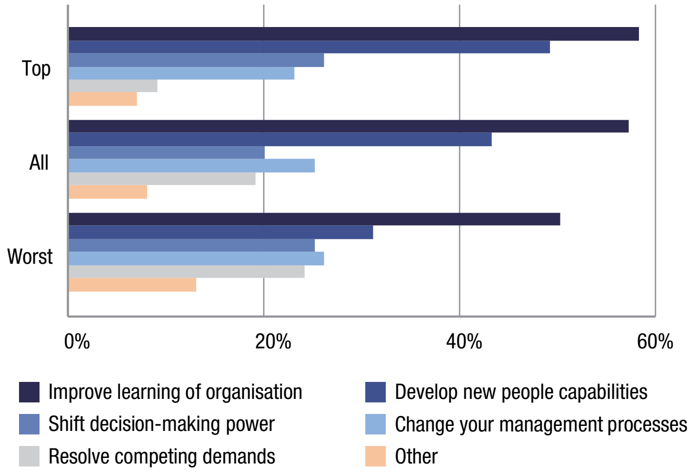


Figure 3.11

Focus areas for aligning and implementing strategy



To get any change strategy successfully translated into the daily work of all employees, it is vital not only to explain why changes are necessary, but also provide an image or impression of what the alternative new vision will look like. In other words, explain how the changes may affect the company and its employees, and listen to employees. Encouraging feedback will help you to monitor how staff deal with the changing situation.

Personal capabilities and willingness to change are key factors to ensure delivery of the strategy.

According to all the respondents that took part in the survey, two main types of changes are necessary to ensure the delivery of the strategy. First is an improvement in the learning of the organisation, as well as the adaptability towards change, and second is the development of new capabilities.

Worst performers are three-times more likely than top performers to have competing demands between functions that usually need resolving to ensure the delivery of the strategy. Top performers clearly aim more to develop capability or bring in new people (49%), compared to the worst performers (31%).

The development of new people capabilities obviously becomes increasingly more important the further along the journey you are when bringing a new strategy to life. The existence of competing demands, as illustrated by the worst performers, can cause difficulties in the implementation of strategy. When developing a strategy, management should have a closer look at whether the implementation could possibly be constrained by competing demands amongst different functions in the company.

4

Marketing

In this part of the survey, we investigate which major trends influence strategic marketing, as well as the hot topics affecting European companies today. We also explore what distinguishes top performers from worst performers when it comes to strategic marketing and its elements, focusing specifically on innovation, branding and pricing.

Market focus

Innovation and customer intelligence are paramount and will grow in importance over the next two years.

All interviewed companies say they will be focusing their overall marketing and sales effort on innovation (relevant for 45% of the sample). Most of the companies that participated in the survey, especially those in the consumer durables and FMCG industries, say that they will reinforce their new product/service development activity (by 11-percentage-points over the next two years, up from 45% to 56%). Interestingly, despite the heavy pressure that the financial services industry has been under over the last 12 months, it continues to pay less attention to innovate its value proposition (only 33%), concentrating instead on customer intelligence and sales channel optimisation.

More effort will also be focused on customer intelligence over the next two years (12 percentage-points up from 41% to 53%), as more companies are increasingly thriving to improve their marketing techniques through better targeting of consumer segments and engaging in more one-to-one marketing activities.

In terms of sales, more firms plan to invest more on sales channel optimisation over the next two years (from 25% to 42%). Financial services and consumer durables companies particularly will focus on this, instead of areas that they traditionally invested heavily in, such as sales processes and design (44%), to help boost profits along the value chain.

Branding and communication will continue to play an important role (from 32% to 40% over the next two years), especially for top performing companies that are keen to reinforce their current positioning. This strategy is particularly favoured by the FMCG industry after “value proposition innovation”.

Promotions and rebates do not play such an important role and efforts on such strategies will be reduced over the next two years (from 24% to 22%): a trend driven mainly by FMCG companies. Top performers are engaging in fewer promotions, and concentrating their efforts on innovation instead, enhancing their total offering (brands equity + products/services), which helps to drive revenues and profits in the long run.

Innovation and customer intelligence, especially when linked to new product/service development processes are, and will continue to be, key areas of focus for many companies. The extent of increasing focus that will be given to innovation in the future is driven by the benefits companies have been achieving, but most of all by understanding that more and better can be done (e.g. enhancing customer benefits), as you will discover later on in the report. Sales channel optimisation – an area that was until recently lagging behind will also increase in importance over the next few years, as companies grow the number of channels they are dealing with and they see the benefits in managing them with consistent processes and resources in place. Companies interviewed state they will not focus much more on sales processes and design, mainly because they don’t see big opportunities or don’t suffer in this area. As a matter of fact, we notice that projects on redesigning sales processes and sales force management (such as key account management, territory planning, aligning sales processes with buying processes) are giving unexpected results in terms of sales growth and customer service. Customer intelligence is another area of growing focus, as companies increasingly understand that their customers’ voice is the most efficient way of crafting tailored offers, if it is carefully listened to along the product/service development process – not management ideas and perceptions. But changing this perception and integrating the customers’ voice into the company’s processes is the real challenge.

Figure 4.1

Marketing and sales focus over past two years

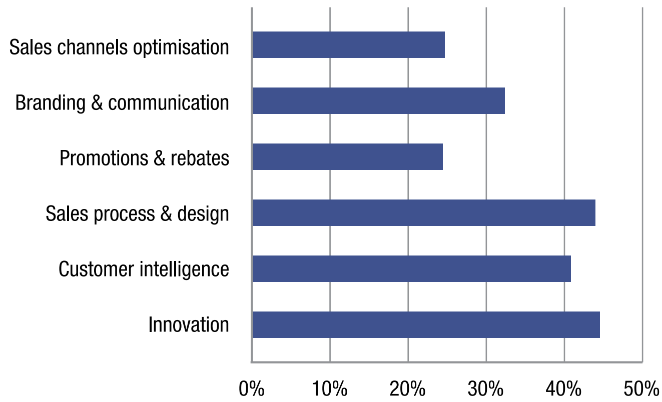
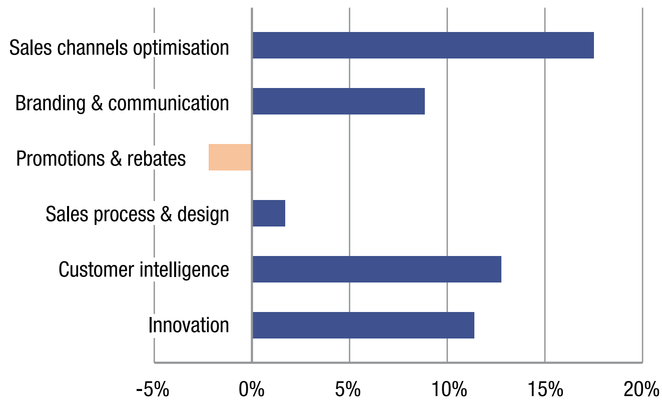


Figure 4.2

Change in focus over next two years (in % points)



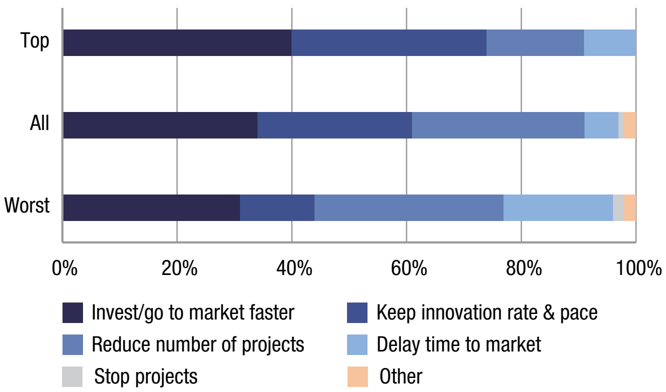
Innovating products and services

Top performers widen the gap between themselves and worst performers, and become yet more successful by increasing investment in innovation.

Approximately 61% of the companies interviewed are sticking to, if not increasing, their rate and pace of innovation, despite the current downturn. Top performers invest more in this area (74% versus 44% for worst performers), mainly because their revenues and profits are increasingly being generated from new product and service offerings. Top performers are enjoying a virtuous cycle and keep the momentum, whereas worst performers are delaying or reducing the number of projects they are working on because they were not able to extract value from their past innovation efforts and, therefore, obliged to cut costs and investments.

Figure 4.3

Top performers are more aggressive in investing in new and more projects



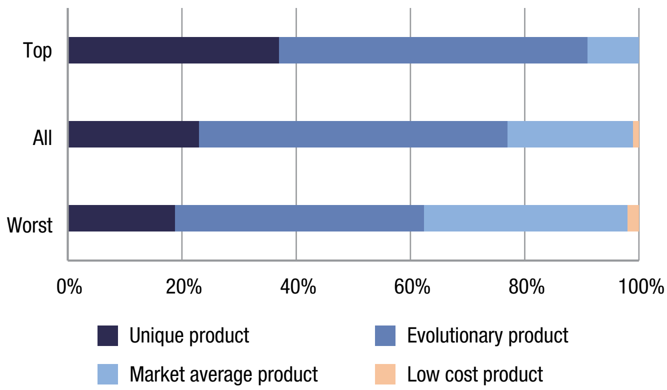
Our analysis reveals that the downturn has created a wider gap between top performers and worst performers. The latter often end up in a vicious circle where they not only face difficult decisions, but also risk handing over more opportunities to top performers.

USP is driving product innovation effort in top performing companies.

Top performing companies (91%) are focusing their innovation efforts on unique and evolutionary solutions, whereas worst performers still lag behind (63%), despite trying hard to catch up with fewer resources to invest (see below).

Figure 4.4

Markets positioning and new products and services



Top performers are enjoying higher margins from investing in unique and evolutionary solutions. As a matter of fact, price elasticity decreases dramatically when a company's product offering has unique and distinct qualities. Unique products are protected from margin erosion, and therefore provide more resources to invest in innovation in the future.

Our survey reveals that top performers generally have a more balanced new projects portfolio. Illustrated overleaf is an example of a well-balanced portfolio of a consumer durables company, where relative improvements in positioning are considered against relative technology enhancements.

Figure 4.5

An example of a balanced portfolio of consumer durables company

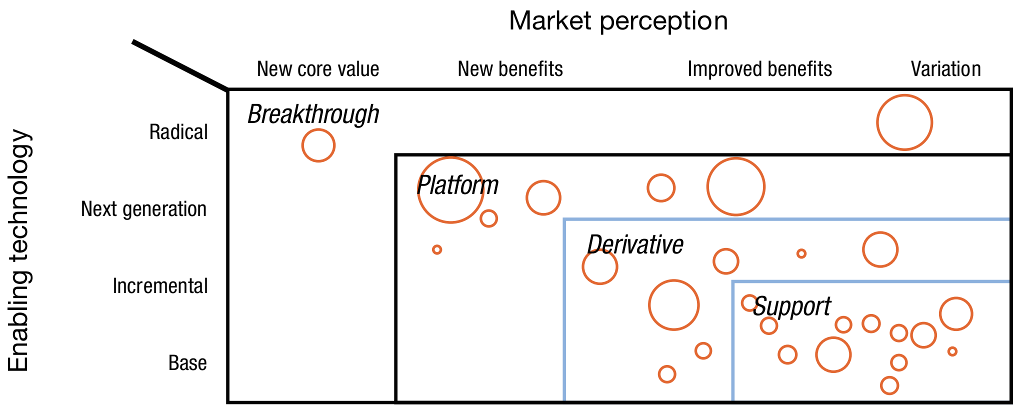
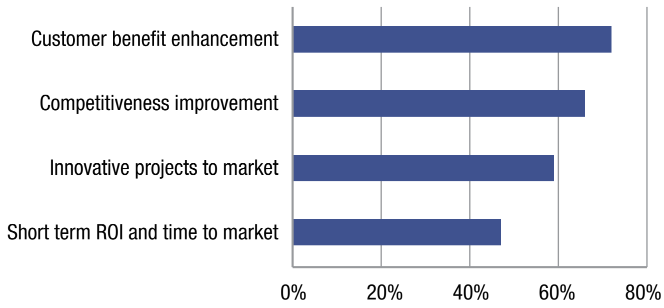


Figure 4.6

Customer benefit will be the main focus of the innovation effort

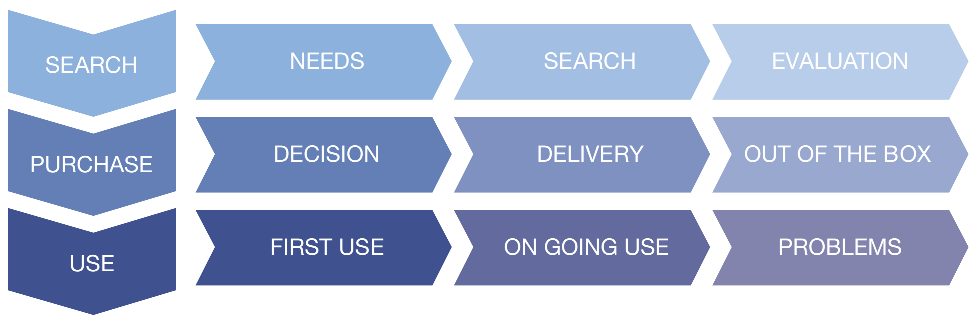


Uniqueness and distinctiveness over the next few years will be coming from enhancing customer benefit (relevant for 72% of the companies; driven by the financial services industry), reinforcing the existing trend that puts customers at the centre of any R&D and marketing activity. This “customer centricity” trend is becoming apparent in marketing strategies such as more one-to-one communications and an increasing effort on customer intelligence, starting with the knowledge of customers’ behaviour along the buying process, as illustrated below.

Figure 4.7

Understanding customer activities along the buying process – example from a luxury goods manufacturer

Customers behaviour along the buying process



Competitive improvements in correlation with falling prices will continue to concern many firms, especially those in the FMCG industry, over the next few years . Our survey revealed a strong correlation between competitive improvements and breakthrough projects. Redefining product concepts at lower cost/price levels will continue to pose a real challenge for many firms.

Competitive improvements don’t necessarily mean low-cost products and services. As mentioned earlier in this report, this is not a major goal for many companies. Competitive improvements are about maximising the perceived value of products or service features and balancing them with the cost of producing and integrating them. Innovation is the key driver to finding this crucial balance as more than 70% of costs (over the life time of your products) goes towards funding the first third of an innovation process.

Branding and communication

A major focus will be on improving existing brand portfolio positioning.

In terms of brand activity, our survey reveals that the main focus for companies will be on improving existing positioning of product brands (57% of all respondents). Few firms (11%) will introduce new brands in the market place; and fewer still plan to rationalise their brand portfolio (10%).

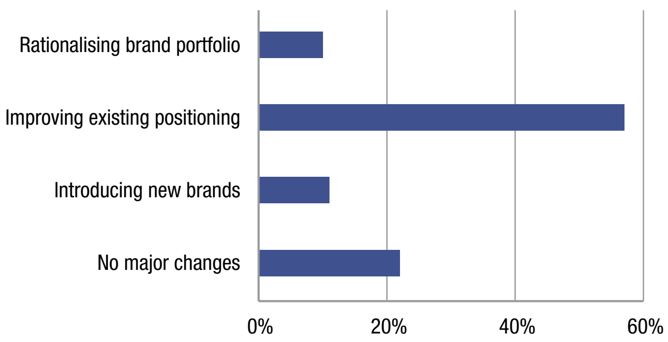
The introduction of new brands strongly correlates with the search in product concept uniqueness, meaning that it makes sense to companies to create new brands if there is a unique selling proposition that can be seen at product level by the customers.

There is also a strong correlation between companies willing to improve their brand portfolio positioning and the search for evolutionary products (above market average expectations). Companies increasingly understand that branding and new product development is intimately tied together, and that the best way to enhance brand equity is via superior product benefits and value. Unfortunately, a few companies still think that branding is like a magic powder, which when spread on a product, can enhance the customer experience. But for success, branding and innovation must work together.

Those that claim they will be focusing on rationalising brand portfolio are those that will probably reduce marketing budgets more than the others, usually out of necessity than consistency.

Figure 4.8

Trend in product brand policy

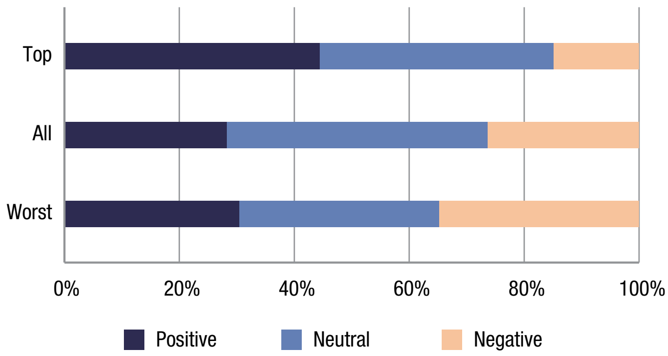


Top performers keep on increasing their advertising and promotion budget.

Top performers, in attack mode, are generally more positive in terms of increasing their marketing budget, compared to weaker performing companies (85% versus 65%).

Figure 4.9

Evolution of promotion and advertisement budget

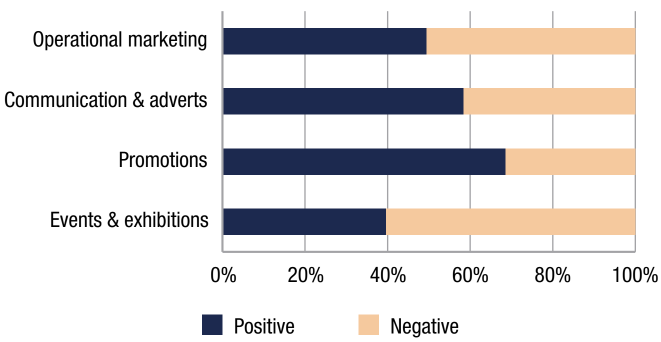


Despite the economic situation, the balance has been shifting towards promotions (69% on a positive trend), mainly at the expense of events and exhibitions (60% on a negative trend). It's interesting to note, however, that top performers focus more on communication rather than promotions, as a way of sustaining the value of their products and brands, rather than seeking to optimise volumes. This is possibly because their products generally have a unique or evolutionary positioning, making it easier for them to protect their revenue streams.

The positive development in communication and advertising is the direct result of stronger investment from top players, as well as major initiatives to enhance brand positioning, which 57% of respondents declare will continue in importance over the coming years.

Figure 4.10

Evolution of different marketing activities

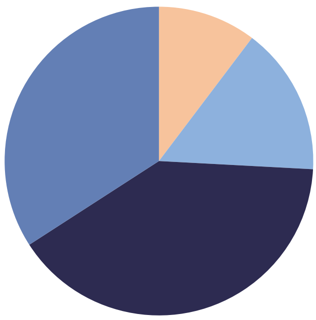


Communication efforts in the coming years will be more focused on specific target groups and one-to-one communication.

Almost 75% of companies claim that they will focus and invest in the most important aspects of their communication efforts – namely specific target groups and one-to-one communication. The least important communication strategies include: institutional communication (10%) and mass market communication (16%).

At first glance, this finding may appear to contradict their desire to enhance brand positioning. But thanks to the ever-growing new media platforms, companies are learning to differentiate, in terms of value, between awareness/number of contacts and brand equity/experience tailored for specific target groups. Despite some misconceptions driven by the excessive buzz around new media and implementation difficulties, this new direction is set.

Figure 4.11
Communication approach

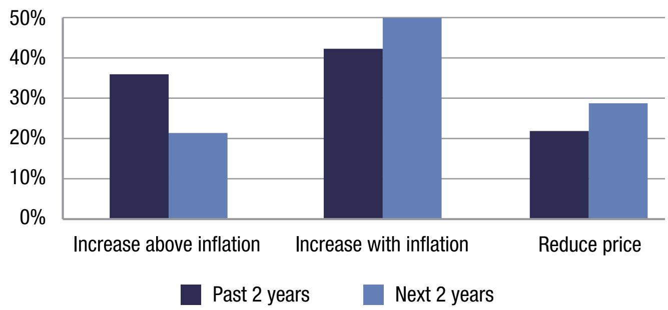


Pricing

Prices will still increase in the future, but at a much lower rate.

Top performers have generally been able to increase their prices above inflation more often than worst performers (48% versus 31%). But our survey reveals that fewer companies plan to increase prices above inflation (from 36% to 21% over the next few years). In fact, more companies will reduce prices (from 22% to 29% in the coming years). Stronger reductions are forecast for the consumer durables and engineering sectors. On the other hand, firms in the financial services sector plan to increase prices above inflation in the near future. These findings are consistent with the general economic situation. We'll also see companies developing more competitive offers as customers continue to become more value (rather than price) sensitive. And this is not a trend that is likely to disappear when the economy recovers.

Figure 4.12
Price trend



Pricing based on customer value is becoming increasingly important, but the "old way" is still king.

Almost half of the companies in our survey apply two or more different pricing methods, such as the traditional "cost plus" method. This method, in particular, will continue to be very popular amongst European companies over the next few years. In fact, 36% of the respondents state they will continue to base their pricing decisions on it.

Competitor-oriented pricing method, which is basically positioning the offer lower or higher compared to that of your main competitor, is not as popular (17%). Interestingly, many of our respondents say that "making comparisons with existing market offers" is the most common way to evaluate customers' price response.

The "customer value" approach is becoming increasingly relevant for many companies (36%). This is consistent with a trend previously seen where innovation efforts are more focused on "customer benefits enhancement". Again, it's interesting to note that very few respondents actually interview customers (which you will discover later on in the report), which begs the question, how do they base their "customer value" pricing decisions? Not with help of their "experience" alone. The low response rates on questions about pricing in our survey has led us to conclude that this issue is not entirely mastered yet, and will certainly be a hot topic over the coming years, especially in relation to "customer value".

Figure 4.13

Cost plus pricing approach most frequently used

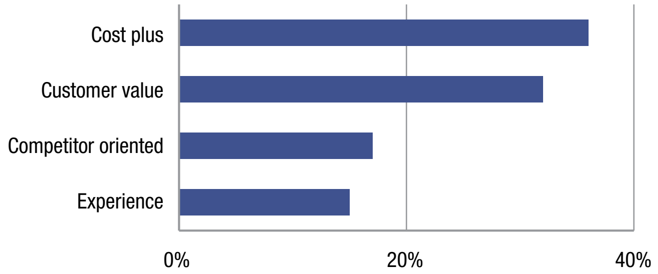
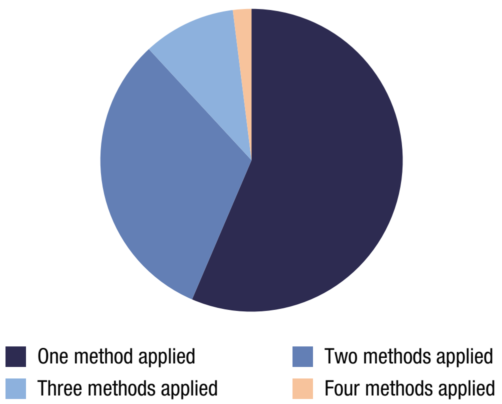


Figure 4.14

Number of pricing methods applied

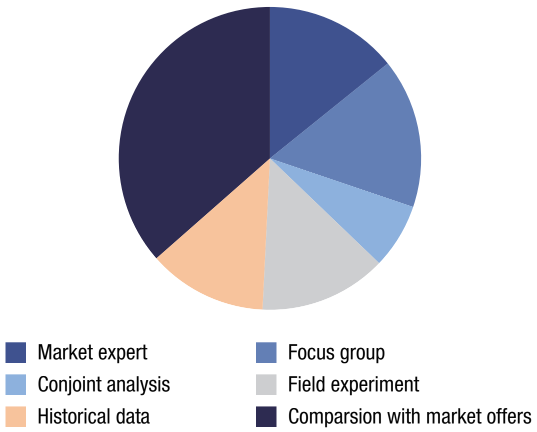


A variety of practical methods are used to evaluate price responses – but comparing prices to competitors is the most frequently used.

When we asked companies how they generally estimate price responses: 36% of them said they do this by comparing their prices to those of their competitors.

Figure 4.15

Companies apply a variety of different methods to evaluate responses on pricing

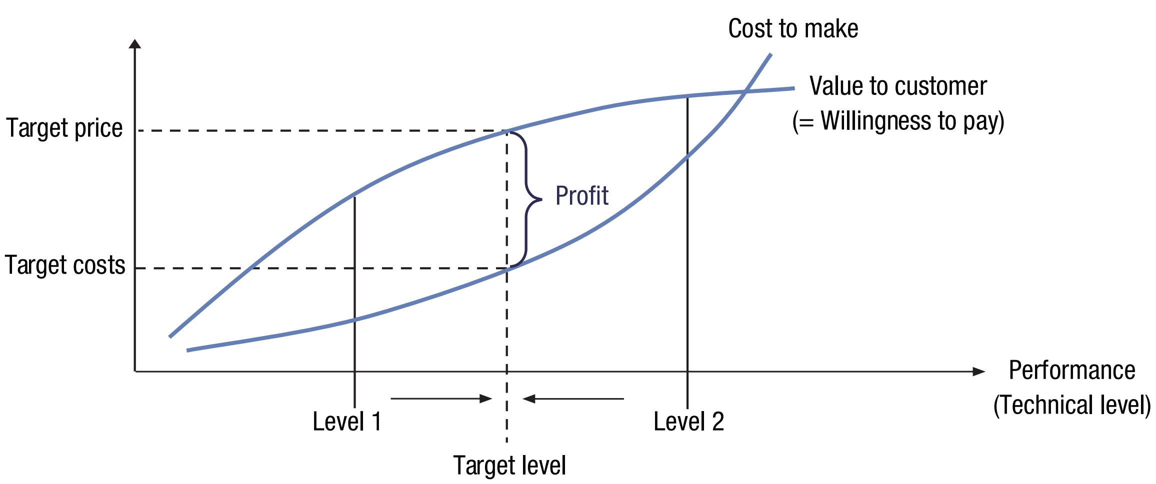


Very few firms interview customers systematically (16%), and even less use methods like conjoint analysis, which in our view is the best method for new product development processes in order to spot opportunities, create value and reduce costs of non-relevant features.

This is especially true for complex products with many features, where it's difficult to maximise profit and balance costs to provide value to customers, as illustrated by the example of an engineering company in the chart below.

Figure 4.16

Maximising profit in new product development



Segment specific pricing is the most frequently used method to customise prices and optimise on the total return.

Customer segments (35%), as well as channels (21%) and geography (19%), are typically easy ways of customising prices as they can spot different needs in the customer base and their willingness to pay.

Figure 4.17

Companies typically use 2-3 different approaches to customise prices

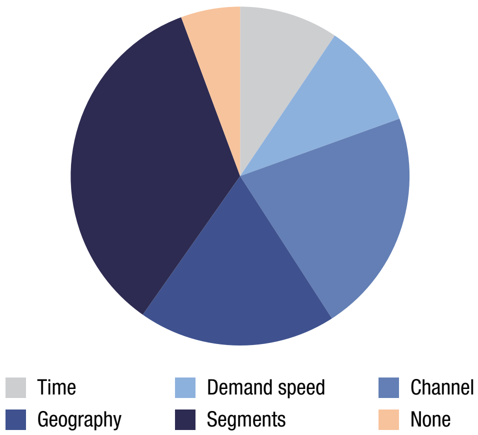
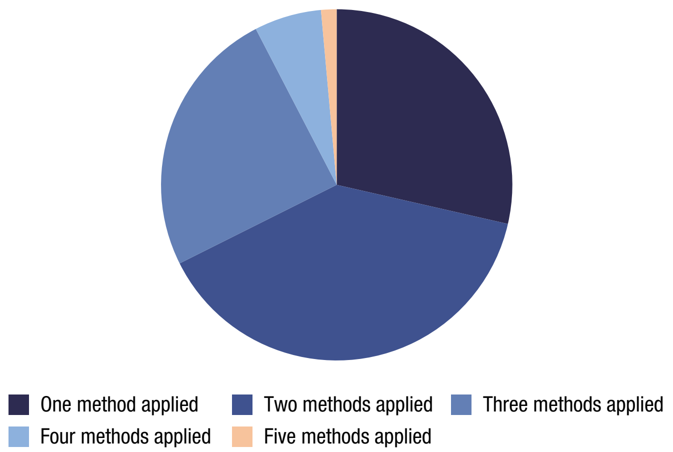


Figure 4.18

Number of price customisation methods applied



Relatively few companies (9%) customise prices according to time (during the day, week, year etc.), as it often requires larger investments in technology and a more direct sales channel. Seasonality is still relatively easy to manage, as well as campaign-specific pricing. Most airlines have mastered this method well – by matching large volumes of demand with the willingness of their customers to pay at differing times, often delivers a substantial increase in profits.

In parallel to time customisation, is demand speed customisation: i.e. the faster the demand, the greater the price increase possible. Not yet wide spread (10%), it is the simple application of the demand curve. Some retailers already take advantage of this trick. If product demand is faster than expected, then there is room for a price increase, but if it's the other way round, that's when they engage in mark-downs.

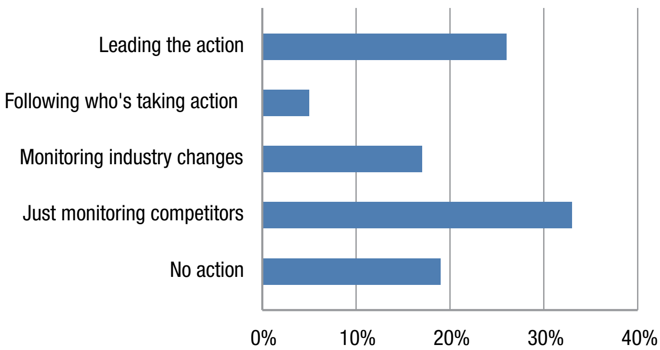
A quarter of companies – especially top performers – see themselves as the main drivers of price levels in their industry.

Taking part in managing your own industry price levels is vital for the market and for your company too. Nevertheless 19% are taking no action at all and 36% of the companies interviewed (especially poor performers) just monitor competitor's moves (increasing or decreasing prices). Few take the lead (26%), although you don't need to be a market leader to do it, and even fewer companies monitor industry changes systematically (17%). According to our survey, leading companies are usually taking care of price levels in a given industry (protection). Strangely enough, the action of small, niche players and new entrants that sometimes redefine pricing schemes has not been traced in our survey.

Monitoring competitors' moves is just part of the equation and usually creates misunderstanding ("we were just clearing excess stocks"), and in some cases, to over reactions. Unfortunately, systematic monitoring of industry changes that create differences in terms of price and cost structures of the market are not even taking place during the medium-term planning process. These are changes that not only affect a company's competitive position, but will help to differentiate between a "cost-driven market " (fresh milk) and a "value-driven market" (coffee). Without thorough monitoring and proper action, however, firms are likely to end up in a "common grave".

Figure 4.19

How industry price levels are managed



5

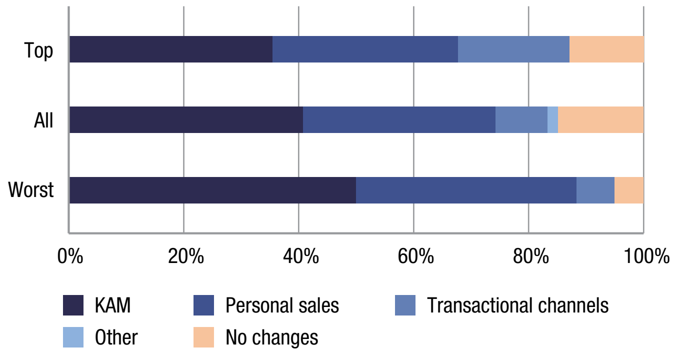
Sales

In this last part of our study, we explore how companies adapt their sales approach to achieve maximum impact. We focus on the multi-channel sales approach of top performing companies, the level of maturity of their sales processes and tools, and how they manage their sales forces and processes. We also elaborate on how important customer intelligence will be in the near future and what top performing companies are doing to increase their knowledge of their customers, as well as how they use this intelligence to improve customer targeting.

Sales Channels

Top performers have a balanced multi-channel approach.

Figure 5.1
Top performers focus on a balanced channel approach and use transactional channels much more actively than other companies



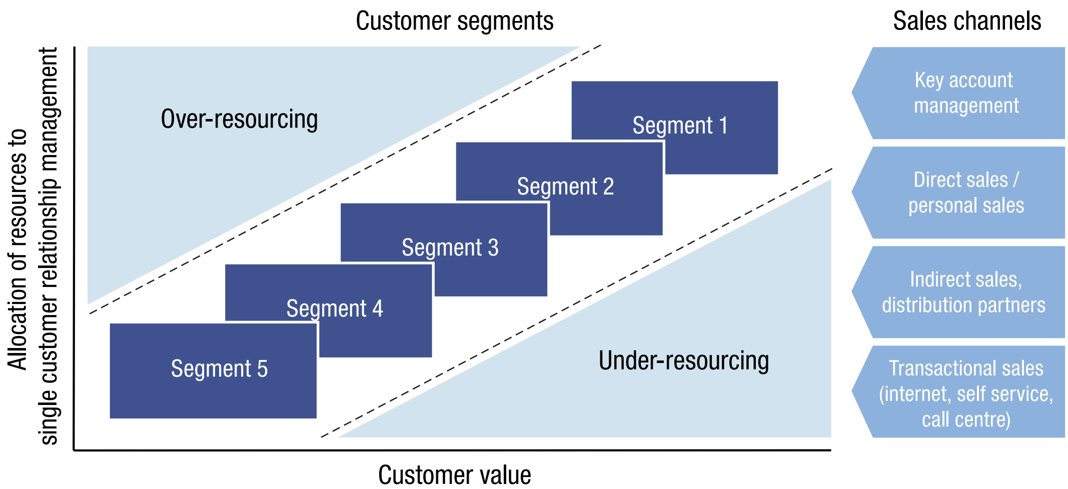
Top performers show a more balanced and holistic approach in adapting their multiple channels. They focus on a balanced set of relevant sales channels, such as key account management (KAM), personal sales and transactional (internet, call centre, self service) sales channels, compared to weaker performing companies. Approximately 19% of top performers state they will focus on transactional channels, compared to just 7% of worst performers.

Worst performers, however, are continuing to focus their efforts on improving their direct sales channels. Efforts are particularly directed at developing and improving key account management (KAM) and personal sales, with less attention on transactional channels.

Multi-channel management has become a decisive element for effective and successful sales organisations across all industries. Most companies have now established multiple channels with the primary goal of reaching more customers. Yet not all of them use their channels effectively to address specific segments, according to customer value, potential and cost-to-serve. They have only started to exploit the potential of targeted cross-channel initiatives. The example below illustrates the advantages of a consistent, targeted, multi-channel strategy for a telecommunications company. It also illustrates what considerations a multi-channel strategy should take into account.

Figure 5.2
Multi-channel strategy

Multi-channel approach based on customer segmentation can stop migration of customers and raise customer satisfaction



Sales management

Top performing companies aim for a systematic and balanced approach to managing their sales force.

Our survey shows a clear trend for all companies to focus primarily on improving their sales process, individual sales skills and sales management over the next two years. Significantly less attention will be dedicated to sales tools and on optimising sales force design (e.g. sales organisation or territory planning). Although top and worst performers follow the same trends, there are some interesting differences:

- Worst performers focus more extensively on improving their sales process than top performers. Approximately 33% of worst performers say that improving their sales process will be their most important focus over the next two years.

- Top performers will pay more attention to sales management than worst performers. Approximately 23% of top performers state that improving sales management, so they can lead and manage the sales force more efficiently, is their primary focus over the next two years. They plan to reach their goals by coaching sales people, as well as following up, reporting and intensifying sales.

These results confirm our intuition that top performers in the past were successful in implementing the basics, such as sales processes, but now and in the future, they will strive for improved sales management and sales excellence alongside their already well-established sales processes and sales organisations. In comparison, worst performers will continue to challenge their sales processes to make them more efficient by targeting specific customer segments and better aligning them with the customer buying process.

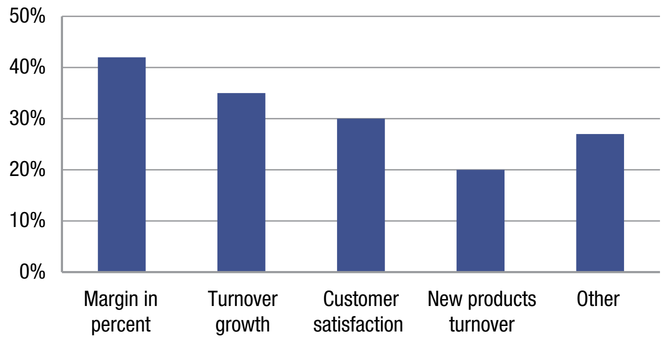
Profitability and growth will predominantly determine the sales incentive system.

Approximately 42% of all responding companies say that their relative contribution margin will be a “most” important determinant for their sales incentive scheme, followed by turnover growth (35%). “New product sales” is a “most” important factor for only a minority. Interestingly, customer satisfaction is also highly ranked as an important determinant to define their incentive system. However, in our experience defining and measuring customer satisfaction on a regular basis continue to pose challenges for many.

Even today, we often see companies with just turnover as an incentive for sales people. But a sound incentive scheme with a few well-defined determinants, such as turnover growth and contribution margin, will help navigate sales to tap into the most promising profit pools in the most lucrative customer segments – and this is what the participants of our report are heading for. Identifying the right profit pools and addressing customer segments according to their potential will be key for managers to lead their sales force effectively, and help individuals to achieve their sales targets.

Figure 5.3

Most important sales incentives in next two years



Sales processes

A vast majority of top performers have a customised sales process aligned with specific customer situations.

Approximately 70% of top performers have a customised sales process aligned with specific customer situations, compared to only 56% of worst performers. This customised sales process can be split into a "solution" sales process, which is aligned with the customer buying process (37% of top performers) and specific sales processes aligned with the buying process of different customer segments (33% of top performers).

Worst performers tend to rely more on a simple linear sales process (28%) and in some cases have no explicit sales processes at all (16%). Interestingly, 10% of top performers have no explicit sales processes either.

In order to advance from a simple to a more customised sales process, companies firstly need a profound knowledge of the customer's buying habits/cycle and of the specific needs of the individual customer segments. Secondly, this knowledge has to be implemented in the sales processes. The following example of a precision instruments supplier firm illustrates how such a customised sales process can be successfully implemented and translated into daily operations.

Figure 5.4
Different sales processes

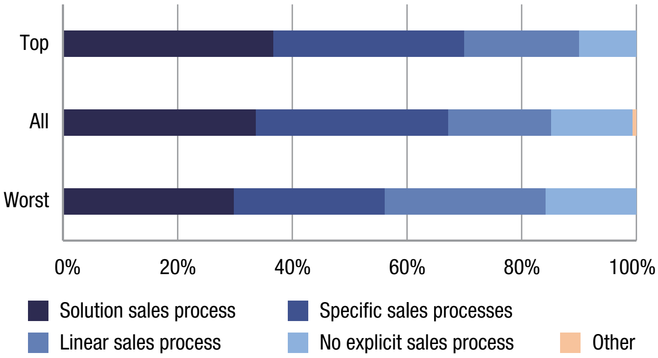
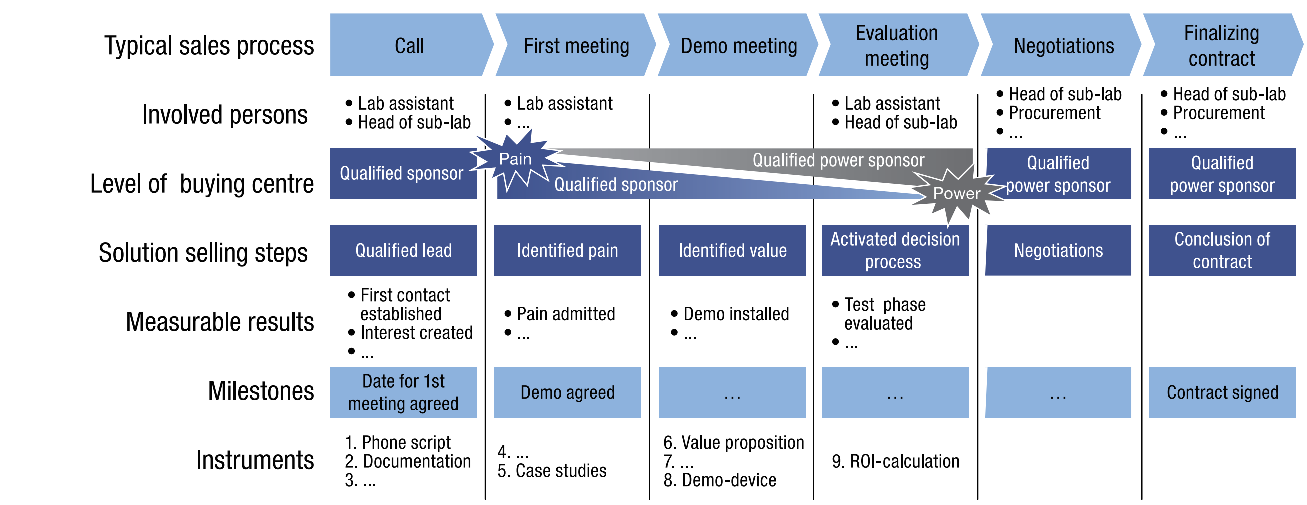


Figure 5.5
Example of customised sales process

Customised sales process – example of a precision instruments supplier



Qualified sponsor: has influence
Qualified power sponsor: makes decision

Companies are particularly striving for improvements in the quality of proposals and lead creation.

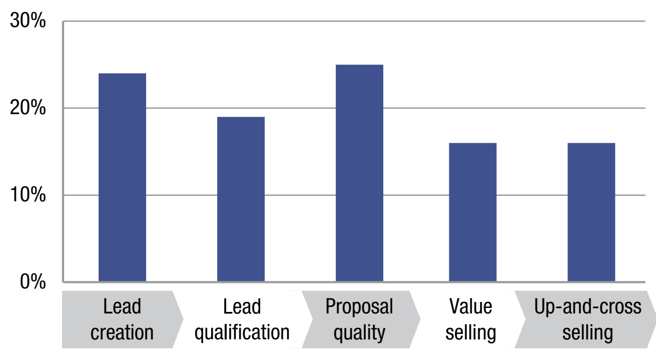
All sales processes basically follow the same five "generic" principles:

- Lead creation (ensuring that you get enough leads through marketing etc.);
- Lead qualification (ensuring that you allocate time to the most promising leads);
- Proposal/offering quality (ensuring that the win rate is high);
- Value selling (ensuring the right margin through enhancing customer value);
- Up- and cross-selling (achieving more sales from a customer).

Our survey reveals that 24% of all companies believe that the "most" important area for improvements in sales over the next two years is in lead creation (the identification of a person or an entity interested in purchasing a product or service). Approximately 19% would like to see improvements in lead qualification and lead prioritisation (allocation of sales resources to the most promising leads and customers). And 25% are seeking improvements in the quality of the proposal offering to increase the win rate of their leads. Fewer companies feel that improvements are needed in value selling and up- and cross-selling. In conclusion, creating more sales opportunities (lead creation) and increasing the win and conversion rates (lead qualification and proposal quality) will be the primary triggers that drive sales over the next two years.

Figure 5.6

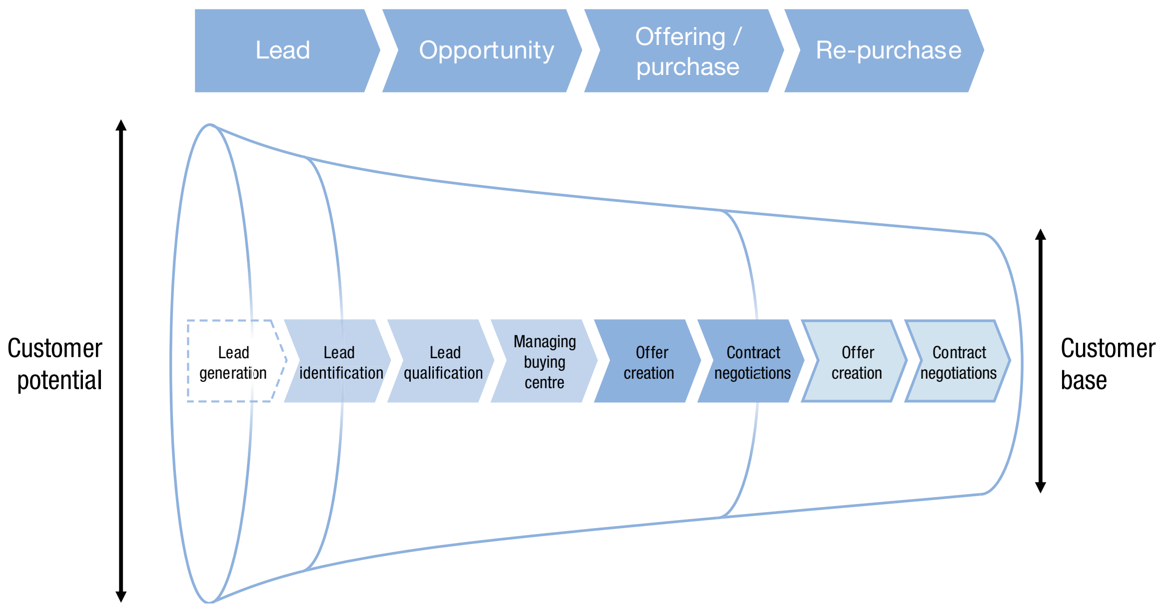
How to strive for improvements in sales process (all companies)



Crucial warning: When companies create more leads and opportunities it is critical to understand the bottlenecks in the sales funnel, and manage the sales funnel effectively in terms of giving the "right" attention to the "right" sales step with specific customer expectations. Nothing is more frustrating than having a huge number of leads and opportunities in the sales funnel, but not enough resources to handle them. The illustration below provides an example of such a sales funnel for an insurance company.

Figure 5.7

Sales funnel – example of a insurance company

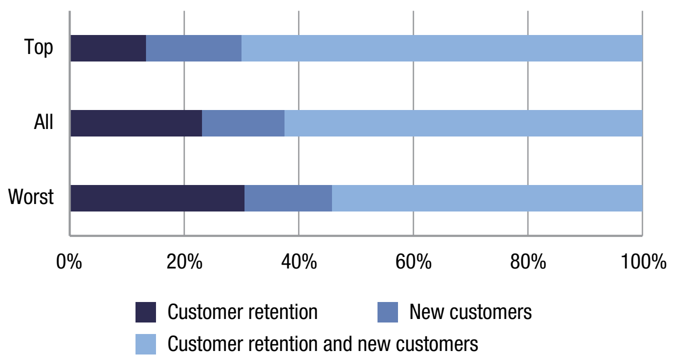


Top performers have a balanced sales approach focusing on both existing and new customers, which provides them with a substantial advantage in tapping into new customer potential.

Companies can set different priorities for their sales approaches: maintaining and developing the existing customer base, approaching and winning new customers or equally focusing on both. Approximately, 70% of top performers claim that they will focus on the balanced approach compared to only 54% of worst performers. Worst performers tend to stick more to their existing customer base. Approximately 31% of worst performers indicate that they are only able to concentrate on retaining their customer base compared to just 13% of top performers.

Figure 5.8

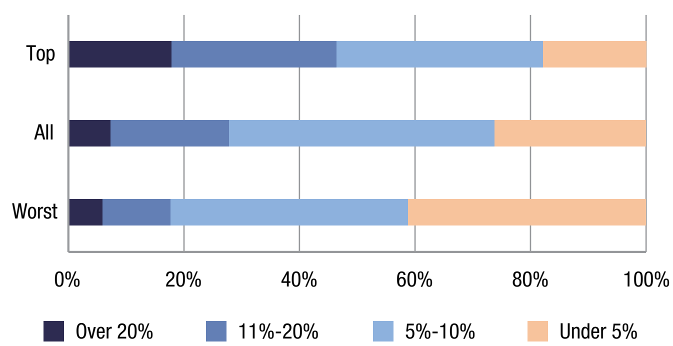
Top performers manage to develop new customers whilst also focusing on the retention of the existing customer base



The different sales approaches are reflected in the amount of customers gained and customers lost per year. The graph below shows that over 46% of top performers are able to acquire more than 10% new customers per year compared to only 18% of worst performers. Interestingly, there is only a very small difference in customers lost between top and worst performers.

Figure 5.9

Customers gained per year



These results confirm our hypothesis: while top performers lose approximately the same amount of customers than worst performers, they are nevertheless much better set up to compensate for that loss by tapping into new customer potential. The ability to attract new customers is a direct result of the different sales approaches used by top and worst performers.

The emphasis that top performers place on a multi-channel sales approach, segmented and customised sales processes and active sales management helps to improve their lead conversion rate and acquire new customers.

Customer intelligence and targeting

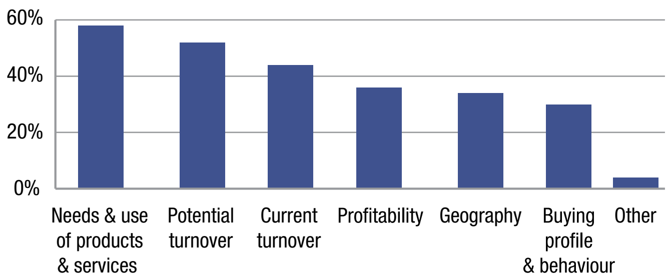
Customer needs and potential turnover are the most important criteria for customer segmentation.

It is essential to segment customers in order to better create sales and marketing activities that make an impact. The most widely used criteria for customer segmentations are "needs and use of products and services" (58%) followed by "potential turnover" (52%) and "current turnover" (44%). Criteria that are not as popular now include "profitability", "geography" as well as "buying profile and behaviour". Overall, there is no big difference between top and worst performers in their segmentation criteria. However, top performers use segmentation criteria "needs and use of products" and "buying profile and behaviour", a bit more often than worst performers. In our view, it's these highly important and meaningful criteria, which ultimately make a big difference.

There is no correlation between the criteria used and the effectiveness of customer segmentation. However, there are criteria that are more appropriate for customer segmentation than others. For example, profitability is not really a useful criterion for segmentation, but rather the outcome of a successful segmentation. Another important factor is the combination used. All responding companies use on average more than two criteria to categorise and segment their customers. This is an encouraging finding, since many companies do not rely on just one criterion anymore, as is often seen in a simple ABC-segmentation.

Figure 5.10

Different segmentation criteria are used – both traditional and more advanced

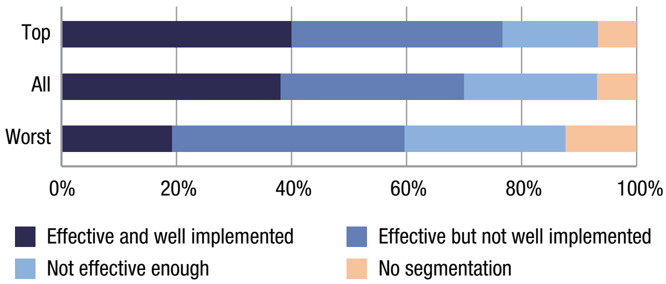


The vast majority of top performers have effective customer segmentation, but it's not always well implemented.

More than 77% of top performers claim to achieve effective customer segmentation compared to only 59% of worst performers. More impressive is that twice as many top performers have an effective and well-implemented segmentation compared to worst performers.

Figure 5.11

Top performers have more effective segmentation of their customers

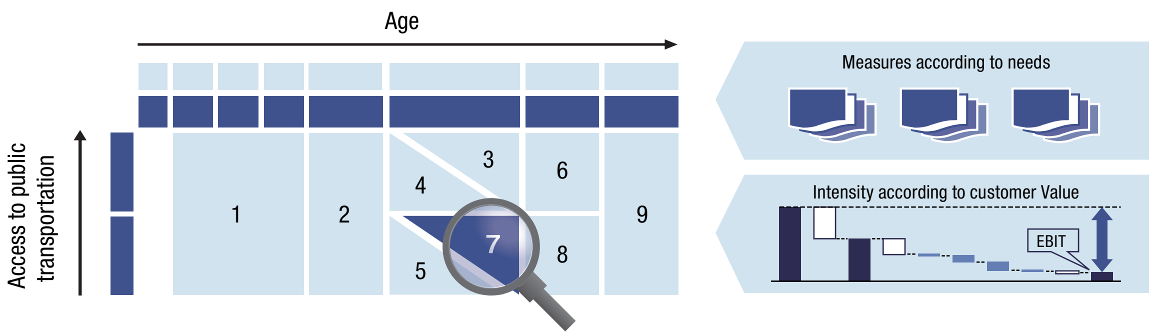


In our view, having an effective and well-implemented customer segmentation can make a big difference and provides top performers with a huge competitive advantage. Over the years marketing has developed very smart segmentation models during product development and positioning. However, many of these models are not only hard to apply in sales, but also difficult to translate into specific sales activities for sales employees. In order to effectively steer the sales force, segmentation must be defined along criteria that are specific and tangible for your sales people. In the public transportation company example below, you can see how comprehensive, but simple customer segmentation can be implemented in daily operations with success.

Figure 5.12

Successful example of customer segmentation

Case study: Increased share of wallet through customer-segment oriented campaign management



A public transportation company decided to switch from a mass marketing approach to a target group marketing in order to increase the share of wallet with its customers. The large amount of customers, however, was not yet assigned to different customer segments.

Customers segmented according to their needs

Together with the client we developed in a first step a comprehensive but still simple segmentation, which reflected the most important characteristics of the varying customer needs, the age of a customer and the access to public transportation.

In a second step, we analysed the profitability of each segment. In a third step, we defined the optimal level of customer service and contact intensity on the basis of customer needs and customer values. In a last step, we compiled a plan of actions.

Share of wallet increased

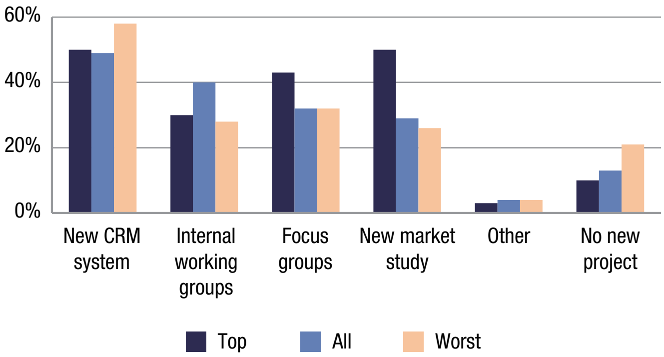
The increase in the share of wallet could be achieved primarily as a result of the segment- oriented campaign management. After several years of introduction the segmentation is still valid and contributes to the market success in the increased customer profitability.

Approximately 87% of all companies will initiate new projects to broaden their customer knowledge and intelligence.

Learning more about customers and their needs is an important task for the vast majority of the companies that took part in our survey. Approximately 87% of all responding companies plan to initiate new projects to improve customer knowledge and intelligence in the near future. For 49% of all responding companies, the most widely aspired project is the development of new, or improve already existing, CRM systems.

Figure 5.13

Top performing companies tend to focus more on market and trends in their customer intelligence than worst performing companies



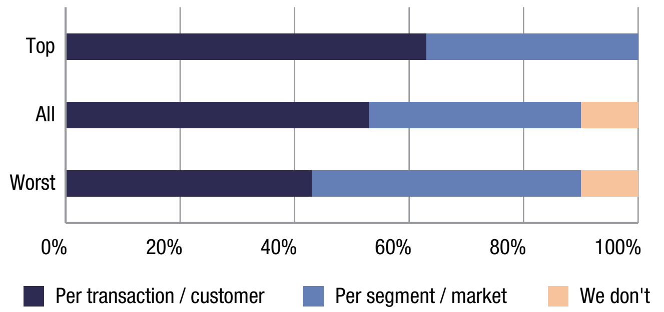
When comparing top with worst performers, we noticed three significant differences. Firstly, top performers rely much more on market studies (50%) compared to worst performers (26%). Secondly, twice as many worst performers compared to top performers (21% versus 10%) will not initiate new projects in the near future. Thirdly, the majority of worst performers (58%) plan to develop a new, or evolve their existing, CRM system, compared to significantly fewer top performers (50%). All these findings indicate that top performers observe and analyse their markets more to help detect current developments and anticipate future trends, while worst performers lag far behind, busy introducing new CRM systems and reacting to their competitors' moves rather than identifying new trends for themselves.

A large majority of top performers track the profitability of single customers or transactions.

Approximately, 63% of top performers control the profitability per customer or individual transaction, in comparison to only 43% of worst performers. Worst performers, however, tend to be less specific and demanding about tracking the profitability of their customers. Approximately, 47% say that they track the profitability of their customers per segment or per market instead, compared to 37% of top performers. Finally, 10% of worst performers do not track the profitability of their customers at all compared to none of the top performers.

Figure 5.14

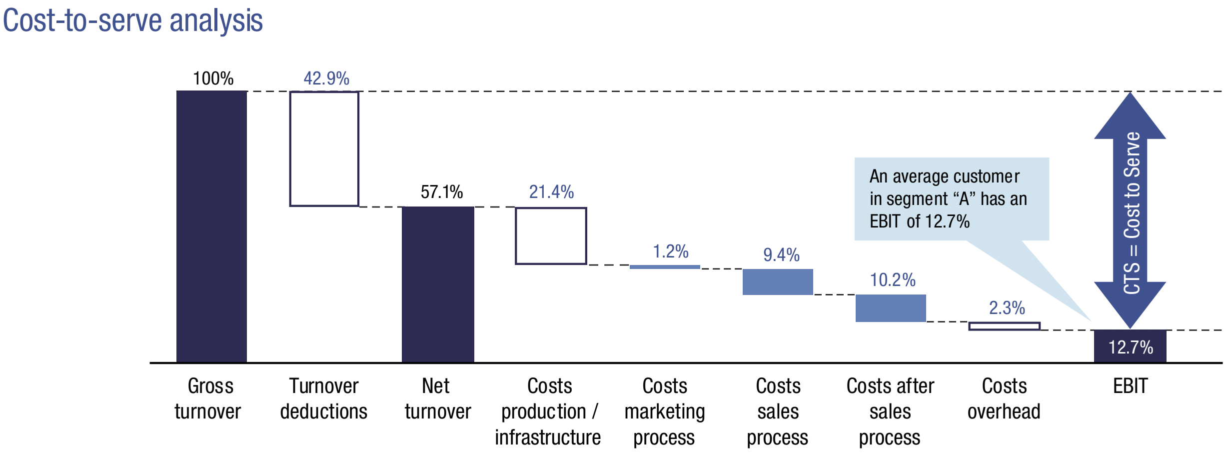
Top performers have more refined methods to track and control the profitability of customers



A professional and comprehensive tracking of customer profitability not only provides a solid base to achieve optimum resource allocation, but will also help to direct sales staff more efficiently, so they can achieve their targets. One of the most powerful tools to identify and calculate profitability for a specific level is the cost-to-serve analysis as shown below.

Figure 5.15

Example of cost-to-serve analysis



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Conclusion

Our survey revealed that top performing companies are able to manage higher performances in all the three key areas explored (strategy and transformation management, marketing and sales) and therefore succeeding in growing their sales and profitability above their competitors.

How about your company? Here are 20 questions formulated from the key findings of this report to help you discover what you do differently from top performers, and where you should be focusing your efforts to ignite growth and improve market impact.

Strategy and Transformation Management

	NOT REALLY	JUST FINE
1. Are you satisfied with your *strategic process and planning tools*? Top performers say that they have both in place (usually well formalised) and they are very effective, therefore making a difference.	☐	☐
2. Is your company's *strategic process fast and flexible*? Are you just focusing on your budgets, revised budgets and linear forecasts, as in the case of worst performers? Or do you engage in intensive monitoring of your performance against changing market conditions as top performers do?	☐	☐
3. Top performers definitely focus much more on *innovation* in *relation to customer intimacy*, whereas worst performers place a higher priority on operational excellence and cost advantage. How about your company?	☐	☐
4. What about your ability to align operations and people with strategies? This is what clearly distinguishes top from worst performers. Are you using a *variety of methods to ensure commitment and alignment*? Are you taking care of the emotional buy-in of your people? Are you improving the learning process across your organisation and the development of new people capabilities to help reduce competing demands from functions and business units?	☐	☐
5. Are you just protecting yourself and focusing more on your core business, as in the case of the majority of worst performers? Or do you *attack your competitors using offensive strategies*, taking advantage of the economic crisis, even though resources might be limited as top performers do?	☐	☐
6. Is your company changing strategic direction once again or *sticking to* its *strategies and maintaining focus on* its *strategic projects*, as top performers are, despite being exposed to the crisis? If the former is true, how do you manage the change with strategic processes and tools that you are not happy with? How do you align the organisation with the change without a wide range of methods?	☐	☐

If you rate yourself positively on 5 questions or more, you are a top performer and you shouldn't spend more time on this area. If you rate yourself positively on 3 or less then you have the opportunity to improve your strategic and transformation management approach, and your results.

Marketing

	NOT REALLY	JUST FINE
7. Are you *increasing your investment in innovation* or at least keeping the same pace, despite the crisis, as top performers are? Or are you cutting back on projects as worst performers admit to? Are you keeping up the virtuous cycle of innovation, which allows you to constantly extract value and gain better margins?	☐	☐
8. Is your company introducing market average products and services or are you delivering new and *unique, or at least evolutionary*, solutions to the market, as top performers are doing? Are you just catching up or are you leading the innovation race? Are you just focusing on the short-term ROI of your innovation effort or focusing instead on customer benefit enhancements because this is where you could make the difference.	☐	☐
9. Top performers will be retaining, or increasing their advertising and promotional budget, focusing mostly on *improving* their *brand positioning*. How about your company?	☐	☐
10. Are you still investing in institutional and mass-market communication or are you moving towards *target groups and* even *one-to-one communication*? Customer centricity ("knowing the customer" and "delivering a specific offer to him/her") is a general trend that quite a few companies still need to catch up with.	☐	☐
11. Is your company basing its pricing definition on the old cost-plus method and evaluating price responses by just comparing your offer with those of your competitors? Or are you increasingly *determining your pricing strategy on customer value*, evaluating price responses by asking your customers and using techniques such as conjoint analysis? What makes the difference here is the chance to maximise profits of your innovation effort.	☐	☐
12. How do you *customise* your *pricing strategy*? Are you using one method only or taking advantage of different methods in order to maximise your profits by matching the different willingness to pay of different segments, geographic areas, channels, times and demand velocities?	☐	☐
13. Many companies are taking no action to protect and manage general market price levels, or at the very most they just monitor what competitors are doing. Is your company one that is *taking action to protect margins in the industry*, avoiding the slip from a "value market" to a "cost market"?	☐	☐

If you rate yourself positively on 6 questions or more, your company clearly has an advanced marketing approach. If you rate yourself positively on 3 or less then you have the opportunity to improve your marketing management approach and your results.

Sales

	NOT REALLY	JUST FINE
14. Is your company focusing solely on key account management and a personal sales approach? Or are you moving towards a more *balanced multi-channel* approach with a growing share coming from transactional channels, as in the case of top performers? Are you using different channels effectively to address specific segments, according to customer value, potential and cost to serve?	☐	☐
15. Are you still catching up by investing in sales tools and optimising your sales force design (e.g. sales organisation and territory planning)? Or are you *improving your sales management* so that you can lead and manage your sales force more efficiently like most top performers do?	☐	☐
16. How about *incentive systems*? Do you just base them on turnover growth, or have you also been using other methods based on margins and customer satisfaction (although difficult to evaluate)? Although we have seen an increase in attention to new methods, we have also found that many companies are sticking to the old and simple turnover standard.	☐	☐
17. Top performers have a more *customised sales process aligned with specific customer's buying habits and needs*, since they are able to better understand their customers and use this knowledge along the sales process. How about your company?	☐	☐
18. Are you focusing more on customer retention and on the existing customer base, or are you using a more balanced approach focusing on old and new customers at the same time? *Lead creation and quality of the proposal* are the most important factors in the sales process. Top performers deliver better results in terms of new customer acquisition through effective management of all the steps along the sales funnel.	☐	☐
19. Has your company an effective and well-implemented way of *segmenting* its *customer base*, using more than one criteria, capable of better capturing customers' value and potential, like top performers do?	☐	☐
20. Are you *increasing* your *investments in projects to broaden* your *customer knowledge and intelligence*? Do you have systems in place that allow you to track customer profitability up to each transaction and customer, like most top performers say they have?	☐	☐

If you rate yourself positively on 6 questions or more, your company clearly has a sophisticated sales approach. If you rate yourself positively on 3 or less then you have the opportunity to improve your sales management approach and your results.

We hope our report and its conclusions will help your organisation to better understand how to make the difference in terms of market impact that will ultimately benefit your customers and, of course, your company too.

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