

BY JEANNE FEC

Budgets on a Shoe String

BUDGETS AND PLANNING ON A SHOE STRING FOR MOST OF US IS A REALITY AS WE ENTER THE CALENDAR'S THIRD QUARTER. BUT PLAN WE MUST!

T This is an excellent opportunity for the sales and marketing management teams to take advantage of lower spending and reduced resources of all sized competitors – and plan for market share-taking that does not cost an arm and a leg.

What three things must you do right?

Whether you are a business owner or a marketing manager within a business unit, you can take some relatively short and specific steps that will provide focus. In a tight budget environment, this is the first success factor. The second is picking an area of focus that is profitable for your firm. The third is making decisions to use budget wisely. This means planned investments that are targeted specifically at the area of focus, and are measurable in terms of their success.

Before the senior executive gathers his or her management team, collect and analyze customer level data that will help with the first two success factors, focus and profitability. Which segments of customers do we serve well, and have a high hit rate?

If your firm has a healthy existing customer segment, this may be the first area of focus to consider. It will cost considerably less to market and sell to this group, and they know your firm already. Some questions to help gather data for this step include:

What market segments comprise the company's existing base?

This should be more than an assessment of big or small, but that is a start. Find segments that do

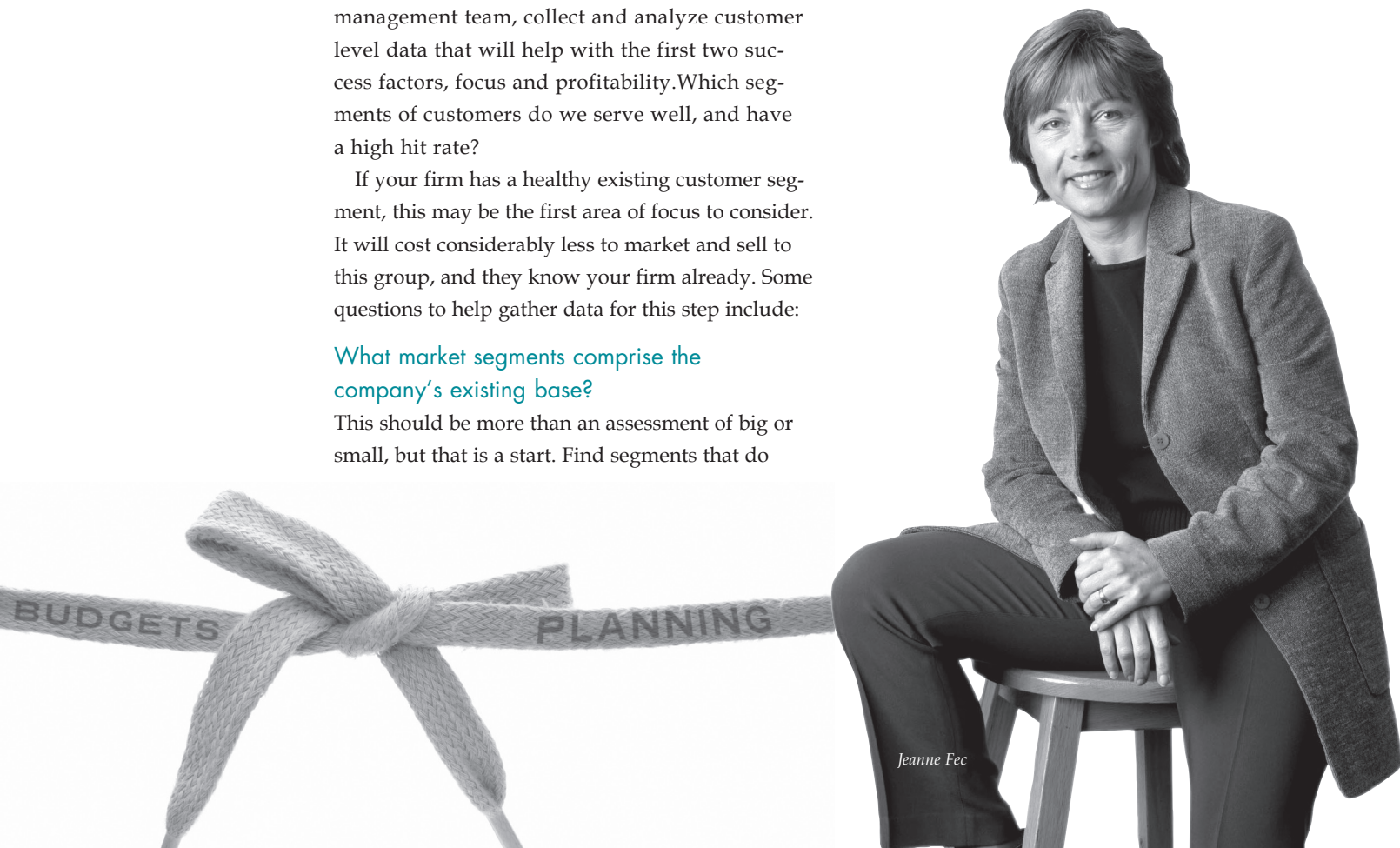
repeat business with your firm. How much do they spend? What frequency? Describe those customers and their needs in ways that will identify why you are successful with this segment of your base.

Which customers are most profitable?

Demanding accounts that require aggressive pricing are the first ones to evaluate. Repeat customers who pay on time, require low to moderate levels of support and communications, and do not beat you up on price every time they buy tend to be the more profitable accounts.

Does the company have a problem with presence and market share within its most profitable segments?

If the opportunity exists to sell more products to existing customers, this is the no-brainer first step



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in planning for profitable growth. Your planning team can discuss ways they can generate easy gains from simply tweaking existing products. A good example comes from consumer packaging. You may have noticed a trend in supermarkets away from general convenience to ‘resizing.’ Several companies are repackaging their products into smaller packs, with correspondingly smaller calorie counts. Extending the product line in this way can re-energize the brand in the minds of existing customers and also help target new customers.

If you feel the company has a low share of an attractive segment of customers, then gather insight on the competitive factors that must be overcome to take a higher share of pocket. This may require talking to some of the customers in the existing base.

- Does the buyer know all of the products, services and capabilities of the firm?
- Do they receive and read newsletters from the firm?

Part of a low cost presence solution may be more proactively communicating success stories, repackaging existing newsletter formats to highlight successes within the customer base, or focusing more inside sales time on existing customer phone contact.

What other steps beyond a customer focus and profitability analysis will help identify growth opportunities in the planning process?

Another topic to bring up in the management planning discussions is whether the company actually has the market coverage it needs. Too frequently, companies believe they are reaching every potential customer when in reality they aren’t. First, analyze your sales channels.

Companies often find they have insufficient coverage because they don’t realize other distribution channels have entered the market, they don’t know how to engage these channels, or they’re worried that tapping new channels will cause unmanageable channel conflict.

For example, we have a client who sold kitchen sinks almost solely through wholesalers to plumbers and to big-box retailers. Somewhat blinded by their own success, they didn’t realize that many consumers were turning to new channels such as kitchen and bath specialists, home design centers, countertop fabricators and home builders who were often taking the brand decision out of the plumbers’ hands.

How can companies increase their coverage, get into new channels and avoid channel conflict?

Companies need to continuously scan the market for emerging customers, channels and demand. The best way to get into new channels is to ask customers why they’ve switched to a new channel. Using that feedback, build an ideal channel template. Include characteristics that fit customers’ needs and your needs, such as skilled staff, growth attitude, gross margin requirements, potential for causing channel conflict, etc.

A little channel conflict is actually a good thing. If channels didn’t run into each other sometimes, if it was quiet, it is likely you are failing to provide full market coverage. You can best manage channel conflict by carefully recruiting channel partners, adjusting your channel compensation system, building appropriate and manageable restrictions into your contracts, and clearly communicating with partners.

Profitable growth is definitely possible. The key is spending a reasonable amount of time to look before you leap.

SUMMARY

It’s not just good fortune, it’s also good planning. For a complimentary half-day pre-planning discussion with Jeanne, call 312-558-4820 or email jmfec@franklynn.com