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ABOUT THIS ISSUE

In this issue of the **Client Communiqué**, we discuss how the depth and slow exit from the current recession has impacted the buying behavior of customers and we offer several constructive change recommendations. We outline how to use the proven Frank Lynn "Look Forward/Look Back" dynamic business planning model to establish a more robust planning process that considers both historical performance while recognizing and adjusting to the future. Finally, we examine how to determine if your salespeople have enough bandwidth (product and market knowledge, skills, and time) to do their jobs and what you can do about this growing problem.

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BY ROBERT L. SEGAL

The Recession is Dead. Long Live the Recession.

BEN BERNANKE, CHAIRMAN OF THE FEDERAL RESERVE, RECENTLY OPINED THAT THE RECESSION IS LIKELY OVER. HOWEVER, LIKE THE GREAT DEPRESSION OF THE 1930'S, THIS GREAT RECESSION WILL LEAVE A LONG-LASTING IMPACT ON THE BUYING BEHAVIOR OF CUSTOMERS.

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uppliers and their channel partners will need to make some significant adjustments given this new customer landscape.

Same for Less

With low inflation, many buyers expect products to cost about the same from one year to the next, but deliver more performance. This was particularly true in the technology sector. Computer storage is a perfect example. One year a customer paid \$200 to buy a 500MB hard drive. The next year they expected to pay the same \$200, but get a terabyte worth of storage. This year, however, they are content with a terabyte of storage, but want to pay just \$100.

Budgets are gonna remain tight for awhile, man!

Free

\$100? Still too expensive! Now people want something for "free". Free training, free installation, free test units. The econ-wonks at the University of Chicago will tell you there is no such thing as a "free lunch." Something about cross-subsidies, etc. Still, recession-scarred buyers expect seemingly free products as the price of admission. It's really not such a bad deal for suppliers. As King Gillette found out 100 years ago . . . give away razors and you can sell billions of blades.

Services, Not Products

The concept of fixed cost has become anathema to buyers. Millions of dollars for a Microsoft site license. No way! \$10K for a jet airplane tire? Fuggedaboutit. Buyers want to pay per click, per

landing, per month, etc. Enter managed services, outsourced or temporary "consultants", cloud computing, etc. Yes, I know these variable-cost models existed before the recession; but they're looking much more viable right now.

More ROI, Less Brand

No, powerful brands won't disappear. However, the concept of brand loyalty has rapidly diminished. The only no-questions-asked, premium-price loyalty around nowadays is within the ranks of Apple zealots. Sophisticated companies will continue to find ways to differentiate themselves and create stand-out brands.

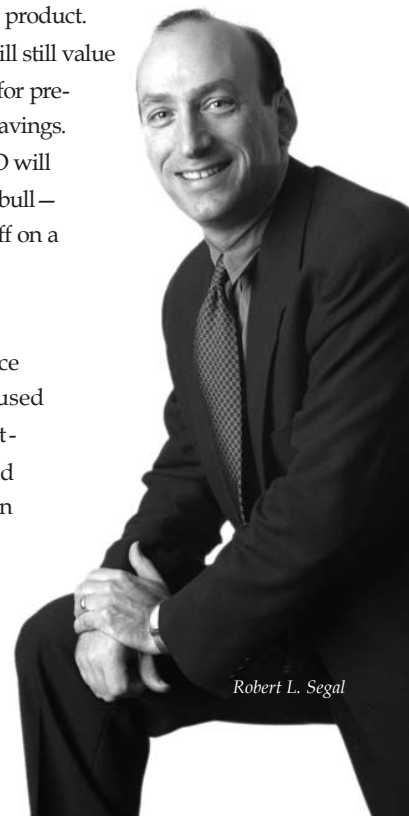
Everybody else must pray at the altar of the low-cost (or free) product.

Certainly, customers will still value brand standardization for presumed cost and labor savings. However, now the CFO will demand a detailed, no bull—ROI, before they sign off on a one-brand solution.

It Takes a Village

Speaking of the finance person . . . better get used to seeing her, the strategy guy, the CMO and a lot of other people in your sales meetings. Profligate spending is so 2007. Whereas, a department

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Robert L. Segal

Who reads newsletters, newspapers or watches network television anymore? Customers, especially those pesky/perky, 20 and 30 year olds are tweeting, facebooking, IM'ing, Linking in, etc. Social networking is free.

manager used to have six-digit spend authority, now they are part of a committee; plans must be developed, and the CEO needs to approve anything over \$4.99. The recession finally convinced CEO's that purchasing really must be part of a strategic plan, and they're acting accordingly.

Tweet, Tweet, Tweet

If brand loyalty is on the ebb, well, just round up the usual suspects. Send in more sales reps. Take out a few more ads. Ooops, down-sized user and purchasing departments don't have much time lately to meet with sales reps. Traditional media? Um, who reads newsletters, newspapers or watches network television anymore? Customers, especially those pesky/perky 20 and 30 year olds are tweeting, facebooking, IM'ing, Linking in, etc. Social networking (God, I hate that term) is free (there's that darn word again), immediate and actually entering the mainstream of buyer behavior. Be there, or be . . . old.

Channel Implications

To pursue a viable post-recession channel strategy, managers might consider the following options.

First, combining several of the factors mentioned above, managers can create a stand-alone low-end offering through the channel. This strategy might include bundling of multiple low-price products, or perhaps an introductory "free" service to attract new or cautious buyers. An example of such a service is a free audit. The idea for the audit would be for the manufacturer to develop the audit "intellectual property" - the steps, forms, metrics, etc. - but train channel partners to conduct the audit. The audit will create a win/win situation. The customer wins because they receive an assessment of their operating environment at no charge. The channel wins because they develop a deeper understanding of a potential or current customer. The manufacturer wins because they too attract the new

partners at the expense of other partners who create demand, provide services, develop ROI-based sales methods and sell at multiple levels within accounts. With these messages in place, managers must then focus on the media. Over the last five years,

"Manufacturers can leave the recession behind, but with a strategy that looks forward rather than tries to reclaim the past."

many, but not all, manufacturers have developed on-line partner portals. These password protected sites provide channel partners with a self-serve venue to track their monthly or quarterly sales progress, register for or receive product and sales training, participate in closed-loop lead generation systems, etc. Software vendors offer these portals or partner-relationship management (PRM) systems for a monthly per-user fee. Compared to the cost of hiring additional channel account managers or inside support reps, these portals or PRM systems provide significant benefits at a reasonable cost.

A few vendors, notably Frank Lynn & Associates' partner SAVO Group, have pushed beyond standard partner portals into community-oriented media. SAVO's system allows channel partners' salespeople to pull up a customized site that shows each rep their favorite selling tools (brochures, PowerPoint presentations, case studies, research reports, etc.); tools rated highly by other reps, and recently released or updated selling tools.

Of course, vendors should also look at the more generic social media - such as blogs, Twitter,

LinkedIn, etc. Whatever media manufacturers consider, the important point is to recognize that these communications vehicles are inherently different from traditional channel newsletters or mailings. As the name implies, "social media" facilitate a sense of community, or group participation. These media are not designed for manufacturers to unilaterally cram their ideas into the channel (and through them, into the end-customer). Rather, these newer media provide systems for rating, identifying favorites, creating "pools" around common interests, sharing ideas and documents, ad hoc planning, etc. Rather than trying to corral the divergent voices among the channel (and end-customers), manufacturers should embrace the variety. This does not mean that manufacturers should blindly assent to whatever ideas (great or crazy) pop up online, but rather should use social media as a means to build consensus around preferred, and yes, new, ideas - especially those that address the themes noted above.

The Great Recession has rocked everyone along the supply chain. By addressing the key themes of low price, free offering, services and community-oriented decision-making, manufacturers can leave the recession behind, but with a strategy that looks forward rather than tries to reclaim the past.

SUMMARY

We invite you to schedule a complimentary, half-day meeting with us in our Chicago office. To do so, please contact Bob Segal at 312/558-4808 or bobsegal@franklynn.com.

