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Why Sales-Driven Businesses Don't Work

Hello Everyone ...

This month I'm very happy to share with you some helpful action research and wisdom from a colleague, Elaine Schneider.

Elaine is a marketing and management consultant, author and speaker. Her focus is helping small businesses **grow** and prosper through wise marketing.

Marketing, as I see it, is much more than we often think of it. In brief, it's **your whole business seen through the eyes of your clients or customers.**

And this leadership letter is a brief and useful article by Elaine ...

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... it **also** explains what **does** work.

I hope you enjoy it as much as I did.

Don't forget that this and all past **Leadership Letters** can be found on our website at www.henseyassociates.com.

Best wishes,

Mel

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Why Sales-Driven Businesses Don't Work

By Elaine Schneider

“The aim of marketing is to understand your customers so well your product sells itself.” —Peter Drucker

I've never been able to figure out why businesses don't talk to customers. Recently, I conducted a phone survey to see if executives of small and mid-size companies were doing a better job of this. Turns out they aren't. Only a few had a reliable process in place for touching bases with senior level customers. This lack of an ongoing process for gathering customer intelligence is the hallmark of a telling and selling, sales-driven business. A marketing-driven business, in contrast, seeks first to understand rather than to be understood. A key reason is to forge a partnership with senior level customers in order to identify sources of more profitable business.

Growth vs. Profit

While it's true that one-way promotional strategies aimed at senior level customers can lead to new business opportunities, two-way communication strategies have an added benefit. A collaborative relationship leads to product enhancements that solve the limitations of current product or service offerings. This is one of the reasons why traditional promotional activities generate business, but don't lead to the kind of new or improved product enhancements that ensure profitable growth.

Unfortunately, all too often suppliers in sales-driven businesses believe that they are in the best position to improve on a current product or service, but it actually makes perfect sense that customers have a better handle on how to improve an offering. Like the supplier, they can see the limitations of a product or service. Unlike the supplier, customers have direct experience with how well a product or service offering addresses a 'pain' or improvement issue. They also understand how it fits inside their organization. And, unlike suppliers, they spend no energy convincing anyone of the value of a particular offering.

Consequently, customers are absolutely ruthless in finding a better solution. In addition, they are usually privy to what the market offers as a whole. In short, they are in the best position to develop alternative approaches. If that isn't convincing enough, product development expert, Dr. Robert Cooper, has conducted extensive research on why certain products gain market acceptance and why most fail. In his book, [Winning at New Products](#), he makes a compelling case for why market success is clearly linked to customer involvement in the design.

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Starting Point

Of course, the nature of your business and how mission-critical your product or service is to your customer does dictate the type of interaction you can create. Certainly if you are selling widgets, or anything that is not designed to solve a key 'pain' in your customers business, it is highly unlikely that you will be presenting monthly status updates to senior level customers.

It's also important to understand that, although the design of a survey is important, the ability to get good intelligence from phone surveys rests with the individual doing the survey. Getting good information from open-ended survey questions is both an art and a science. It requires someone who has good interpersonal skills, high business literacy and asks astute follow on questions. Someone who is really effective can also expect to develop as many as five new business opportunities per twenty-seven contacts (if there is due diligence in selecting who will be contacted).

Transforming Intelligence

Even simple surveys can provide an organization with the information they need. A university-based management development firm believed large companies in the public and private sector would be willing to invest in a customized management development program for all levels of management. However, they had no experience beyond providing a series of 'one size fits all' public seminars to supervisors and mid-level managers.

It was decided a customer satisfaction phone survey to all mid-level managers who attended one of their public seminars might be a useful lead system for uncovering opportunities to sell their concept to companies. While conducting the phone surveys, I quickly discovered if respondents identified a key unaddressed challenge in their organization, they readily agreed to set up a meeting that included the leader of their organization. This approach was the key to acquiring contracts and it enabled the university-based management development firm to double revenue within two years.

Several years after we began doing surveys, we uncovered organizations that wanted to co-create a virtual corporate university program. This consisted of groups of about 30 executives or mid-level managers invited by their organization to participate in a year-long off-site educational program. Since it was highly profitable, it enabled us to eliminate low profit offerings. In short, we moved from sales-driven to marketing-driven by engaging customers. This led to better decision-making, the elimination of low margin business and new, more profitable management development products.

Here are some sample types of surveys and some typical results:

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Overview of Survey Types and Results

| <u>Type of Survey</u> | <u>Typical Results</u> |
|---|---|
| <i>Customer Satisfaction Survey</i> (Senior level customer: 1-1 or phone) Structured interview format: Key challenge/improvement issues | Superior lead system New business opportunities Sources of funding for new products Answer to 'need to know' questions Price/performance Referrals |
| <i>Monthly Status Review</i> (Senior level customer team: 1-1 or phone) Collaborative agenda: Increase visibility/deepen relationship | Clarify goals Demonstrate (improve) results Learn new information about customers Clarify concerns and challenges Identify new business opportunities |
| <i>Lost Sales Analysis</i> (Decision-maker: phone) Structured interview format: Competitors' strategies/improve sales results | Competitors' positioning Reasons competitor was selected Price/performance Missing element(s) of all proposals Unique strength of your product |

The Profit Mind-Set

Many marketing executives have discovered that website optimization and other direct marketing tactics frequently have a dismal record as a mechanism for turning prospects into customers. In contrast, a collaborative marketing-driven approach to executive-level customers is more effective in developing business, creating profitable new and improved service offerings and collecting the type of intelligence that improves overall decision-making. This illustrates that every decision, and every activity, needs to be motivated by the goal of profitable growth – not just growth.

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