



# Communiqué

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BY CARL CULLOTTA

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## ABOUT THIS ISSUE

In this issue of the **Client Communiqué**, we outline a proven systematic way to examine market share and exactly what actions are needed to grow your market share now. Our PPH formula will show you how to capture market share directly from your competitors. We also discuss simple but effective ways to immediately start generating FREE sales leads in your organization to drive new sales opportunities. Finally, we reveal a powerful strategic framework we call PTP. This tool helps suppliers uncover gaps that may be draining front end sales and/or after-market revenues.

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## Proven Formula Takes the Guess Work Out of Measuring Market Share for Manufacturers

ASK THE TYPICAL BUSINESS-TO-BUSINESS SALES/MARKETING EXECUTIVE FOR HIS/HER KEY METRIC—AND CHANCES ARE YOU WILL HEAR IT IS MARKET SHARE.

In reality, measurement of market share has historically been more a matter of art than science. Using industry or government data, relatively accurate measures of market share could be derived. While this measurement provided a bottom-line indicator of market position, it was rarely actionable. It told nothing about the effectiveness of individual strategies and tactics that delivered the market share.

Companies resisted applying hard measures because it was difficult to measure cause and effect. How could you isolate one marketing or sales initiative and attribute business success to it? The measurement of the components of market strategy effectiveness was largely avoided—effectiveness was assumed.

The current market environment does not allow for this traditional treatment of market share measurement. Most clients we work with are still resource constrained—so assuring effectiveness of their sales/marketing initiatives is imperative. Additionally, the recession has forced changes in most markets:

- Market contraction has made market share capture a requirement just to hold historical revenue levels
- The proven credibility of lower cost channel models

(for example, internet commerce) has changed the channel mix requirements to provide the manufacturer with optimal market coverage

- Customers have changed their buying patterns and brand decision behaviors, creating new requirements for the manufacturer hoping to win the sale

For companies struggling with the above, the issue is interpretation of market share. How can a market share measure be turned into action? Even for market leaders, this can be a source of frustration. Frank Lynn & Associates has used a proven market share management formula, the “PPH<sup>SM</sup> Formula” for over 20 years to help clients maximize the effectiveness of their sales/marketing initiatives. This framework has never been more relevant than it is today.

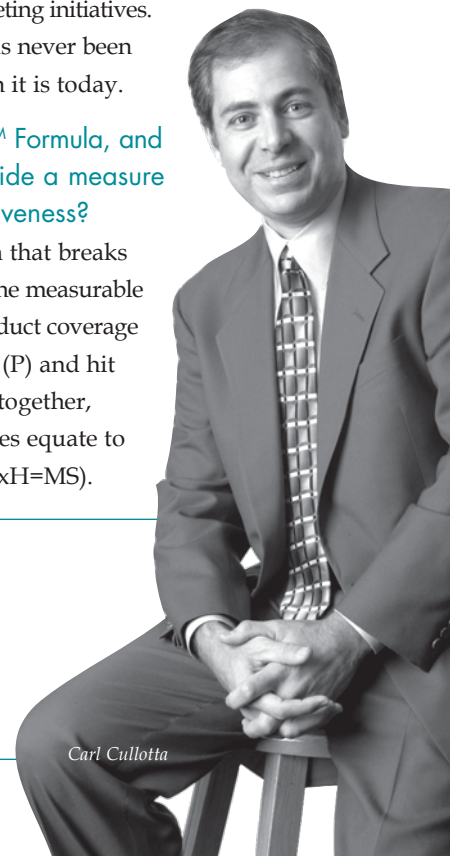
**What is the PPH<sup>SM</sup> Formula, and how does it provide a measure of strategy effectiveness?**

PPH<sup>SM</sup> is a formula that breaks market share into the measurable components of product coverage (P), sales presence (P) and hit rate (H). Factored together, these three variables equate to market share ( $P \times P \times H = MS$ ).

### PPH<sup>SM</sup> Formula



Carl Cullotta



By breaking your market share into these components, the formula acts as a diagnostic — it identifies the limiting factors to strategy effectiveness. Additionally, it provides insight into the types of sales/marketing initiatives likely to produce the greatest return in market share. And since it is a mathematical formula, the model provides a baseline from which to measure over time the cost/benefit to any actions the marketer may undertake to try to boost share.

## PPH<sup>SM</sup>—THE COMPONENTS

### What is Product Coverage?

From the customer's perspective, the first P (product) is a measure of the degree to which your product/service offering is considered a viable alternative. Assessing product coverage begins with understanding what the end user is buying—including physical product and the service/support provided around it.

Product coverage determines whether your offering is viable from a form/fit/function perspective. Does the product provide the desired outcomes in the customer's environment? Does your product line meet whatever hurdles exist relative to style/design, or features? Does your line provide an offering at the customer's desired price point? (Consider the "good/better/best" product positioning. Customers focused on a "best" offering will rarely consider a "good" product a viable alternative and vice versa. If your product is 15% to 20% higher or lower than the alternatives, it calls into question whether you have effective product coverage for that customer segment.)

Understanding your product coverage helps uncover potential investment decisions. If product coverage is low for a specific target segment, the manufacturer may be faced with a "make/buy"

decision to expand product line. And this make/buy decision may supersede any sales/marketing initiatives based on its potential impact on market share.

### What is Sales Presence?

The second P (presence) is a measure of how often the customer considers your offering at the time of making a purchase. Sales presence has several contributing factors:

- **GEOGRAPHY**— Do you have sales/channel presence within the typical shopping radius where brand/source decisions are made? If so, the customer with a preference for your brand can seek you out. Our experience suggests that customers are much less likely to seek a preferred brand if it means expanding the geography beyond that which they typically shop
- **CHANNEL**— Are you present in the preferred channel for your target customers? (If your customer typically shops at a specialty distributor and your brand is present in the mass merchant, it is unlikely you will have the opportunity to intercept that customer.) Frank Lynn & Associates' research with consumers, trade, and industrial customers shows that customers will purchase brands available in their preferred channel well over 70% of the time, and follow the brand to channels they don't typically source from less than 30% of the time. So presence in the channel your target customer prefers is a key component of sales presence
- **ACCOUNT**— If present in the geography and in the preferred channel, does your sales organization and/or channel partner have a relationship with the entire account? If there are multiple decision makers and influencers, does your current channel strategy provide coverage of these multiple departments or individuals. This is a critical factor in the current market as the economy has caused a shift in the relative influence across functions within the typical business customer
- **DECISION**— The elements of presence referenced above only provide the opportunity to be considered by the customer. Even if you have generated revenue with this account in the past, are you involved in the current purchase decision? Or is the account awarding business for which you are not allowed to compete? We often find that customers





source a secondary brand for security of supply or to keep the primary preferred source “honest” on price. The secondary brand is only occasionally considered for purchase by this customer

The assessment of presence presents a competing investment decision to the product coverage analysis. Does the “make/buy” decision to expand product provide the greatest potential share gain? Or should these resources be diverted to programs that boost channel coverage? Or pricing/programs to motivate the channel to assure you are in front of and being considered for purchase by your target customer more often?

### What is Hit Rate?

The final component H (hit rate) measures how often the sale is won when your brand is considered by the customer. It is a reflection of how well your overall value proposition beyond the product itself aligns to the decision variables used by your target customer. Hit rate is reflective of a variety of factors considered part of the traditional marketing mix — brand image, price variations and promotions, ease of doing business, product/service bundle, technical support, product availability, and the manufacturer’s and channel partner’s reputation. Understanding hit rate will allow for optimizing the mix of these traditional marketing variables.

### How Does the PPH<sup>SM</sup> Formula Help?

It allows the marketer to define strategy at an actionable level. Product management and R&D can gain insights from the product coverage

analysis. Sales and channel management can gain direction from the sales presence variable. And the marketing organization generates guidance to its resource allocation from the hit rate assessment. Finally, executive management is provided a quantitative analysis from which to assess the potential return associated with competing investments.

Apply the PPH<sup>SM</sup> Formula to assess the components of your market share. Start on a territory and/or market segment basis to define discrete changes. This approach will allow you to migrate from a “one-size-fits-all” strategy to an approach that aligns resource allocation to the purchasing behaviors of that target segment. The PPH<sup>SM</sup> framework will help you define how to achieve measurable improvement and provide an objective tool to measure your effectiveness during strategy implementation.

## SUMMARY

### Getting Started Using the PPH<sup>SM</sup> Formula

*Do you have an effective go-to-market strategy? Do you clearly understand how to create market share growth?*

*Bring this powerful market intelligence to your fall planning by taking advantage of our PPH<sup>SM</sup> Diagnostic Review. This review helps planning teams to properly apply PPH<sup>SM</sup> Formula. We will offer 10 manufacturers a complimentary three-hour PPH<sup>SM</sup> diagnostic at our offices in the Chicago area on a first come, first serve basis.*

*To get your name on the list, send an email to Carl Cullotta at [cpc@franklynn.com](mailto:cpc@franklynn.com) or Karl Edmunds at [kedmunds@franklynn.com](mailto:kedmunds@franklynn.com). For questions please call 312-558-4866.*

BY LARRY WHITE, PRESIDENT, INTERLYNX SYSTEMS

## 4 Proven Strategies to Start Generating Free Sales Leads

EVERY BUSINESS KNOWS THAT A GOOD SALES LEAD WILL NOT ONLY OPEN DOORS FOR YOUR DISTRIBUTORS BUT WILL ALSO GENERATE NEW BUSINESS.

**I**n today's tough economy, traditional lead generation approaches are not only expensive but often ineffective. The cost to generate a good lead using traditional promotion, such as advertising and trade shows, can be cost prohibitive and most don't show a positive ROI.

We work with clients every day to identify sales leads from "free" sources that are often overlooked by even the best companies. Here are a few proven ways to drive better sales leads.

### Stop the Leaks

Sales lead leakage is a common problem for most companies. Prospective and existing customers are "touching" your business through a variety of mediums already. For example, there are calls to your tech support team for product recommendations or calls to customer service requesting the name and contact information for your distributors. Are you capturing those calls? Web leads from your "contact us" and "distributor locator" are growing in importance, but customers often report that their inquiries are either unanswered or bounced around within your organization without a follow up. Finally, studies show that up to 80% of sales leads from trade shows and other traditional media are not followed up by your local distributor or sales rep.

By simply "plugging the leaks" in these examples, you will discover you have been generating a large number of high impact leads all along.

### Track Joint Call Results

When your outside sales team makes joint calls on prospects with your distributors, many do not follow up with the distributor after they leave the territory. After days spent "blitzing" prospective customers with their local distributor, nothing becomes of all the interest and quotes they drummed up on behalf of the distributor. Most companies cannot realistically measure how much business those joint calls generated and their sale productivity.

Requiring a formal metric on quotes generated from each joint call is essential to determining the effectiveness of this very expensive use of your companies' sales resources.

### Measure Trial Product Results

We consistently see cases where trial product/equipment is used as a door opener to crack a new account, but the tracking of the equipment is informal and haphazard. Many times, test equipment never gets installed and the outcomes are often unknown even when it is installed.

By tracking the status of the trial equipment, you can begin to better accelerate new sales where the equipment is installed.





### Mine Your POS and Drop Ship Data

Point of Sale (POS) data is one of the most under-utilized resources for digging up quality sales leads. POS data can be used to drive sales opportunities through the following techniques (if you don't collect POS data, consider mining your drop ship data instead):

- **CROSS SELLING** – leverage all product lines to each customer
- **TARGET MARKETING** – focus on driving a value proposition based upon details mined from the database
- **CORPORATE SELLING** – focus selling resources on target companies across all division and locations
- **SERVICE REMINDERS** – develop a formal follow-up process to protect aftermarket service and spare parts
- **NEW PRODUCT LAUNCHES** – identify high potential accounts for new products and new product upgrades
- **MARKET RESEARCH** – enhance your understanding of customer segments and better meet their needs with products and services
- **DOWN CUSTOMERS** – identify accounts that have slowed their purchase from you

All of these are “free” ways to drive sales leads that can be tapped immediately.

Once these leads are developed, it is critical to have a good lead management process. A good lead system is simple to use for both the manufacturer and distributor, and will let you get high-quality leads to the right distributor or rep in your sales organization within 24 hours and track the feedback on each. This will help you to drive new sales,



better distributor “mindshare”, and measure ROI on each lead generation initiative.

Frank Lynn & Associates has formalized a strategic partnership with Interlynx Systems. Interlynx assists manufacturers using indirect sales channels to drive new sales leads and to measure their impact through their Lynx Trakker lead management system. Frank Lynn & Associates has arranged for a special six-month trial program that allows you try their system without any further commitment.

#### SUMMARY

*To take advantage of the limited six-month trial program offered by Interlynx and learn more about their proven process for managing and tracking low cost leads, contact Karl Edmunds at [kedmunds@franklynn.com](mailto:kedmunds@franklynn.com) or call 312-558-4866.*



BY JEANNE FEC

## Is Your Channel Doing the Whole Job?

PUTTING YOUR CHANNEL UP AGAINST THE CUSTOMER BUYING PROCESS

**T**oo often manufacturers assume their traditional channels are meeting all the needs of the customer. That assumption, however, can often prove dangerous and create openings for competitors. To determine what customers really want, marketers need to examine the customer buying process from A to Z, or rather from the beginning to the end – and back again.

A framework we use for this purpose is called Presale, Transaction, Postsale (PTP). PTP is a valuable tool to uncover potential gaps that could be draining your initial sales potential or aftermarket revenue stream. We use this framework during channel strategy projects. Many of our clients also use it to challenge their sales or marketing teams.

Let's take a look at the PTP framework to see how customer buying behavior can identify gaps in channel performance.

### The Presale Phase

Reaching the customer as early as possible in the buying process is critical, especially for signing up new customers, or influencing formal product/bid specifications. Many customers don't think to contact the reseller early in the Presale Phase, and many resellers do a poor job of maintaining sufficient contact. This is particularly true for products that are infrequently purchased.

The key activities manufacturers need from their channels in the Presale Phase are:

- Calling patterns and processes that help channels to identify the start of the Presale Phase, and insert themselves into the decision-making process
- Relationships with purchase initiators and gate-keepers. Too often channels focus on users or purchasing agents. However, new decisions are often initiated by strategic planners, engineers, internal or external consultants, etc. Furthermore, final decisions might occur at senior, even executive management levels

- Selling capabilities to properly position the product/brand, conduct consultative selling where required, deflect competitors' claims, and cover the duration and geographic breadth of the decision-making process
- Technical support to handle any concerns of engineers, IT, or sophisticated users

These presales skills are a critical ticket to the next phase of the buying process.

### The Transaction Phase

At the end of the Presale Phase, customers often have a "short-list", rather than a final, single brand choice. As the decision point nears, customers weigh prices, freight and delivery costs, logistics concerns, payment terms, installation needs, etc.

Not all channels provide the same set of transaction phase support. Typically channels fragment along the lines of value-add vs. logistical capabilities. Value-added channels charge higher prices and carry a narrow set of products, but can specify, install, and support products at a high-level. Logistics-oriented channels offer a very broad range of products (e.g., "one-stop shopping"), quick delivery times, and lower prices.

As in the Presale Phase, manufacturers need to take steps to assure that their channels provide the right mix and level of transactional services that customers require.

### The Postsale/Aftermarket Phase

The first two phases of the buying framework address how channels intercept and close business. But it is just as important to understand whether channels take a proactive role in *keeping* customers loyal to the brand.

Channels sometimes assume that once a sale is made, they should focus on the next buyer. If a problem occurs, or a new sales opportunity arises, the channel may feel, "the customer will call me."

This strategy of aggressively waiting for the phone to ring may make some sense for routine purchases where the channel makes a "milk run" out to the customer on a set schedule.



## PTP Framework

### PRESALE PHASE

- > How do customers become aware of a purchase need?
- > What research do buyers conduct? Where?
- > What level of technical support is needed?
- > What are the key decision criteria?
- > Who are the key players – gatekeepers, decision-makers, etc?
- > What is the geographic scope of the decision process?
- > What is the timing of this phase?

### TRANSACTION PHASE

- > What are the customer's delivery requirements?
- > What is the customer's price sensitivity?
- > What are the customer's order processing, financing, and payment preferences?
- > What are the customer's installation/integration needs?
- > What are the customer's immediate training needs?

### POSTSALE, AFTERMARKET PHASE

- > What frequency, level, and type of account management is needed?
- > What type of warranty/repair/preventative maintenance follow up is optimal?
- > What type of planning, optimization, monitoring, or upgrade services might the customer need?
- > Does the account require service contract renewal reminders and purchase assistance?

However, in today's complex world, manufacturers often need channels that will:

- Proactively manage accounts – looking for new opportunities, suggesting areas for improvement, find new decision-makers, etc.
- Aggressively sell into the aftermarket – parts, service contract renewals, upgrades, cross-sales, etc.
- Offer complementary services – product or technology forecasts/roadmaps, outsourcing, preventative maintenance, etc.

The world of postsale account management is now much more sophisticated and complex. Channels that rely on traditional methods won't stay in their accounts much longer.

## Focus on Fit and Mix Gaps

### "FIT" GAPS – ARE EXISTING CHANNELS NOT DOING THE JOB?

Using the PTP framework, manufacturers must determine which customer-demanded activities, if any, their current channel fails to perform, or perform adequately. If these are moderately to high priority activities, the manufacturer must address these "fit" gaps. Options include additional channel training, adjusting compensation to favor channels that address the gap, performing the activity directly, or, most dramatically, bringing in a separate indirect channel to complement the existing channel. Training is the lowest risk, but probably lowest return option. The alternatives require careful planning, as they involve changes in how you pay the channel partners.

### "MIX" GAPS – IS IT TIME TO ADD NEW CHANNELS?

Sometimes the channel's skills are significantly misaligned with customers' needs. Usually this happens not because the channel is stupid or lazy, but rather because a new customer segment has emerged and the manufacturer assumed the traditional channel would adjust. However, channels have business models and customer "windows" that are extremely resistant to change.

Manufacturers need to rapidly recognize and adjust to changing customer needs or emerging customer segments. Typically, the best approach is to adjust the "mix" of channels – adding new channels, as needed. However, adding new channels raises significant questions, including positioning, pricing, margin management, channel conflict management, and possibly kicking out incumbent competitors. As with the "fit" gaps, closing the "mix" gaps requires research and planning.

## SUMMARY

*If channel partners are providing presale through postsale functions for high priority activities, your channel mix may be in good shape. However, if you sense or can explicitly identify gaps, then some serious channel strategy rethinking is needed.*

*Contact Frank Lynn & Associates for a free half-day meeting in our Chicago offices, or a team conference call to discuss any concerns!*

*Jeanne Fec is a Senior Principal in the firm, and specializes in customer segmentation and channel mix. Please contact Jeanne at 312-558-4820 or [jmfec@franklynn.com](mailto:jmfec@franklynn.com) to address any questions or comments you may have.*

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## SCHEDULE A STRATEGIC PLANNING CHANNEL STRATEGY SESSION

Join us for an introductory ½ day facilitated strategy session offered at our office by a Senior Principal of Frank Lynn & Associates.

To schedule: Call **Karl Edmunds** at 312-558-4866 or email [kedmunds@franklynn.com](mailto:kedmunds@franklynn.com)

## SPEAKING ENGAGEMENT SCHEDULE

Industrial Supply Association (ISA)  
Executive Development Retreat

**AUGUST 4-6, 2010**

Bob Ashby

National Association of Purchasing Management (NAPM)

**SEPTEMBER 14, 2010**

Bob Ashby

Manufacturer's Agents for the Food Service Industry (MAFSI)

**SEPTEMBER 22, 2010**

John Henderson and Bob Segal

Manufacturer's Agents for the Food Service Industry (MAFSI)

**SEPTEMBER 23, 2010**

John Henderson

Door and Hardware Institute (DHI)

**SEPTEMBER 23, 2010**

Bob Segal and Jeanne Fec

Professional Pricing Society (PPS)

European Conference

**NOVEMBER 17, 2010**

Stephen Martin

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CLIENT

# Communiqué

WORKSHOPS

## FRANK LYNN & ASSOCIATES EDUCATION & TRAINING

Developing solid strategies for growing your revenue and market share is critical before you can make decisions about your channel partners. An effective channel strategy can minimize channel conflicts and clarify pricing and discount issues. One of the best ways to learn about the latest thinking in implementing successful growth strategies is to attend one of the fall workshops offered by Frank Lynn & Associates.

### Strategic Issues in Distribution

**SEPTEMBER 29, 2010 + DECEMBER 8, 2010**

New routes to competitive advantage.

### Pricing Strategy: How to Design and Implement Effective Channel Pricing

**SEPTEMBER 30, 2010 + DECEMBER 9, 2010**

Realistic and workable approach to developing effective channel pricing strategies.

### Marketing Through Distribution Channels

**OCTOBER 20, 2010**

Using data-driven channel marketing to drive growth in sales and market share.

### Professional Sales Channel Management

**OCTOBER 21, 2010**

Using proven management tools, frameworks, and methods to prepare channel managers to drive sales and market share through indirect sales channels.

## REGISTER A TEAM AND SAVE 10%

The workshops listed above and a variety of other workshops can be customized to your company's specific needs and taught on-site!

ANNOUNCEMENTS

A