

MAXIMIZE RESULTS THROUGH MARKET SEGMENTATION

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By Eric Tejeda

OVERVIEW

You know it and we know it – there are never enough financial or human resources to do everything you want to do. So how do you use those limited resources to grow your business?

Every day, companies attempt to drive more business by broadening their markets. The thinking is: “More opportunity is always better.” And in this economy, anything that drives more business is good, right? After all, the economic slowdown has caused many *if not most* organizations to cut headcount and budgets. So when top salespeople identify a big opportunity – even if it’s outside core markets or delivery competencies – it’s difficult to ignore. The company needs the revenue, the sales people need the commissions, and any attempt to grow revenues is great – and so the thinking goes. So the decision is often to expand focus, pursue the opportunity and figure out the operational consequences later.

But the results often speak for themselves. It may not seem intuitive, but we propose doing just the opposite.

WHAT DO YOU DO WELL?

Everyone has strengths and weaknesses. Organizations are no different. Most get started with a simple product or service that fills a specific need and then, by focusing on customer needs and competitive reactions, transform that offering into a strength – a competitive advantage. Over time, though, the opportunity to expand into adjacent market or product segments leads to building out capabilities, resources and complexity.

For example, we know of an HR outsourcing company that started out processing payroll for small and mid-sized companies. Later, to grow revenue, they decided to compete on bigger opportunities with larger firms. *The problem is that every market has different requirements.*

With employees working long hours just to cover for the people who are no longer with the company, this is the time to get laser focused on what you do well – in terms of product/service quality, customer satisfaction, and profitability – and not stray from that.

By focusing on what you do best as an organization and where you win the most deals in the market place, you will be able to:

- simplify product development decisions,
- focus your financial and personnel resources,
- strengthen market positioning,
- drive sales closing rates up,
- enhance employee satisfaction, and
- improve customer satisfaction and loyalty.

And at the end of the day, customer loyalty has been proven to be the metric most closely correlated with long-term growth and profitability.

In this situation, their larger clients had numerous subsidiaries and operated in multiple countries. They needed payroll to be processed on a business unit level and reports rolled up at a corporate level. They also needed the ability to manage payroll in foreign currencies. Very quickly, this firm ran into tasks and processes that exceeded their expertise. They tried hiring and process solutions, but still found themselves making mistakes which frustrated customers and damaged their market reputation.

Unique market requirements impact every area of your business. Maintaining a conscious focus on what you do well – and what you don’t do well – will help ensure short-term profitability and long-term reputation.

WHERE DO YOU WIN?

This same HR outsourcing firm had an overall sales win rate of 15% and an average sales cycle of 6 months. Much time, effort and money was being expended on deals that ultimately did not happen.

“There is nothing more useless than doing well that which should not be done at all.”

Peter Drucker

As we analyzed the win/loss reports, we quickly realized that win rate was significantly higher in the middle market and almost non-existent in the large market. We also saw that the sales cycle in the middle market was 3 months on average compared to 12 months in the large market.

With that data, our recommendation was simple: focus the sales team on where they can win a higher percentage of deals faster – in the middle market.

Not surprisingly, this market segment coincided with where the business had a great reputation for service delivery. Sales people win when they have a great solution for a market need. They sell more aggressively when they’re confident of that solution. They sell more knowledgeably when they focus on a narrow market segment and product set. And they sell more effectively by using product and competitive knowledge to communicate a superior value proposition to customers and prospects – all of which drives win rates even higher.

The result? Win rates increased from 15% to 65%. Sales people were motivated and excited, and profits improved due to sales volume *and* the ability to decline requests for low-margin and unprofitable services.

IS YOUR MARKET POSITIONING STRONG?

With a focus on who you serve and how your strengths provide a unique and compelling solution to their needs, you can build a defensible competitive positioning into your sales and marketing collateral. It should always be specific to the needs of an industry or market segment. By citing specific market needs and a relevant, compelling value proposition, you will drive win rates up – prospects have more confidence in buying products and services from providers who understand their unique business issues.

It may also be more cost effective to build a name for yourself if you focus marketing spending in industry specific trade journals and trade shows. Lead generation campaigns should be targeted at the same target market as well. As you focus your marketing message, your advertising, demand generation and sales people on the same segment, you will build both brand awareness and a stronger market position.

Summary

If you’re feeling the pain of lackluster results, organizational distraction and discontent, consider whether you are spread too thin due to lack of focus on a core, profitable market segment. If so, a solid evaluation of what you do best and who you are best equipped to serve could help you invest in and allocate resources to maximize current and long-term results.

“We say ‘no’ to good ideas every day. Every product our company makes would fit on a single conference table. And we had revenues last year of \$40 billion.”

**- Tim Cook
Apple**

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