

What's Driving Your Sales Coverage Strategy?

By Ken Evans

A well-thought-out coverage strategy is often overlooked as a competitive advantage. But forward-thinking CSOs know that it is the foundation for effectively supporting their customers, adding value, and improving the company's bottom line. A successful strategy for how your selling organization covers your customers is solid and resilient, able to withstand changes in customer preferences, product lines, and economic conditions.

Critical Path Strategies developed a research-based framework to help our clients think about their sales organization. Known as the Chief Sales Officer Agenda, it lays out five levels of investment CSOs must consider as they develop and design their go-to-market strategy, specifically their selling strategy.

As indicated in the graphic below, the foundation for any selling organization is the coverage strategy. Get it right and the rest of the dynamics become clear. Get it wrong and it is a recipe for chaos and dysfunction.

To develop a coverage strategy, we recommend sales executives consider the following five fundamentals:

- **Competition** – Assess the competitive landscape and go-to-market strategy of your competitors.
 - How is your competition selling?
 - How do their offerings compare with yours?
 - What adjustments do you need to make to surpass them or find a unique direction or niche?
 - What does SWOT analysis indicate about your comparative performance to rivals or win/loss rates and market share?
- **Segmentation** – Identify meaningful customer groups, vertical markets, and tailored strategies based on how you are going to position yourself relative to the competition.
 - What are logical segments based on your selection criteria? Are they worth pursuing?
 - Which groups are most profitable or have the greatest potential for growth?
 - How might your selling organization accommodate their needs?
 - What groups will the selling organization target and with whose resources?



CPS Chief Sales Officer (CSO) Agenda Model



Some of our clients have recently reexamined their coverage strategy, resulting in new salespeople covering new buyers in new places:

- New, advanced drilling and production technologies have created opportunities in previously untapped natural gas shale deposits in the U.S.
- As domestic offshore drilling has waned in the wake of the BP disaster, the challenges of tapping Brazil's new offshore fields, located beneath 6,000 feet of water and salt beds, has spawned resurgence in oil boom-related industries.
- With gold and other metals at record prices, the mining market is the fastest-growing and most profitable segment for heavy equipment manufacturers. These mines are operated in some of the most remote places in the world.
- China currently produces approximately 2.3 billion tons of coal per year, and is planning to increase this to 3.3 billion tons over the next few years. Opportunities abound in coal mine safety products and services, coal seam methane power, and ultra-clean coal technologies.

- **Value Recognition** – Understand how and why each of your customer segments buys to create value for them.
 - How do you create value for your customers?
 - What are your customers' buying criteria?
 - What is their chosen buying channel?
 - How can you align your organization to create profitable results?
- **Branding** – Customize and leverage your market messaging for each of your customer segments.
 - How must you position your market offerings so that they occupy a clear, distinctive, and desirable place relative to competing products in the minds of your target consumers?
 - How do your sales channels need to represent your brand?
- **Channels and Organization** – Determine how best to deploy your selling resources.
 - What is your selected channel configuration?
 - How is it organized for performance?
 - Are you thinking in terms of channel differentiation? You can gain a competitive advantage through the way you design your channel's coverage, expertise, and performance. For example, Caterpillar's success in the construction-equipment industry is based on superior channels. Its worldwide dealer network is renowned for its first-rate local service. It is complemented with a global CAT-deployed segment-focused marketing organization.

You'll see a good coverage strategy begin to take shape by aligning these elements into a coherent, customer-facing direction based on value for your customer and your company.

What's driving your sales coverage strategy?

But here's the rub. You're not done. Markets change—rapidly. Continuing to modify your coverage strategy in a thoughtful, fact-based fashion is essential.

We developed the CSO Agenda in 2002. It remains an efficient and effective tool, even as the cheese continues to move for our clients. Here are a few examples of game changers that spurred our clients to reexamine their coverage strategy:

Speed

- **Life cycle compression** – Historically, product life cycles were three to five years. Today, they can be six months to a year. Information intensity, technology demands, and increasing customer expectations have combined to significantly impact the selling environment. Responsiveness is critical. The need for salespeople to communicate in real time with their customers, their companies, and their sales team is ever increasing.

The following factors signal the need for a coverage strategy review:

INTERNAL DRIVERS

- New executive team
- Significant merger
- Turnover in the customer-facing team
- Channel conflict
- Financial re-engineering

EXTERNAL DRIVERS

- Rapid market shift in technology
 - Escalating competitive losses
 - New competitors
 - Evaporating margins
 - New market entry opportunity
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ABOUT CPS. Critical Path Strategies helps clients improve the effectiveness of their sales organization. Our portfolio of services addresses the strategic, organizational, and relationship issues that impact selling performance. Our powerful processes enable clients to transform their sales culture, enhance their competitive position, and accomplish strategic business initiatives. Our clients—emerging companies and members of the Fortune 500 alike—typically measure 100 to 500 times their CPS investment in revenue growth.



Market

- **Access to information** – With the Internet, your customers and competitors now know more about you than many of your salespeople do. On a 24/7 basis, they can access business information, challenge standard practices, and demand changes to the design and delivery of products and services. While more businesses can reach customers more easily and in more ways than ever before, this also gives customers enormous power to vet prices, offerings and value provided by vendors. The result is that customers have become much better at managing procurement of products and services.

Geography

- **Increased globalization** – When it comes to business, the world is shrinking. As the world economy becomes increasingly integrated and globalized, companies are looking to develop more revenue opportunities in global markets. At the same time, technology and globalization provide extensive visibility of products and services, allowing new competitors to join the fray every day.
- **BRIC** – Brazil, Russia, India, and China have emerged as new global engines. They are collectively perceived as the economic bloc behind the shift in global economic power away from the developed G7 economies towards the developing world. They are smart, aggressive, nurtured by their governments, and are now leveraging resources to create new sources of value.

Economy

- **Planning horizons and ROI time frames** – The buying cycle has virtually collapsed into ever-shorter periods. Management thinks in terms of quarterly results. Every investment is scrutinized and measured for value impact. Value life cycles are measured in months, not years.
- **Selling to Procurement** – In the last decade, companies have shifted power to their procurement organizations to better manage their costs in tough economic times. Salespeople who traditionally sold their products or services to operations or line-of-business executives have discovered that their clients' procurement organizations have taken a prominent role in the buying process. Today, procurement is keenly involved in cost cutting, capex, significant solution purchases, outsourcing, and alliance arrangements.
- **Cash is king** – Cash flow has taken on heightened importance in this unpredictable and precarious economic climate. Cash has never been more coveted and conserved. Sellers may have a terrific ROI, but if it doesn't result in positive cash flow quickly the selling may not be over.

As much as you would like to cover your market consistently year to year, market dynamics dictate that you revisit your coverage strategy much more often, and be willing to try new approaches to organizing and deploying your selling resources. Rethinking your sales coverage strategy and ensuring that it is a customer-focused approach ensures the best outcomes with your customers and is a powerful differentiator for you.

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