

Developing an Effective Coverage Strategy

by Ken Evans



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

Internal Drivers

- New executive team
- Significant merger
- Too much turnover in the "customer facing" team
- Channel conflict

External Drivers

- Rapid market shift in technology
- Escalating competitive losses
- New competitors
- Evaporating margins

Every company recognizes that a well thought out coverage strategy is the foundation for effectively supporting their customers. In fact, there is solid evidence that this should be one of the first strategic decisions a firm makes as well as recognizing that these plans cannot be static. When something in your coverage strategy is not working as well as planned, your existing strategy may need a thorough review. What drives a company to initiate such a review?

Even when companies recognize and attempt to address the internal or external drivers that impact the coverage model, a far more critical impetus may demand their attention. The loyalty or defection of our most profitable and valuable customers is considered by many to be the most important reason to reassess a coverage strategy.

Customer Value Segmentation. Keki R. Bhote, in his book Beyond Customer Satisfaction to Customer Loyalty, says the key to prosperity is to line up the resources of the firm on its most important customers. Many companies are doing just that as they review their coverage strategies and focus on Account Management Execution. Bhote refers to the consulting firm A.T. Kearney and the model they use to help clients discover those customers that would really like to serve for life.

If an organization can segment its customers, it is possible to better understand the mandatory services that will deliver the most value. Some services on the existing menu may have little value to some customer sets and may be wasted. When that is the case, a company is simply not getting recognizable value. Even worse, resources have been applied and the expectations of the most important customers have not been met. Segmentation that is based on the needs of the customers a company wants for life is grounded in a commitment to deliver recognizable value.

A.T. Kearney's "metal" analogy model describes a clear customer value segmentation philosophy and strategy.

- **Platinum.** These customers are very profitable for us. We win. They win. We want to weld ourselves together. We are developing strategic alliances with them and will merge our business processes together to create more value.
- **Gold.** This customer set is also very important. Strategic alliances may not be practical or affordable at the current time, but it is a powerful and rewarding today and could be even better in the future.
- **Silver.** This customer set is where we can begin to make more progress if we differentiate our services.
- **Bronze.** This is the slippery slope. Bhote refers to research that says that 60% to 75 % of these customers cover the firms fixed and variable expenses. This may be the area that is in need of the most review.
- **Tin.** These customers are not necessarily bad, but they do not pay us what we think they should. They kill us by draining resources and energy from our service portfolio and perhaps should be someone else's customer.



How do my competitors approach the 'precious metal' customers? After you have identified the precious metal customers, knowing your competitors' coverage strategy and tactics for those customers can provide valuable insights. Two ways to uncover your competitors' strategy are through benchmarking and research.

Benchmarking. What do my competitors do to cover their "precious metal customers?" What might they do to try and win my precious metal customers? What do other non-competitive companies do to cover their most important customers? Look at what your competitors and others in the industry are doing. Is your company's coverage strategy comparable? Better? Need improving?

Research. There is substantial secondary research data about competitors on the Web. Some companies go a step further and hire market research firms that can rapidly articulate your competitors best practices. The best research, however, is with your best clients.

Is my branding campaign effective? Are my channels effective? Companies that are more "marketing oriented" make greater use of Branding and Channels as avenues to reach the precious metal customers.

Branding. The fundamental element in branding is a base understanding about what your company stands for in the marketplace. This is not necessarily what we hope we stand for, but what "IS." If you are not sending the right message to your customers, you may need to decide if you should invest in branding campaigns for selected markets or even on a customer-by-customer basis.

Channels. Channels discussions are some of the most exciting discussions you will hear in the coffee shop shared by the sales department and the marketing department. The selection and deployment of internal or external resources to provide the most appropriate access to your existing or potential customers is one of the most critically important decisions made by selling executives. The focus should not be on the bronze and tin customer coverage as it so often is. The focus should be on the precious metal customers and their needs. After you take care of "precious metal," then talk about what you can afford for those bronze and tin customers.

Summary. When a company reviews its coverage strategy, the level of inspection should be consistent with the level of concern that something is not working well. Take the first step by segmenting your customers as to the rewards they can provide for your company. After you identify your *precious metal customers*, determine (1) how you measure up to your competitors for their business, (2) if your company's branding is sending the right message, and (3) if you are using the right channels to reach those customers. Identifying these key elements of your coverage strategy will help you to uncover gaps that may exist. Knowing where the gaps are in your coverage strategy will allow you to effectively plan for a higher level of account management execution.

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