



Using your Major Pillars to fulfill your Business Sales Potential

By Maya Ravia

The social environment we live in is composed to a large extent of the so-called “instant generation”, which is constantly changing at an unrestrained speed.

Although sophisticated businesses invest a significant share of their resources in trying to keep up with this pace, many of them still fall into the trap of overinvestment and client abandonment. So where are they going wrong?

The most common problem is that the majority of these organizations have a narrow view of their customer base. Think of the simplest service – if a customer won't tell the waitress his order, the

chances of him receiving what he wants are slim, and the same applies to all areas of life. So why isn't this a key component in all aspects of sales and marketing?

When it comes to more complex services, why do many organizations fail to utilize their most valuable and readily available resource, the customer's voice?

Let's take the example of a well-known bank, which invested a large amount of money in upgrading the user interface of its ATM system. The goal was to increase the income generated at the ATMs, while fulfilling the customer value potential.

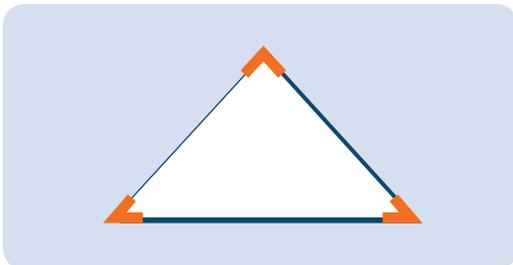
However, an analysis showed that the system interface in the equipment was only moderately important to the customers. To be more precise, they placed a much greater significance (50 percent more) on having enough ATMs readily available to them and on how easily they could get access to cash, rather than on the design of the software interface itself. As a result, the bank did not increase its income as expected and also did not improve customer satisfaction.

Another example is that of a major communications company. The company executed an expensive crossorganizational project with the aim of improving customer satisfaction and increasing retention. The project focused on reducing the waiting time for services. After implementation, the company realized that, despite significantly reducing the waiting times, there has been no improvement reported in customer satisfaction. The clients were more concerned about the service they received, looking for a single point of contact and receiving a full response in the initial contact.

While investigating ways to eliminate the investments that are of little consequence and finance the ones that will thrive and extract customer's potential, Tefen has developed its **Triple V** methodology.

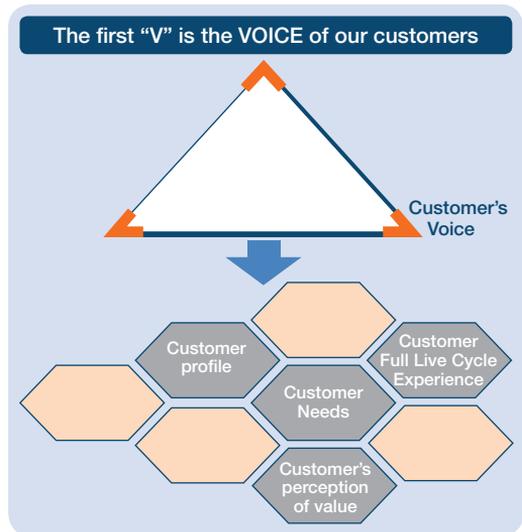
This triple V methodology aims to map the gap between you and your customers, revealing opportunities of which you were not aware before and enabling you to **win your customer's loyalty and gain profit & market share.**

In order to understand this methodology let's illustrate it...



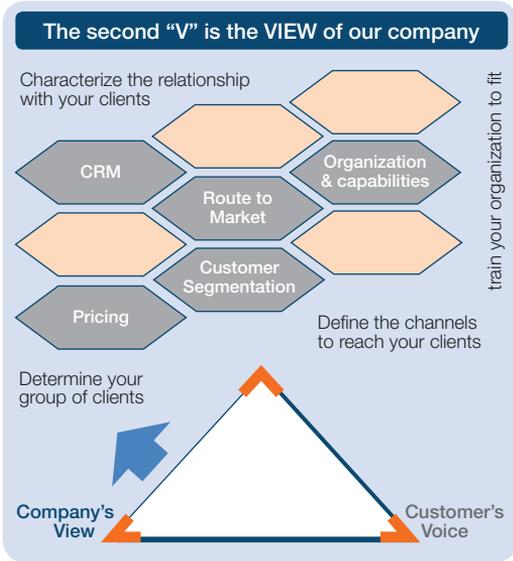
The first step is to map your business potential – formatting your business arena by understanding the market potential, locating future growth engines and analyzing the business case (products, customers, competition map and market potential).

Once the “arena” is drawn and understood, we need to position its main pillars:



The customer voice must be the cornerstone of any company strategy. Winning this first “V” requires meticulous customer experience and an in-depth needs analysis, to gain both strategic and tactical information. This refers not only to customer preferences, but also to behavioral and consumption characteristics – prioritizing key drivers of attitudinal and behavioral customer loyalty, and estimating the financial potential. All this data is then molded into customer profiles, which serve as an integrated and powerful base for defining the tailored strategy of that organization. The objective is that this then helps sustained achievement of business objectives and profitable customer relationships.

We believe that this solid foundation minimizes overinvestment and maximizes the fulfillment of potential, and should therefore form the basic underlying platform for supporting decisions.



After understanding the market's needs and the key drivers, it is now time to construct an offer that will answer those needs. This offer is of course the end product or service we offer our clients, yet it also involves a web of decisions, definitions and operations for its execution, and its ability to reach the market along the most profitable and widest route.

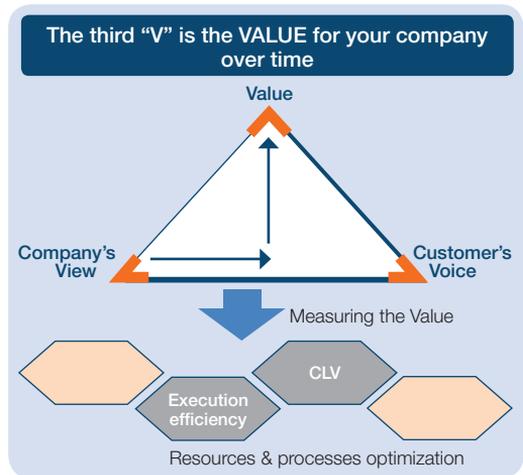
Defining this “web” starts with customer segmentation – examining the data collected and deciding the best way to group your customers. Ask yourself which elements are most valuable to your organization and which are the best principles for the grouping.

Once we have established our client segments, construction continues – decisions need to be reached for all the associated aspects, such as pricing, marketing & sales channels, customer relationship management and new product launches.

Many companies struggle with these decisions, and are forced to make them on a frequent basis because of their failure to grow and then profit from this growth. The main reason is that they base their decisions on feelings and perceptions, rather than on relevant in-depth data analysis.

The offer should be built in layers, with close attention paid to ensure that each layer forms a strong fundamental base for the next layer. As mentioned before, the data always refers to the “voice” you have mapped and to a thorough economic analysis of each set of alternatives.

The definition of our company's view can be compared to the tailoring process for a fitted suit – we are using the fabrics we have – our core products and strategy - to finetune a solution which perfectly fits our customers.



Narrowing the territory between you and your customers will necessarily increase your company's value.

In order to optimize this “value”, an ongoing process of measurement and tracking is needed, helping the company to record any overinvestment and constantly assess its value offering to the customers. This is a tool used to identify opportunities for growth and any points of failure, with the overall aim of exploiting the potential to its full.

Failing to reach your profit potential doesn't necessarily mean your perception is wrong. Many companies head in the right direction, yet fail to implement the theory, and then fail to understand the valuable details which are hidden in the big data retrieved.

Driving value to its full potential involves two key components. The first of these is the CLV (customer life cycle value) – measurement of the entire customer lifecycle throughout its duration, examined on an individual customer or against each segment. This is a set of measurements taken over time to fully understand how your customer lifecycle works, and to learn ways for improvement and enhanced profitability. The second component is execution efficiency – valuing the effectiveness and resource extraction in your organization.

Both aspects trigger an extensive gap analysis, which helps us to understand the reasons for the gaps, and focus on the areas in need of improvement. These are the areas in which companies have a good chance of bridging the gap, increasing their revenue and winning customer loyalty.

As you can see, the Triple V methodology starts with a basic foundation but each aspect of it needs to be implemented on a step-by-step basis if we are to integrate all key parts, overcome individual complexities and thereby maximize business potential. Tefen provides a detailed methodology for each of these steps.

The starting point is to identify the soft spots, together with our client, and to pinpoint which steps are required in order to fulfill the client's business goals.

Case study

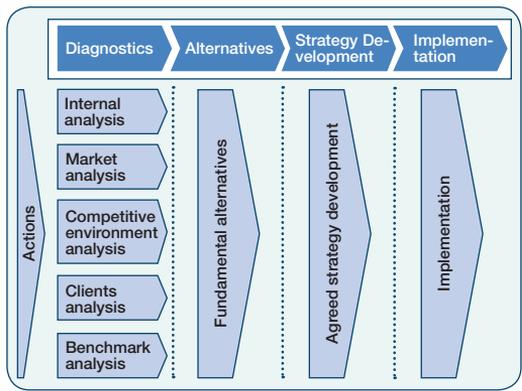
Let us now take a look at a case study of this approach and see how Tefen has implemented the triple V methodology, with an emphasis on RTM methodology, and a major focus on the “view” of the company concerned.

This project was executed for a company which manufactures and markets beverages in the Eastern European markets.

The company has been operating for many years in the Romanian market and distributes beverages to the retail chains, retail stores, bars and restaurants, through external distributors and branches that are engaged in sales and

distribution activity. During the last few years there has been a steep decline in profitability and in the company's market share.

The project goal was to achieve an increase in revenue and profitability by establishing the RTM strategy at the company. To do so, Tefen implemented the Triple V methodology, which included defining customer segmentation, based on the needs and purchasing behavior; designing a sales and distribution model which fulfills each segment's potential to a maximum and optimizing the sales and logistics mechanism.



Project Steps

The main challenges

- Recognizing and understanding customer needs and the channels required for mapping, plus a thorough analysis of the existing activity amongst tens of thousands of active customers. More than half of these customers only had contact to the producing company via an external broker and therefore no direct channel of communication. Six thousand surveys were distributed and answered by the customers, visits made to one hundred and fifty points of sale and observations and interviews were conducted with the distributors and sales managers – all with the aim of understanding patterns, restrictions, purchase behavior and potential growth drivers within each type of store
- Identifying the ways in which the organization can stay competitive and increase its profits

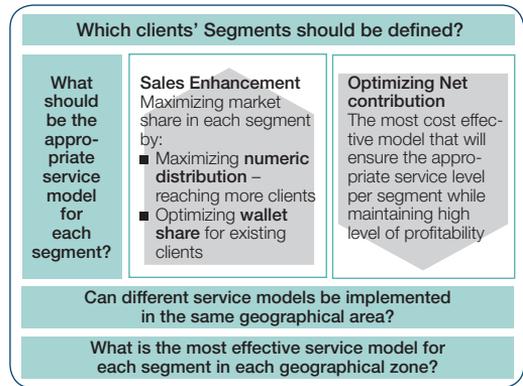
under the regulatory limitations and the obligation to meet the quality and service measures in the European market. The aim is to prevent loss of market share to small players who can sell at lower prices due to their failure to meet the same strict standards

- Implementing a radical change in the company's sales DNA and in its basic assumptions on how to reach the market. This involved waiving the customary method of direct sales through the branches and developing a model of business partnership, covering external distribution services combined with visits to the points of sale by the company's sales force, and transfer to work in collaboration, while sharing and reflecting data and systems – this allows the company to become more efficient and profitable while increasing its clientele
- Complex calculation of costs and allocations of the cost to serve, producing models that predict the changes in the sales and in the relevant costs, in accordance with the concept of the RTM examined

Methodology

- Voice – Customer specification and segmentation by understanding the following:
 - Customer needs – derived from structured surveys and analyses conducted amongst thousands of customers with a wide geographical spread
 - Purchase behavior – derived from system-based data and interviews with shop owners, trade managers, distributors, etc.
 - Products and services required – raised from dozens of observations at the points of sale
- Value – Examine and measure the service model effectiveness per segment in two parameters:
 - Impact on sales – identify the potential for increase at a number of points of sale or wallet share
 - Impact on costs – examine the theoretical impact of each service model
 - Examine the geographic impact and the changing nature of activities between the territories

The four main issues examined while assessing the distributing alternatives were as follows:



Outputs

- The output of the project was the “view” – the structuring of the company's offer
- Design a new map of customers that includes a division into segments and sub-segments, based on the customer needs and potential
 - Define the optimal activity format and service model for each segment and geographic area – ensuring fulfillment of the sales potential alongside operational optimization
 - Construct an operating model for the branches and define goals and processes
 - Transfer some of the activities to a model that combines distribution and sales with an external business partner – while building the core capabilities for monitoring and supervising the partners' activities and end-point performance
 - P&L pro forma with an income and expenses forecast, during the transfer to the new activity model and once it is completed
 - Detailed implementation plan that includes all the tools, organizational capabilities and processes required to execute the transfer

Implementation of the recommended distribution system is expected to increase the company's sales and market share by more than 15%, while also decreasing costs, compared to the existing system. The next step for the company is to return to the “value” and once again measure the fulfillment of customer potential and the exhaustion of their resources.

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