

The 21st Annual ISBM Members Meeting Summary

Linking Marketing and Sales for Growth and Greater Profit...

**August 26 - 27, 2004
State College, Pennsylvania**

Presentations:

- **Fred Wiersema**, *Customer Strategy Group*, “Sales/Marketing Synergy”
- **Nate Jackson**, *Parker Hannifin*, “Tales from the Battlefield”
- **Jan Economy**, *Sprint Business Solutions*, “Can the Sales Force Embrace Segmentation?”
- **Mitch Merker**, *Approved Publications & Learning*, “Buyer-Approved Communications”
- **Craig D. Wilson**, *International Paper* and **Joseph H. Zale**, *Strategic Pricing Group* “Value as the Missing Link”

(list continued)

Presentations (continued):

- **Robert D. Smith**, *Eastman Chemical Company*, “Building Alignment Between Business Management and Sales”
- **Wes Johnston**, *Center for Business and Industrial Marketing*, “Educational Approaches to Integrating Sales and Marketing”
- **Hal O. Jones**, *Roosevelt Thomas Consulting & Training*, “Leveraging Multiple Perspectives”
- **James C. Anderson**, *Northwestern University*, “Most Value Propositions Aren’t”
- **R. Daniel Bagley**, *Kennametal*, “Marketing for Execution”
- **M. H. “Mac” McIntosh**, *Mac McIntosh Incorporated*, “Wish Lists”



Keynote Address:

Sales/Marketing Synergy: *Where Do We Go Next?*

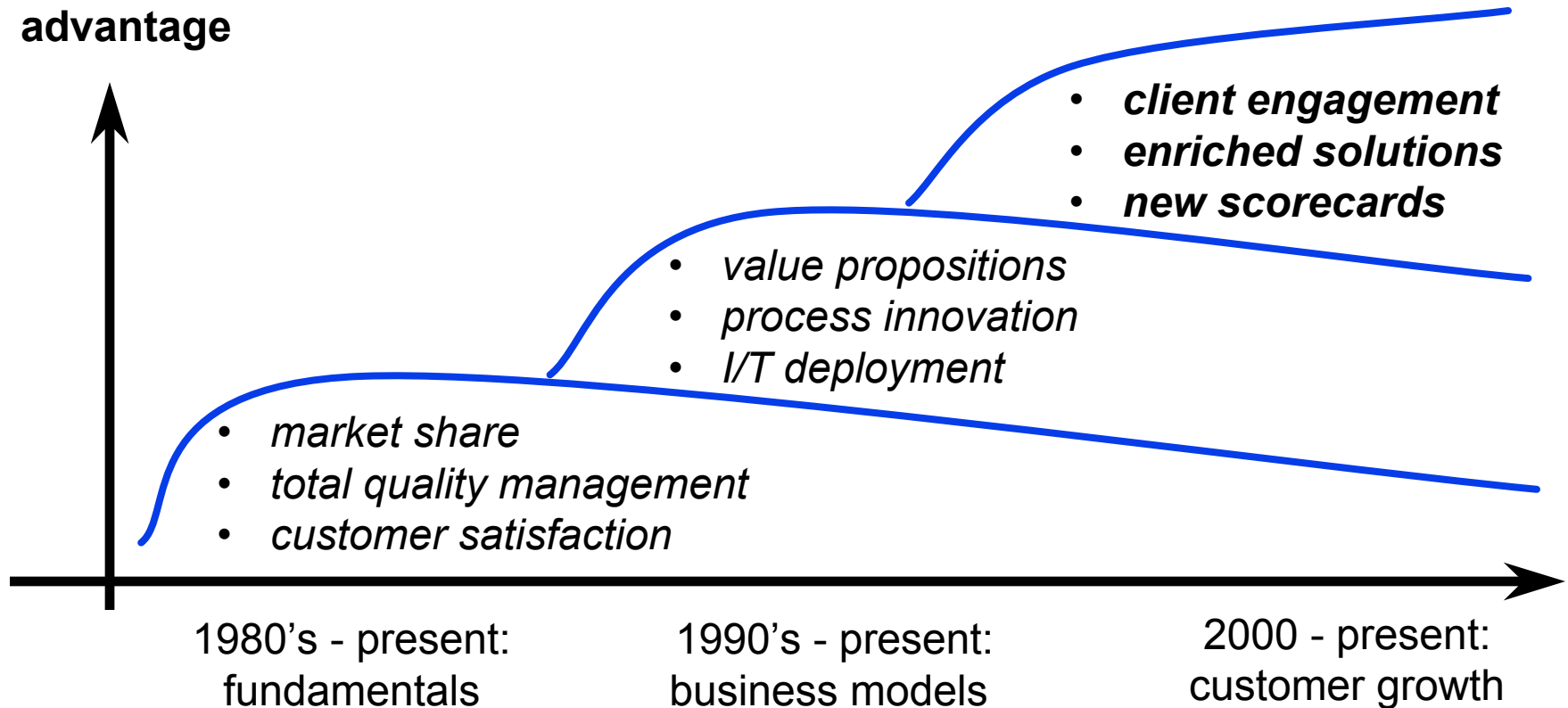
Fred Wiersema
Founder & President
Customer Strategy Group LLC
fdw@wiersema.com

Author of suggested readings:

- *The New Market Leaders* (New York:Touchstone Books, 2002)
- *Customer Intimacy* (London, U.K.:Profile Books, 1996)
- *The Discipline of Market Leaders* (New York:Perseus Book Group, 1995)
co-authored with Michael Treacy

The context for sales and marketing changes over time ...

marketplace
advantage



... requiring learning customers' *real* decision drivers

"Best total cost"	"Best product"	"Best complete solution"
<p>Stretch customers ...</p> <ul style="list-style-type: none"> • aim for zero defects, zero delays, and zero waste <p>Core customers ...</p> <ul style="list-style-type: none"> • have standard requirements with few exceptions • have well-managed and efficient purchase processes • value dependable, "well-oiled" operating models <p>Problem customers ...</p> <ul style="list-style-type: none"> • require excessive advice and constant hand-holding • don't listen and are not trainable (they don't follow your standard operating procedures) • pressure you for unrealistic prices or terms 	<p>Stretch customers ...</p> <ul style="list-style-type: none"> • put lots of pressure on product specifications and performance • are hungry for innovation and experimentation <p>Core customers ...</p> <ul style="list-style-type: none"> • are brand loyal • are curious and open to innovations • are quick converts when a new product shows promise • tend to be less price sensitive <p>Problem customers ...</p> <ul style="list-style-type: none"> • are risk-averse and slow adopters • are uncomfortable with change • aren't always competent, and thus need lots of hand-holding 	<p>Stretch customers ...</p> <ul style="list-style-type: none"> • keep pushing for more comprehensive solutions • demand one-of-a-kind, custom-fitted services • negotiate very tough terms and conditions <p>Core customers ...</p> <ul style="list-style-type: none"> • are willing to rely on their 'preferred' suppliers • have a win-win attitude and aren't overly price-sensitive • respond well to value added services and coaching <p>Problem customers ...</p> <ul style="list-style-type: none"> • don't trust you and don't listen to your advice • include slow learners and unsophisticated users

Usually, customers know more about supplier alternatives, strengths, and weaknesses than do individual suppliers.

If you don't meet customers' standards, you'll be regarded as just a commodity vendor.

- ***Commitment to the customer's success***
 - a focus on substantive and burning business problems
 - earning the trust of the “owners” of problems
- ***Deep problem-solving know-how***
 - rich experience that transcends the customer's know-how
 - digging to detect the *real* issues
- ***Competence in implementing solutions***
 - ability to deliver what is promised, on time and on budget
- ***Enduring relevance***
 - financial soundness
 - staying on top of the customer's evolving needs

Creating the customer-oriented view of the world:

1. The motivational approach

- “burning platforms” and “shared commitment”

2. The I/T and process redesign approach

- CRM and reengineering to the rescue

3. The customer experience approach

- getting up-close with selected accounts

4. The measurement approach

- metrics, scorecards and incentive programs

5. The joint discovery approach

- the power of teamwork and hands-on exploration

3 reasons why customers leave (in order):

1. You don't pay attention to them. They hate to be ignored.

2. You're not consistent in what you do. Consistency reduces uncertainty and the hassles of handling exceptions.

3. A mismatch of customer need and supplier capability.

ISBM Member Case Study:

Tales from the Battlefield: *Getting Sales & Marketing to Work Together*

Nate Jackson

Human Resource Manager
Climate Systems Division
Parker Hannifin
natejackson@parker.com

Part of a \$7 billion diversified, decentralized industrial manufacturing company, the Climate Systems Division has about 1,000 employees and sells primarily to manufacturers of air conditioning and related equipment.

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No two functions seem to have as much trouble working together as sales and marketing.

- Sales is incented on volume
- Marketing is incented on market share
- Sales is tangible – line direct evidence operates in the physical
- Marketing is art- soft, about feeling, operates in the mind

What sales hears from customers:

- “They will give us all of their business forever if we just drop the price.”
- “We are losing all of the business if we don’t drop our price.”

Sales advocates cost-plus pricing and wants to know product cost.

What marketing hears from customers:

- “We are shopping your business to see if we can get a better price.”
- “Customers will come and go so we need to do more than have a competitive price.”

Marketing advocates pricing based on value to the customer.

Techniques for working together

- Visit the customers together
- Meeting together in Sales & Marketing forums
 - Frustrations aired
- Performance management
 - Share goals
- Equip with similar tools for thinking through issues
 - Change Loop Process to understand different viewpoints
 - 360 Feedback: discuss respective views of the value proposition.
- Engage a consultant to focus on contentions
 - Pricing
 - Branding
- Put them “on a plane to China together”

ISBM Member Case Study:

Can the Sales Force Embrace Segmentation? *A Success Story from Sprint Business*

Jan Ekonomy

Solutions Development Manager
Healthcare & Professional Services
Sprint Business Solutions
jan.c.ekonomy@mail.sprint.com

Over our six-year journey, we've sought an actionable, implementable segmentation.

Key wisdoms:

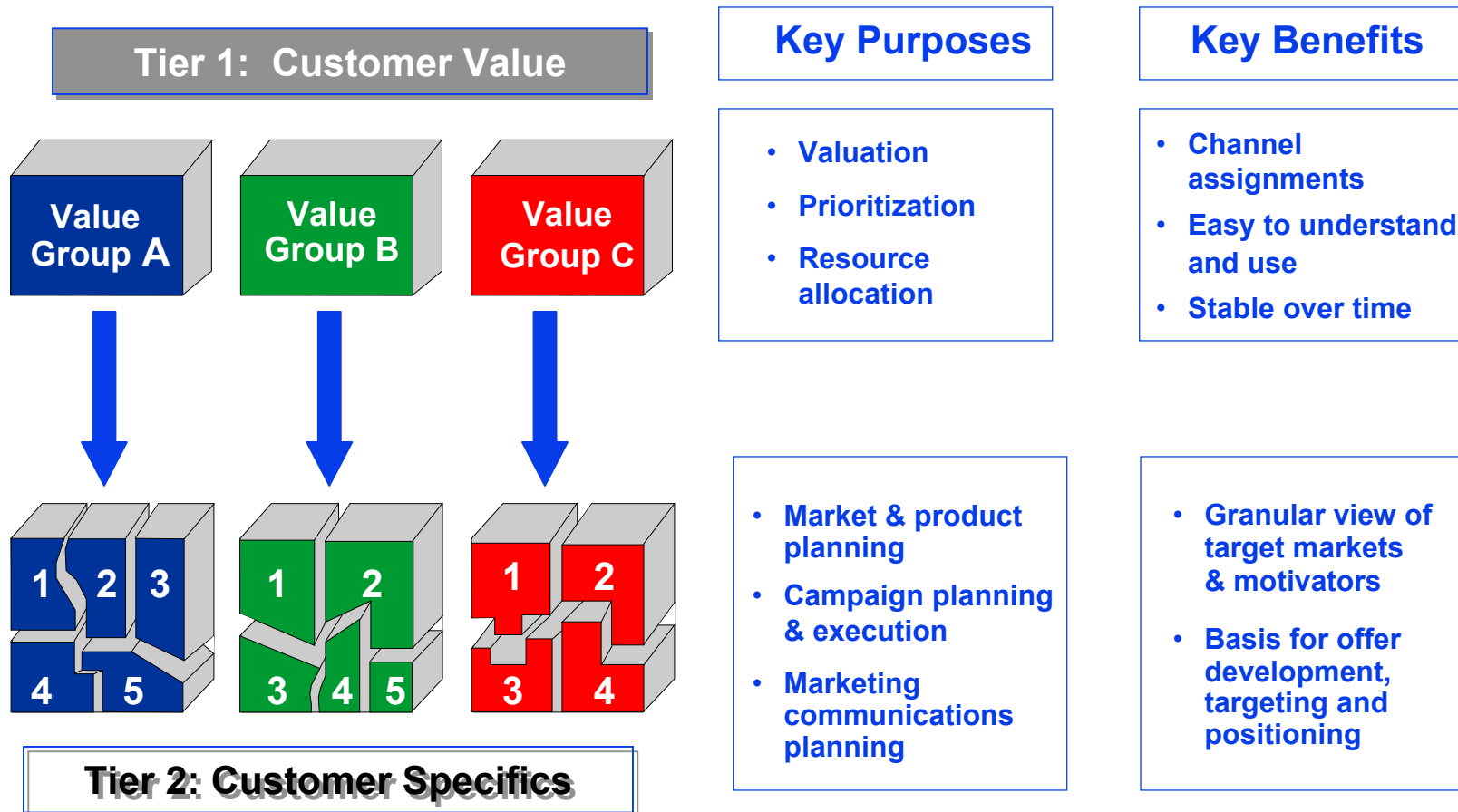
- Value is the key to segmentation
- Focus on segmentation as part of program and not just as a project or a “segmentation du jour.”
- Segmentation must be flexible and adapt to changing market conditions.

Over time, our objectives have changed and we've altered our approach.

- Our initial segmentation model—a two-tiered approach differentiating on value (next slide)—was not that useful to salespeople who are structured to sell to industry segments.
 - The last thing you want to do is disrupt the organization with an new, untried approach.
 - Appraising the organization's reaction to a new segmentation program requires “internal customer research” and internal communications presenting the model.
 - The model did not yield an effective understanding of the market.
 - It was not “believable” to salespeople.
 - It yielded only weak predictions of future customer behavior.
- We fixed the segmentation model by adding an industry segment overlay.
 - Selecting/deselecting target industries that best fit our strategy.
 - Realigning sales territories to marketing's segmentation plan, where economically feasible.

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Sprint Segmentation Conceptual Overview



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Program Infrastructure Development

Building an operating model that enables the organization to support and embrace the segmentation framework as Sprint's way of doing business.

<u>Component</u>	<u>2000</u>	<u>2001</u>	<u>2002 and Beyond</u>
MARKET INTELLIGENCE	Build	Monitor marketplace Influence strategy Identify gaps	Refresh research database Reinvent models
INFORMATION ENABLING SYSTEMS	Capability Assessment Model integration		System enhancement & development
RESOURCE ALLOCATION		Resource alignments proposed	Organization structure aligned to segments
SOCIALIZATION	Build awareness	Educate users Demonstrate & reinforce value Inform 2002 marketing plans	Increase adoption Demonstrate & reinforce value

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Marketing/Sales Linkage Principles

Understand barriers to adoption

- Don't call it "segmentation" when first selling it to the troops.
- Focus groups can identify adoption problems in the organization early on.

Executive ownership is essential

- Promote early wins to build grassroots support.
- At the start, concentrate on the people who "get it." The rest will follow once they see results.

Articulate the infrastructure plan

- Tell salespeople about the long- and short-term tools they will have for implementation.

Marketing as a change agent

- All communications from marketing should emphasize an industry customer focus on value.
- Make sure execution tools match the solution selling approaches taught to salespeople.

Monitor key measurements and celebrate successes

Monitor marketing and sales momentum

- How frequently does the sales force contact marketing for help and support?
- We measure marketing participation in customer calls and strategic account planning sessions.

Be patient; stay on course.

- It's the commitment and what you learn that provide major benefits.

Buyer-Approved Communications: *Keys to Out-Communicating the Competition*

Mitch Merker

Vice President & COO

Approved Publications & Learning

mitch@approvedgroupinc.com

Suggested reading:

- Michael Schell, *Buyer Approved Selling* (Vancouver:Approved Publications, 2003)

There are differences between the purchasing perspective and the sales & marketing perspective.

- Sales and marketing is proactive.
- Purchasing is defensive against the onslaught of sellers clamoring for attention.

Looking at selling from the buyer's viewpoint, let's discuss three of the 33 buyer-approved selling "secrets" in our book, *Buyer Approved Selling*, by Michael Schell, CEO of Approved Publications and Training.

- We interviewed 228 buyers who averaged 17 years experience in purchasing.
- Buyers value effective communication, salespeople who build trust, and salespeople who respect their time.
- Most reps do not use these methods consistently, leaving themselves vulnerable to competitors who do.

1: Selling Secret # 16: the Advance Meeting Agenda

- Busy buyers like to know what the sales call meeting will discuss.
- They want to feel part of the process and provide input to the meeting agenda.
- Only 20 of salespeople set an agenda with the customer.

2: Selling Secret # 32: At the end of the meeting, summarize key points.

- Summaries keep the selling process on track and reduce confusion.
- Summaries build buyer confidence in the rep.
- Use email to summarize key points for the buyer and the rest of the buying committee.
- Fewer than 25% of reps use email to summarize key points.

3: Selling Secret # 27: Be accountable; honor all promises.

- Buyers don't want to ask for things twice.
- Taking notes builds the buyers confidence in the rep.
- Follow up with a quick voice mail or email to let buyer know the promise has been fulfilled.
- Most buyers say that only half of all reps confirm that they've fulfilled their promises.

Using buyer-approved selling practices produces referrals, taking a rep “from zero to hero” in the eyes of new customers.

ISBM Member Case Study:

**Value as the Missing Link:
*A B-to-B Field Case from
International Paper & SPG Consulting***

Craig Wilson

Director of Corporate Marketing
International Paper
craig.wilson2@ipaper.com

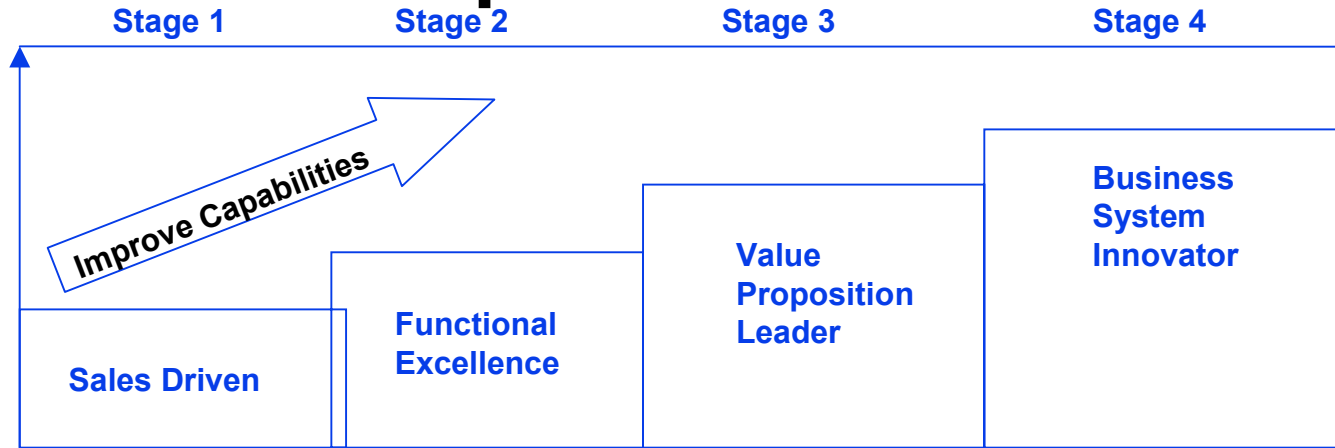
Joseph Zale

Vice President
SPG Consulting
jzale@spgboston.com

The core businesses of this 106-year-old industry leader are paper, packaging, and forest products.

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IP's Customer Focus Effort Has Three Components



1. Building Marketing Capabilities

Limited marketing organization and capabilities

New highly skilled marketing org. at business & corporate level

Develop ability to create market based strategies

Injects "new thinking" into organization to encourage innovation and risk taking

2. Improve Sales Force Effectiveness

Volume & discount focused sales organization of industry-average quality

Improve existing sales organization effectiveness and efficiency

Ensure successful front line execution of business driven market-based strategies

3. Establishing Customer Loyalty

Manufacturing & cost focus

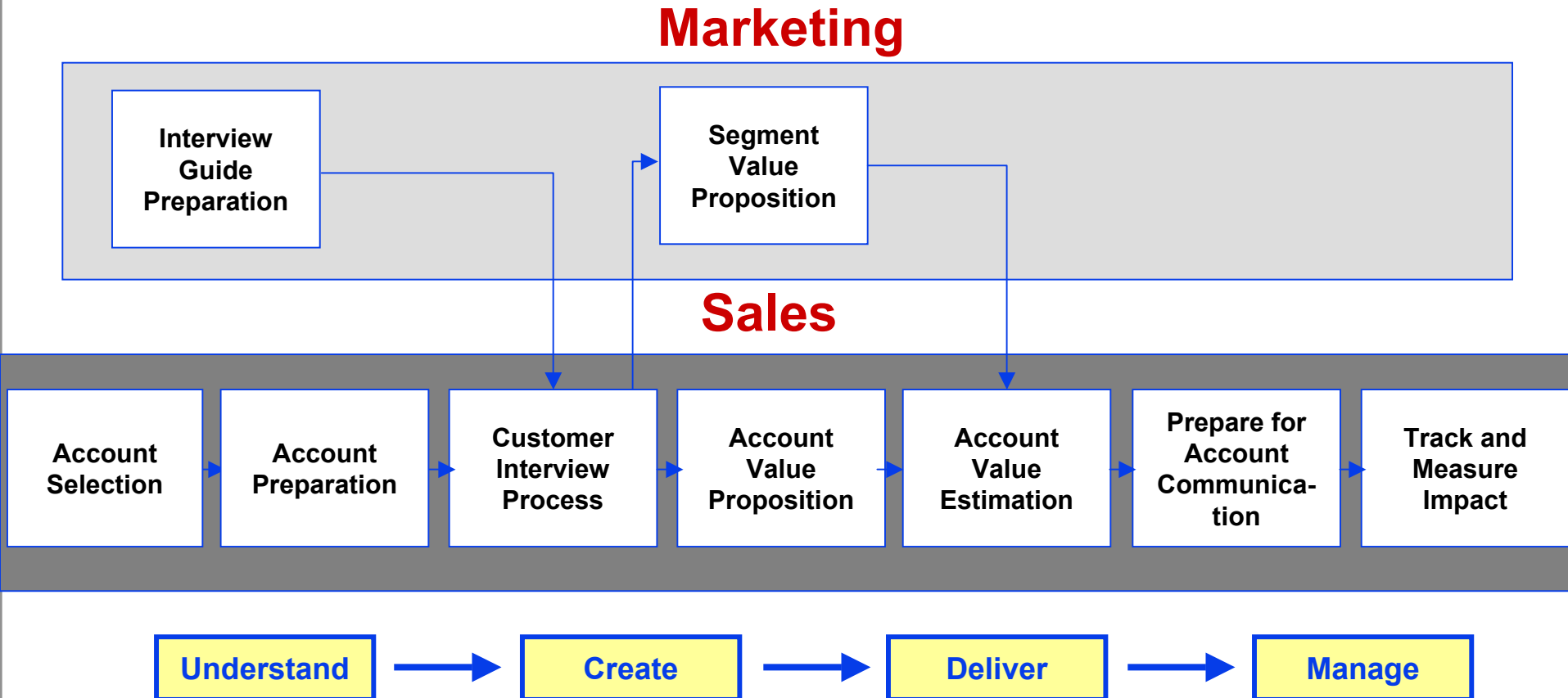
Highlight value of sales and marketing to entire organization

Focus organization on customer needs, value proposition and competitive strategy

Encourage risk-taking and new ways of thinking about the market

Profit and customer focused mentality in place

The Value-Based Process and Tools of CVM Only Work with Marketing and Sales Collaboration



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We haven't yet reached Stage 4, Business System Innovation, which is our vision of *true* Customer Value Management (CVM), but we are getting calls for help from customers.

- We focus on value management by sales and marketing.
 - Marketing must segment by value propositions.
 - We organize sales by key accounts, and by segments.
- The tangible outputs of CVM are solutions that help both the customer and International Paper.
- We base our metrics on the customer's delivery of its metrics.
 - We prepare "Proof of Value" reports documenting the customer's actual gains vs. customer expectations.
 - Customer focus must be win-win.
 - Having the right people in place and maintaining operational excellence are just table stakes that customers routinely expect.

Our rollout process, taking 18 to 24 months, was critical to ensure that the organization adopted this approach.

- Initial pilot: Test the process and develop tools in one IP business.
- Standardize the process: Identify elements most sustainable.
- Executive review: Executive participation for support and feedback.
- Rollout across IP: Rollout through workshops.
- Targeted support: Follow up with specific teams.

We have already had several success stories.

- Computer OEM
 - Developed customized solution to packaging and supply chain challenges
 - Identified over \$8MM+ in direct revenue and cost improvements that were validated by the customer
 - Won praise from the customer for showing “ a level of understanding not displayed by the other suppliers”
 - Despite competitive pressures maintained a majority share of supply and opportunities with new product lines
- Sporting Goods Catalog
 - Developed customized solution around product spec and ordering
 - Identified over \$1.3MM in annual cost savings opportunities and over \$750K in revenue enhancement opportunities
 - Were cited as the most knowledgeable supplier about the paper market *and* the customer’s business
 - Despite an aggressive competitor moved to sole supplier position including the addition of several new value-added grades

Things have changed, but the journey is just beginning

- Marketing and Sales now:
 - Have a common definition of customer value
 - Both view understanding customer needs as part of their job
 - See their roles with large accounts as complimentary
 - Have a common process to guide their actions. But don’t call it a “process,” which implies short-term effort. We want this recognized as the new standard operating procedure.
 - Link measures of their success to the measures a customer thinks about.

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ISBM Member Case Study:

Building Alignment Between Business Management and Sales: *Tactical Applications of Business and Pricing Strategy*

Robert D. Smith

Manager, Pricing

Intermediates

Eastman Chemical Company

rdsmith@eastman.com

Eastman Chemical is a \$6 billion company with a global sales force.
Intermediates are an \$800 million part of that business.

Post 9/11 uncertainty cut industry sales and profitability, requiring sales and marketing transformations:

- Change sales focus from moving volumes of commodities, to selling offerings tailored to market segments defined by relevant customer needs.
- Business management focus increased on pricing and profitability.
- Many “interesting” discussions between sales and business management about how to proceed with specific accounts were not always friendly.

Three steps to transformation:

1. Basic skill sets

- For business and pricing managers:
 - strategy and analysis
 - identify and communicate superiorities to competition
 - prioritize market segments
 - communicate with customers clearly and effectively in a timely manner.
- For sales managers and reps:
 - strong relationships with customers
 - alignment with business goals
 - understand and address customers’ true needs and value drivers.

2. Alignment of metrics

- Align business management and sales on key performance metrics and identify the primary performance metric.
- Modify compensation systems to reflect the importance of the primary metric.

3. Enhanced communications

- Regular communications (e.g. teleconferences) on pricing trends and plans.
- Sharing pricing strategy and tactical plans between business management and sales.
- Enhanced account profitability information to sales, to avoid chasing unprofitable customer.
- System improvements useful and user-friendly for sales.

The story is still be written, but so far ...

- Behaviors are changing; business and pricing managers are getting more involved with sales calls, for example.
- Sales and business management alignment is growing stronger.
- Improved communications are now considered a division best practice.
- People are enjoying work more.
- Profitability is improving.
- Despite initial fears we'd lose all our business, we've learned how to sustain higher prices, important in times of raw material volatility, by working closely with the customer.

Educational Approaches to Integrating Sales & Marketing: *Sales Tactics for Marketers and Marketing Strategies for Salespeople*

Wes Johnston

Director

Center for Business and Industrial Marketing

Robinson College of Business

Georgia State University

wesleyj@gsu.edu

Significant correlations have been found ...

- between sales and marketing training, and increased sales.
- between the importance of training in a company, and employee morale.
- Between employee morale and productivity, customer satisfaction, market share, sales and competitive advantage.

The most popular training topics:

- For sales
 - Selling
 - The consultative sales process
 - Strategic selling
 - Sales overcoming objectives
 - Time and territory management
 - Negotiation
- For marketing
 - Basic marketing
 - Advertising and media
 - Channels management, including courses on Web site development
 - Customer management, including courses on buyer behavior
 - Marketing planning

**Informal survey of sales managers and marketing managers in the meeting audience.
(Results highlights from 60 marketing managers and 19 sales managers)**

Marketing managers would like to see salespeople receive training in:

- The most important training for *entry level* salespeople (in order):
 - Marketing basics and the “Four Ps”
 - Leveraging value propositions
 - Value-based pricing
 - Marketing plan development
 - Customer needs and value assessment
 - Segmentation
 - Value/solution/consultative selling
 - ... and many other topics
- The most important training for *middle level* salespeople (in order):
 - Leveraging value propositions
 - Segmentation
 - Value-based pricing
 - Marketing planning processes
 - Importance of customer feedback
 - ... and many other topics.
- The most important training for *chief sales executives*:
 - Marketing strategy and planning
 - Finance/profit/ROI management
 - Branding
 - Value analysis/migration/propositions
 - ... and many other topics

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- **Sales managers** would like to see marketing people receive training in:
 - The most important training for *entry level* marketing people (in order):
 - The sales process
 - Customer needs and value assessment
 - Customer relationships and communications
 - Account/territory management
 - ... and others.
 - The most important training for *middle level* marketing people (in order):
 - Value/solution/consultative selling
 - Customer and buyer relationship management
 - Customer needs and value assessment
 - ... and others.
 - The most important training for *chief marketing executives* (in order):
 - Account/territory management
 - Customer need and value assessment
 - Key account planning
 - Value/solution/consultative selling
 - ... and others

Selected Pre-Reads: 1 ½ -2 Hours
Case Warm-ups
2 “Seminal” Articles
Overview Material --Weblinks

Sales and Marketing Training Example

“Pathways”

Common for all

Marketing “Pathway”: Value-Based Marketing in Competitive Markets

- Needs/Value-Based Segmentation
- Segmentation Research/Competitive Profiles
- Market Analytics and Targeting
- Designing Value Propositions/Positioning
- Selected Applications/Cases
- Keys to Implementation

Sales “Pathway”: Value-Based Selling--- Selling Value in the Buyers Era

- Investigating Critical Buying Requirements
- Building a model of customer value
- Innovative thinking skills
- Value-based negotiations – the new basics
- Prospecting approaches
- Summary

Customer Value Understanding: Tools and Techniques

The language and concept of value

Management of value in B-to-B marketing and sales

Key relationships in managing value: the value framework

Buyer/Seller relationships – the two interlocking games

Sources of Value

Value in use analysis – step by step

Value in use case exercise

Value and pricing strategy –the basics

(continued on next slide)

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Common Summary and Review:

Understanding, Creating, Delivering and Harvesting Value
Roundtable Discussion
Final Summary

Course Follow-Up:

- 30/60/90 “Pulsing”
- Marketing Excellence Survey second round
- Other follow-up methods -- tbd

Annual Meeting Banquet Presentation:

The Marketing/Sales Linkage: *Leveraging Multiple Perspectives*

Hal O. Jones

Vice President

Sales & Business Development

Roosevelt Thomas Consulting & Training, Inc.

halojones@rthomasconsulting.com

Roosevelt Thomas Consulting & Training Philosophy

- Multiple perspectives will be found any time you bring together a collective mixture with similarities and differences.
- Management is a requirement for making quality decisions in midst of multiple perspectives. You must manage the mix.
- A Mixture is any group represented inside or outside an organization that requires attention to ensure appropriate utilization and optimization.
- Challenged is the state of having difficulty making quality decisions in the midst of differences, similarities and tensions. You must ignore them or work through them.

The giraffe and elephant metaphor for sales and marketing. An interactive audience discussion about a short movie ...

... wherein award-winning manufacturer Giraffe expects a prospective partner, Elephant, to adapt unquestioningly to Giraffe's world despite obvious obstacles and differences in perspective.

Audience members discuss the problems of giraffes, elephants, salespeople and marketers, proposing solutions and addressing pertinent issues such as:

- Is this partnership worth pursuing? If so, why?
- What are the challenges?
- What tensions did Giraffe experience? What did Elephant experience?
- What was Giraffe's intention when inviting the elephant in?
- Why did Elephant not offer suggestions.
- What other options were available to both sides, and why were they unable to identify them?

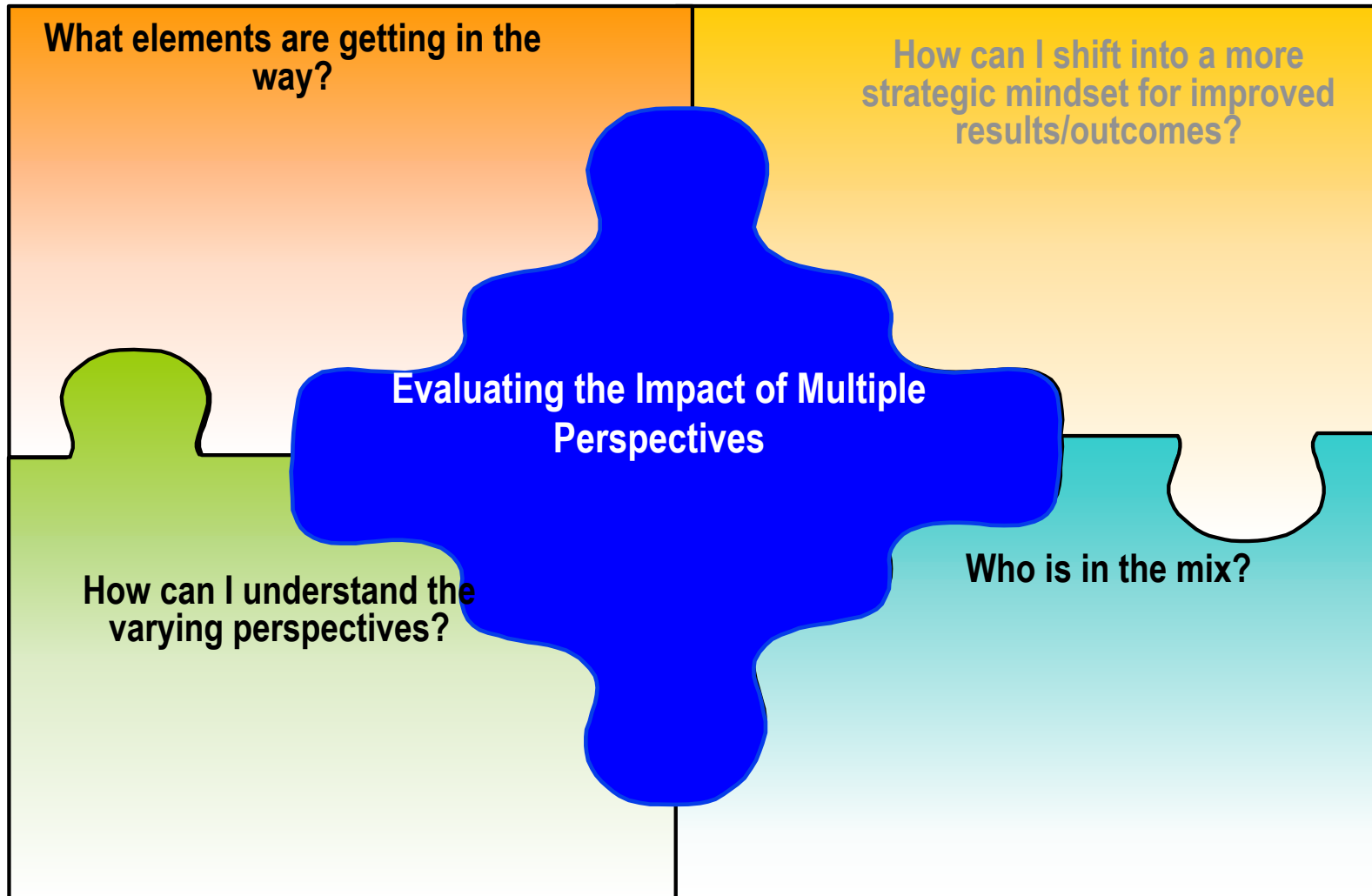
Applying the metaphor, the audience responds with answers to key questions such as:

- What is the difference in intent and impact between Sales & Marketing
- What are some alternatives we might explore?
- What influence are business protocols, policies, practices or systems having on productive outcomes?

Among the audience comments:

- “Giraffe and Elephant both defended the status quo and did not seek commonly acceptable new solutions, nor expand their frames of reference to embrace those with different skills.”
- “A metaphor for corporate policy: Giraffe’s house too high and narrow for Elephant.”
- The symbolism of Elephant drawn into Giraffe’s award-winning but inflexible world: “It’s like joining a best practices company. Giraffe thinks he has all the answers.”
- “Giraffe did not respect Elephant’s needs.”
- “Sales and marketing talk different languages. When the customer says ‘jump,’ sales asks ‘How high?’ Marketing asks, ‘Why?’ “
- Sales is short-term, marketing long-term.”
- “We define the problem in terms of two different organizations. Maybe we should differentiate between strategic functions and tactical functions and organize accordingly.”
- “Marketing will look at a survey and be pleased to find 5,000 happy buyers, while account-oriented salespeople find one unhappy customer and declare a disaster.”
- “If you’ve already been successful not working together, why try to work together?”

Effective management requires focusing on all four approaches.



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Keynote Address:

**Most Value Propositions Aren't:
*Arming Your Sales Force to
Demonstrate and Document Value***

James C. Anderson

Vice President

Professor of Marketing

Kellogg School of Management

Northwestern University

jc-anderson@kellogg.northwestern.edu

Author of suggested reading:

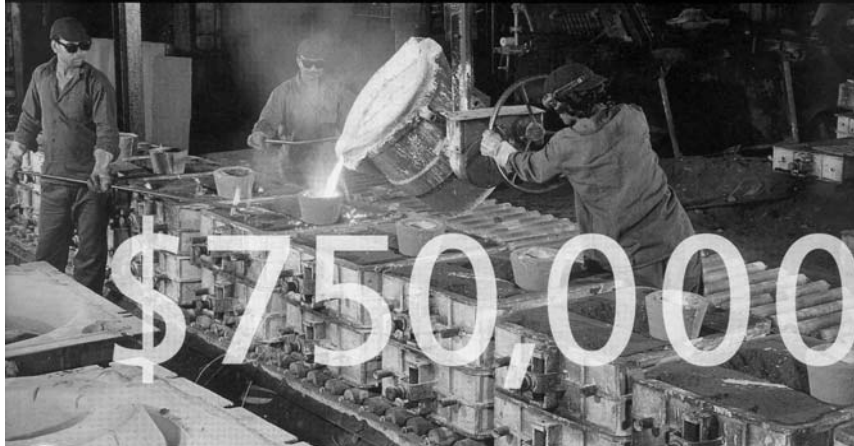
- James C. Anderson and James A. Narus, *Business Market Management: Understanding, Creating and Delivering Value*, 2nd ed. (Upper Saddle River, NJ: Prentice Hall, 2004)

Crafting persuasive customer value propositions in business markets requires positioning, creating customer value propositions, and customer value management.

- Positioning is the process of establishing and sustaining an intended meaning for a market offering in the minds of targeted customers. Critical components are:
 - Target-customer characteristics
 - Offering concept (essential attributes)
 - Value Proposition (points of difference, relative benefits)
 - Depending on the situation, sales and delivery approach (channels), and claim support (reason-to-believe) may be components for inclusion.
- “Value proposition” arguably is one of the most widely used terms in B-to-B marketing. Yet, there is little specificity or agreement among practitioners or scholars as to what constitutes a value proposition and what makes one persuasive. A persuasive value proposition earns a supplier the chance to engage the customer in a conversation about the market offering.
- Definitions of value propositions vary:
 - **All benefits:** Value proposition as all benefits customers receive from a market offering.
 - Answers customer question: “Why should our firm purchase your offering?”
 - Constructing it and having sales force deliver it requires knowledge of one’s own market offering.
 - Potential pitfall: Benefit assertion---What we think is a benefit isn’t for the target market.
 - Avoid the benefits that are points of parity. They imply a parity product overall and they obscure points of difference.

- **Favorable points of difference:** Value proposition as *all* favorable points of difference a market offering has relative to the next-best alternative.
 - Answers a more useful customer question: “Why should our firm purchase your offering instead of your competitor’s?”
 - To construct and have sales force deliver it requires knowledge of own market offering and next-best-alternative offering.
 - Potential pitfall: Value presumption—presuming that the customer perceives value.
- **Resonating focus:** Value proposition as the one or two points points-of-difference and, perhaps, a point-of-parity whose improvement will deliver the greatest customer value for the foreseeable future.
 - Answers the most useful customer question: “What is worthwhile for our firm to keep in mind about your offering?”
 - To construct and have sales force deliver it requires knowledge of its own market offering, the next-best-alternative offering, customer’s requirements and preferences, and what it is worth in monetary terms to fulfill them.
 - Simply declaring “Our product saves you money,” and other generic value propositions, doesn’t work. Everyone says that.
- **Customer value management**, where suppliers persuasively *demonstrate* and *document* the value of their offerings relative to the next-best alternatives. Based on data, it provides the substance to support the resonating focus value proposition.
 - Focus on the one or two points-of-difference of greatest value for the target customer.
 - Also cite a point-of-parity, to give customer confidence you’re at least as good as rivals.
 - Value case histories and value calculators persuade the customer to try the market offering.

Award Winning Service through Documented Value AddedSM savings.



At a major aluminum producer in the Midwest a problematic motor and gear box which operates a stub saw was causing costly repairs, downtime and production losses. Used to reclaim part of the cathode used in the raw aluminum making process, the saw is critical to the plant's operation.

The company looked to Engineered Sales, a subsidiary of Applied Industrial Technologies, to design, manufacture and replace the failing gear box. Fluid power specialist Mark Beaver worked with the company's representatives to meet their requirements on the new system.

Utilizing a Denison WorldCup variable volume piston pump, Denison directional and pressure control valves, a Reineer hydraulic motor and PALL filtration, the new unit increased production and reduced operating costs. In all, the unit provided more than \$750,000 in cost savings.

Documenting the value added to our key customers is just another way of offering what we as a company have come to be known for...*Award Winning Service!*



How Applied Industrial Technologies positioned itself by not only demonstrating but also documenting the actual dollar value it provided.

Some new product marketing tips:

- Use the value proposition at the start of new product development. Test it with the sales force, and ask yourself what competitors would say about the new product.
- At the start, determine which product benefits will be at parity and which will be superior to competition. Most companies only develop the value proposition on an ad hoc basis.
- Test the value proposition at each new product development stage gate, and if the product can't fulfill the value proposition, don't continue.
- Get sales involved in the process early on. Keep their value calculators and demonstration tools simple.
- Get all corporate functions involved—finance, production, etc.—to agree on the value proposition benefits and costs to build into the new product.

ISBM Member Case Study:

Marketing for Execution: *The C.A.P. Case at Kennametal*

R. Daniel Bagley

Vice President

Corporate Strategy & Metalworking Global Marketing

Metalworking Solutions & Services Group (MSSG)

Kennametal Inc.

daniel.bagley@kennametal.com

Kennametal is a \$1.9 billion manufacturer of advanced metalworking tools and technologies, operating in 60 countries.

Kennametal has a strong track record in customer service (e.g. GM Supplies-of-the-year for 5 consecutive years, commercial term innovations, shared cost-reduction techniques). With cash flow strong of late, now is the time to turn a great engineering company into a great value company.

- Innovation alone won't maintain advantage as markets mature and competitors innovate.
- We must go to the customer in every business and every market and develop a market-oriented growth culture.
 - Develop value customers can see, beyond our competitors, in real time.
 - Innovate customer value relentlessly.
 - Follow customers' global growth, supporting emerging markets.
 - Organize to do business in the best way for our customers.
- We recognized the the applications engineers constituting the field force didn't see themselves as salespeople. They needed a process to follow to get them started selling value.
 - Because salespeople are "coin operated," financial incentives motivated them to change.

Customer Acquisition Process (CAP) is an integrated set of 6 practices, to work with customers beyond product engineering with the goal of 100% share-of-customer.

1. Target customers
2. Discover needs.
3. Develop customer-specific value proposition.
4. Build detailed sales plan.
5. Execute relentlessly.
6. Listen and modify.

Implementing CAP over the last 15 months involves many changes in people's roles and expectations. We adopted the R.A.V.S.I. change management process to ensure systematic clarity of communication and understanding across global operations.

- RAVSI specifies levels of a person's role in decision making.
 - **R** = responsibility; the person "owns" the action.
 - **A** = approval; must approve or veto action.
 - **V** = voice; must be included.
 - **S** = support; provides resources.
 - **I** = inform; must be informed of actions
- RAVSI change management sample:

People/Positions Responsibilities	Mkt Strat	Prod Mgt	CIC	Mktg Ops	Global Key Accts
Forecast Markets, ID Target Market Segments & Trends	R	S	S/I	I	S
Lead/Drive Strategic Planning for MSSG	R	S	S/I	I	S
Market Segment Growth Strategies & Action Plans	R	S	S	S	S
Market Segment Goals	R	V	I	V	V
Marketing CAP Design and Implementation	R	S	S	S	S
Global/Key Accounts Selection by Market	R	I	S	I	V

RAVSI roles and responsibilities:

- The MSSG leadership team builds our Strategy. Combining corporate goals with strategic planning, we plan our approach to markets, products, regions, competition and opportunities.
- The role of the *Competitive Information Center* is to segment our customers, characterizing how they are alike and how different, measuring Conversion, Penetration, and Retention, Demand Planning, and preparing Economic Forecasts on how our business will perform.
 - Forecasts without a selling plan and value proposition, leave a gap.
 - Blaming “the economy” is no longer an excuse in forecasting.
- We use *Market Strategies* to create our product portfolio, our brand strategy, and our message to each customer segment.
- With close connections to our markets and customers, we develop, maintain and support a competitive *Product and Service Portfolio* that is industry-leading.
- Those products, systems, and services we choose to develop inside Kennametal are prioritized in the MPC (*Metalworking Product Council*) lead by Product Management.
- *New Business Development* manages the acquisition pipeline for MSSG and develops partnership and alliance strategies to profitably enlarge KMT business.

“Sales-ready Messaging” provides the interface

- Unwavering executive support.
- Success stories continually reinforce the lore of competitively superior value propositions.
- Under CAP, we listen and respond to different customers’ differing needs.
- No exclusions; every target account and market is appropriate for CAP so the process is not optional.

Wish Lists

What Sales Really Wants from Marketing
What Marketing Really Wants from Sales
(and what both want from management)

M. H. “Mac” McIntosh
Mac McIntosh Incorporated
mac@salesleadexperts.com

What sales, focused on short-term opportunity, really wants from marketing ...

- More, better leads
- Wants marketing to be more helpful
- Wish marketing came on sales calls
- Wants to minimize paperwork
- Marketing materials that talk about things important to customers
- Wish marketers would create the sales tools salespeople really need
- Wish marketing would help salespeople reach the top people at customers
- Wish marketing would think globally, but let us act locally

What marketing, focused long-term, really wants from sales

- Wish sales would stop wasting leads
- Wants feedback from sales
- Wish salespeople wouldn't make promises they can't keep
- Wish salespeople wouldn't create their own marketing materials
- Wish salespeople wouldn't think they own the customer
- Wish sales would sell value, not price

Both groups want some respect!

My wishes ...

- I wish marketers would nurture leads until they are sales-ready.
 - Three out of four sales are to the longer-term leads that salespeople ignore because the prospect isn't ready to buy immediately.
- I wish corporate management would view marketing as an investment instead of an expense.
- I wish companies would budget for marketing based on what needs to be accomplished.
- I wish marketers would step up to be accountable for results.
- I wish management would quit creating sales targets and quotas using the wild guesses and wishful thinking.
- I wish that companies understood that brands are not built simply by ads or slogans.
- I wish that management would invest in training all the people who in contact with prospects and clients.
- I wish companies would stop trying to cut costs by replacing live pre-sales support assistance with canned or automated email responses.
- I wish that salespeople would quit trying to make customers fit into their selling process, but rather would focus on matching their sales approach to the customer's buying process.
- I wish management would design compensation programs that reward sales and marketing people for *all* behaviors that contribute to the success of the company.

