Seven Critical Aspects of a Meaningful Marketing & Sales Audit *(forget about looking at expense accounts)*

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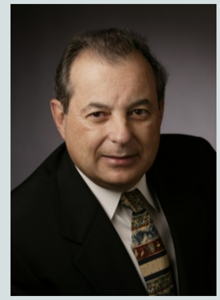

<u>Introduction</u>

The word "audit" can strike fear into the heart of even the most confident individual. Even if an audit comes up clean, the hassle of gathering documentation, scheduling time away from other important tasks and sitting through an "inquisition", polite and collaborative though it may be, can be unwelcome. Given that image of an audit, why would anyone subject their marketing and sales organization to one? What does it entail? What are the benefits?

The Prime Benefit: Quick Upside

If you are pushing a 600-pound cart down a gravel road and suddenly it skids to a halt, you have two choices; a) look for, and remove, the cause of the stall (probably a pebble lodged in front of the wheel) or b) push harder (typically while lifting). The objective of a marketing and sales audit is to discover pebbles in the path of business progress - because *it's easier to lift a pebble than lift a cart.* Removing a pebble permits accelerated forward progress.

Good audits find pebbles

There are seven areas harboring progress-hindering pebbles. A good audit looks into each area, discovers as many pebbles as exist and advises management as to the highest-leverage pebbles to move, in what order and in which direction. The result of taking action to remove pebbles is a combination of quick revenue upside and reduced marketing and sales expense.

Area 1: Strategic Focus

As in military campaigns, market focus is critical to success. In both military and business terms, focus means bringing to bear a concentration of resource on a vulnerable point to create a breakthrough. In business a lack of focus dilutes investment. Businesses without focus typically substitute brawn (money) for brains (strategy). A lack of focus is easy to discover and, in fact, is typically quick and inexpensive to correct. While the design and execution of a strategic refocus is typically not part of an audit, the examples cited below demonstrate how fixing focus issues can have major impact.

In one case, an initiative to focus on one market vs. many triggered a six year compound growth of 55%. In another case of focus, a software business won 1,000+ new clients in less than three years. Finally, in a more modest case, the sales win rate of a hydraulic valve company increased 15% in 9 months. As an added bonus, in all cases, no additional marketing and sales expense was needed to achieve these gains.

Area 2: Strategic Alignment

Closely related to focus is alignment. It is not uncommon to find that while there may be a stated strategic direction, parts of the execution effort are misaligned with it

Sales compensation plans can be misaligned. They may not be supportive and encouraging of the intended focus. Channels-to-market may also be misaligned, either because of a lack of strength in the newly targeted market or a gap in the capabilities required to support the current life-cycle phase of the product offering. A channel partner might perform well in providing parts and service for a firm's older and more mature products. However, when introducing newer, technically advanced products, that channel partner's existing capabilities and strengths, (presumably geographic coverage, warehousing, distribution and service), may be inadequate to support a technically innovative product. They may be lacking the technical expertise, configuration know-how, installation and end-customer training abilities required to support the market adoption of a new technology.

Another test of alignment is the degree to which the value-proposition message is communicated clearly and undistorted as it runs the gauntlet from strategic marketing, through tactical marketing, on the website and by sales and distribution to the end customer. It's a bit like the parlor game wherein a phrase is whispered from one person to another in a large circle, only to find that when the message comes back to the originator it bears little resemblance to the original.

In one classic case of misaligned and broken communication, a firm's highest margin product, (also the product that delivered the highest economic benefit to the customer), was not selling like it should. An informal audit discovered the bottle neck. A sales manager had unilaterally decided to remove the customer economic value proposition from the message he was communicating to the channel. Needless to say he was quickly advised to reconsider his approach. He added back that one slide and sales grew 14% in a year through the greatest economic downturn since the Great Depression.

One final point on alignment concerns pricing. It is not uncommon to find pricing strategies misaligned with sound strategic principles. Not all new products need to be priced low to penetrate the market quickly. In fact, value pricing of new products is underutilized these days. It is accomplished by focusing on sub-segments of the market where the value proposition can garner premium pricing based on economic value delivered. Not using value-pricing leaves profit on the table.

Area 3: Organization Structure

The organizational structure must support the firm's strategy and focus. Too often new strategies and market initiatives are shoe-horned into existing organizational structures for convenience. This is organizational inertia.

Napoleon was known for his fast moving army corps. He repeatedly confounded his enemies by suddenly having one of his corps appear where they were least expected — giving him the element of surprise and frequently victory. Organizational flexibility and speed are essential to achieve focus, alignment and competitive advantage for new market initiatives. A marketing and sales audit assesses the degree to which the organization structure is flexible, responsive and aligned with the focused market strategy.

Area 4: Tactical Marketing

There is an old saw in the Advertising game that goes something like this: "I know half of my advertising budget is wasted. The problem is I don't know which half". A marketing and sales audit can tell you which half.

A simplified guideline is to ask the question, "Does this expenditure reinforce or build the main line of communication between the product's differentiated value-proposition, through the sales channel, to the key customer decision makers in the target market?" If it does, good! If it doesn't, it is extraneous. While that statement may earn me the enmity of advertising and branding specialists throughout the world, it is a sound basis for zero-based tactical marketing decisions and budgets.

Area 5: Marketing and Sales Process Disciplines

This portion of an audit looks at the tools, processes and systems that support the marketing and sales function. Items to look at might include the degrees to which: a) an effective, consistent and disciplined sales process is being used, b) the sales pipeline is documented, current and valid, c) there is a repeatable, proven process for setting strategy and defining new products, and d) the sales force is balanced in its efforts between targeting new accounts, selling new products and strategically growing their current-account portfolios. A company would not consider operating without repeatable manufacturing processes. Marketing and Sales can, and should, be managed with the same expectations.

Area 6: Talent, Recruiting, Training

Tiger Woods would beat me using his golf clubs or mine (even though none of my three sets seem to work very well). But, even raw talent needs something substantive to work with. A talented sales force can't achieve meaningful success without a focused focus and good value proposition. Conversely, if both the strategy and value-proposition are sound, execution talent is essential.

If we presume that the place to start is with strategy and focus, then the most important talent to have on staff is the strategist. One great strategist can create enormous success—a bad strategist can bring on disaster.

Beyond the strategist, it is highly unlikely that a company can hire a whole team of the sales equivalents of Tigers. But, that doesn't mean one shouldn't try. To hire sale people well the use of a formal recruiting process and screening assessment tools (Prevue® for example) improves the probability of getting good, raw talent in the door. Assessments are not only valuable in the hiring process, they are also very helpful for coaching purposes and continuing to develop talent. Audits, therefore, should assess the recruiting, training, coaching and performance evaluation processes of the organization.

Finally, the raw skills, knowledge, experience and effectiveness of the individuals in the organization should be assessed. This is the toughest part of the audit and creates the most discomfort and fear. It is typically the first place executives look for pebbles. But, unless the other areas listed in this paper are screened for pebbles simultaneously, simply changing a few individuals will not change the circumstance - unless the first thing they do is an audit. ***Changing people before a comprehensive audit, simply delays the critical repairs needed.***

Area 7: Executive Decision Making

The good audit should provide a target-rich environment of potential upside opportunities, but these opportunities only create real upside when followed by executive decisions to remove pebbles. Change is difficult. Some executives do not have a well-developed decisiveness muscle. If you are one, here is something to consider.

I hosted a panel of CEOs at a business roundtable on the topic of Performance Management and Executive Decisiveness. I asked the panel, "How do you handle the discomfort and fear associated with the tough personnel and organizational decisions that occasionally need to be made." The best answer was, "I am always more afraid and uncomfortable about the prospects and consequences of ***not*** making those tough decisions."

The audit can only discover a pebble. Only the executive can decide to do something about it.

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