Huthwaite
Focus on the Buyer

Strategies for Hard Times

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What sales and marketing organizations should and shouldn't do to succeed in a recession

Predictable Mistakes

A global recession is underway. Sales and marketing organizations everywhere want to know the answer to one question: "How can we sell our way out of trouble?" Doing more of what you've always done isn't going to help. What works in good times may actually be counterproductive in hard times.

There are four predictable mistakes that all companies are tempted to make:

1. Wait and See

Inaction is a sure-fire strategy for failure, but many substantial companies have gone down this path because they predicted that the recession couldn't last. As one CEO said, "For some of us, the light at the other end of the tunnel was a train coming the other way." Inaction is a bad strategy for good times, and in a recession it's suicidal.

2. Price Reductions

Avoid price-cutting! Less sophisticated companies assume that by cutting prices, volume will increase. It's not that simple. Many organizations have found too late that the extra volume generated by price reduction doesn't compensate for the reduced margins. In a recession, strange things happen to the price/volume relationship.

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In tough times, paradoxically, people often choose to pay more for products and services than they would normally. That is because in a recession, risk becomes a bigger concern than price. Mistakes are costly in good times, but in a recession, they can be fatal. If customers are willing to pay a premium for safety, cutting your prices won't necessarily increase your sales volume..

3. Advertising

Under the right conditions, advertising can be an effective strategy for countering recession. With cheaper consumer products, well-designed and sustained advertising campaigns do bring results. But beware of attempting to contain costs by reducing either the coverage or the duration of a campaign. Half a campaign doesn't bring half the results. Advertise selectively by all means, but don't advertise partially.

Advertising also fails in a recession when it is intended to pump up sales of complex capital goods or services. Where the purpose of advertising is to generate inquiries that are then handled by a sales force, the ultimate increase in business frequently doesn't cover the cost of the campaign, let alone the added cost of sales calls. Why? Because the limiting factor isn't the number of inquiries; it's the face-to-face selling skill required to convert those inquiries into orders. Many sales forces are marginally competent in good times but fail dismally in bad. It's no good investing heavily in advertising if the sales force lacks the skills needed to capitalize on the inquiries you generate.

4. Activity Management

activity level is a poor predictor of success.

There's an assumption among sales and marketing management that a direct link exists between sales activity and success. More calls equal more orders. After all, if someone can make 10 sales calls and bring in two orders, then by increasing their activity level to 15 calls, their order rate should increase to three… right?

Wrong. For business-to-business sales where the products are costly, the customers are sophisticated, or the selling cycle is several calls long, activity level is a poor predictor of success.

The strategy of increasing activity levels brings with it some counterintuitive penalties and side effects. These include:

- Unproductive reporting systems
- Emphasis on small sales
- Focusing on the wrong end of the cycle
- Selling not coaching

Unproductive Reporting Systems

In order to increase activity and check that the increase is maintained, management demands a detailed call-reporting system. Salespeople and managers spend considerable time documenting the new activities. As the recession worsens, work patterns change to the point where the time spent on reporting eats into selling time.

Emphasis on Small Sales

Another problem of increasing activity is that it focuses the sales effort towards smaller sales. The easiest way for people to meet activity quotas is to make quick visits to low-potential accounts.

Worse, because success in the most important accounts depends on careful planning and strategy, the effect of increased activity can mean that key accounts get treated with the same hasty superficiality which characterizes the high-activity approach to smaller accounts.

Focusing on the Wrong End of the Cycle

One consequence of falling sales volume is that managers become desperate for business and give most of their attention to those accounts that are nearest to closing. Activity becomes concentrated on the calls late in the selling cycle where a decision is imminent. The other end of the pipeline receives much less attention. Yet the early calls of the selling cycle offer the greatest potential for minimizing the effect of recession. Consider this: If the first part of the selling cycle is handled badly, there is no closing part. And, with any pipeline process, what you get out at the end ultimately depends on what you put in at the start.

Selling Not Coaching

The worst consequence of the drive for increased activity is that managers try to become super sellers and spend their time trying to close business rather than developing and coaching their sales teams. In a recession, most organizations spend significantly less time in coaching and development activities. But the sales managers who are able to keep their numbers up during a recession are the ones who invest effort in coaching their people—not the ones who go out selling.

Fundamental Facts about Sales Productivity

Strategies for recession that depend on maintaining the status quo, cutting prices, advertising, or increased sales activity all have a poor record of success. So, what strategy should a company adopt? The organizations that have succeeded in selling their way out of trouble have generally understood three fundamental facts about sales productivity:

Productivity happens where the job happens.

Productivity isn't achieved by policy or edict. Productivity comes from directly influencing the behavior of the person doing the job. Unless the grand strategies of management translate themselves into changes in sales behavior during actual sales calls, then there's no productivity gain.

The organizations that have succeeded in selling their way out of trouble have generally understood three fundamental facts about sales productivity.

It's skill that counts, not activity.

If salespeople aren't succeeding in a recession, it's because they're doing the wrong things. Increasing their activity levels so that they do even more of the wrong things isn't going to help. Developing an increased level of selling skill is a more effective and more durable strategy.

Selling skills must be trained and reinforced.

Developing an increased level of selling skills is most effectively done by training on skills proven to work in a recession (i.e., Huthwaite's internationally recognized SPIN® Selling), and relentlessly reinforcing those skills by coaching.

A Case Study

How do these principles apply in practice? One good example of how a better understanding of what succeeds in hard times can lead to a winning strategy is illustrated by the work Huthwaite did with a Fortune 100 company during the last severe recession.

The company was facing both a deteriorating economy and aggressive new competition. Their objective was to improve sales volume in the most unfavorable business climate since the 1930s. It was already clear that a problem of this magnitude wasn't going to be solved just by doing the same things harder. They needed a different way of selling that would work in conditions of deep recession.

They decided to adopt a four-step process to achieve a significant change in sales productivity.

Step 1: ***Finding What Works Best***. Using behavior analysis techniques that Huthwaite had developed, managers watched their people selling and picked out the behaviors which were working best in successful calls.

Step 2: ***Training in Coaching Skills***. Managers were trained in coaching skills to help them pick out and develop these key behaviors which were proving successful.

Step 3: ***Developing Successful Behaviors through Coaching***. The coaching was designed as a three-month project. Managers met monthly with Huthwaite consultants to plan strategies for getting the maximum skill improvement from their people.

Step 4: ***Measuring Productivity.*** The final, and most important, step was to assess the effect of the project in terms of increased sales productivity.

Post-training assessment showed a dramatic increase in the selling behaviors that correlate with success in a recession. But were these newly learned behaviors producing the desired sales results?

To find out, the company tracked the trained salespeople for nine months, and compared their results to an untrained group of the same size. Sales of the untrained (control) group fell by 13 percent during the nine-month period, reflecting the severity of the recession at the time. In contrast, the group trained to use skills which were effective in recessionary conditions showed a productivity gain of 17 percent.

In terms of getting business from new customers—generally accepted as the hardest sales job in a recession—the trained group performed 79 percent better than the control group.

Case Study Conclusions

This study, and others like it, tells us three things about sales productivity in tough times:

There's enormous potential for improving sales productivity—the trained people in this study were 30 percent better than the control group.

- In a recession, skill is more important than activity—selling smarter is a better strategy than selling harder. So, investment in skill development is more likely to pull an organization out of trouble than concentrating on increased activity level.
- Train in methods and models which have been tested and firmly validated in productivity terms during a recession. After all, if your training makes people better at doing the wrong things, you're in trouble. There aren't many recession-validated skill models; SPIN® Selling is tried and true.
- There's enormous potential for improving sales productivity—the trained people in this study were 30 percent better than the control group. That's not an unusual increase. In one of the world's largest manufacturers of copier products, a 35 percent increase was recognized when similar methods were used; and, in another division of the same company, there were increases of over 60 percent.

Conclusion

In hard times, sales and marketing organizations that refuse to change find that change is forced on them. A business-as-usual approach won't work in a world where the market refuses to behave as usual. In every recession in history, some companies have failed and others have prospered. How can you sell our way out of trouble? The answer is: Improve the skills of the sales force. Invest in sales skills training, change sales behaviors, reinforce the new skills through persistent coaching, and measure the results.

Huthwaite is the world's leading sales performance improvement organization. Founded on scientifically validated behavioral research, our methodologies, which include the internationally renowned ***SPIN® Selling***, guarantee sales success. Huthwaite assesses your organization's needs and develops customized sales performance improvement and coaching programs that drive real business results.

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