

The Reality of 2012

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In December of 2011, The Australian newspaper published interviews with 60 CEOs. Four out of five said their priorities for 2011 were growth, diversification and innovation. This positive sentiment was echoed throughout Asia, North and South America. While the economic situation in Europe was a cause for concern, the feeling was cautiously bullish that the gains made in 2011 reflected a global recovery that would continue.

With the half-way point of the year approaching, how much of that enthusiasm for growth remains? Has the upbeat sentiment that put a spring into everyone's step last year during the 2012 budgeting season evaporated? On one hand we see the growth in the stock market since January 1 and news reports on stronger consumer confidence in the retail sector. That sounds like very good news for everyone. On the other hand, we started hearing reports in April of increased jobless claims and lackluster data on regional manufacturing and home sales. And more and more organizations globally are quietly reporting that they are not where they expected to be at this time of the year. The comment that is surprisingly, and increasingly, being made in corporate offices is, "We have a revenue problem."

Those 2012 business plans were created in Q4 2011—a quarter that reinforced the perception that the global economy (sans Europe) was slowly getting back on its feet. At the time, Goldman Sachs Chief Economist Jan Hatzius predicted that in 2012, "the recovery will be sluggish, but we don't expect a recession except in Europe." What kinds of questions were company leaders asking during that last quarter of 2011 when those 2012 plans were being put together? Here are some that we heard in our work with sales organizations during that period:

The 2011 Questions:

- Where can we start to make strategic investments?
- How can we grow our headcount without sacrificing the profits we worked so hard to earn over the past few years?
- How can we differentiate through innovation and improved customer advocacy?
- What markets and product lines will drive revenue growth?
- How can we better leverage technology?

The themes that emerge are expansion, growth and hiring, although not with the energy we saw in 2004-2007, because the global financial crisis was still raw for many companies. But the focus had shifted from “How can we survive?” which was front of mind during the downturn, to competitive advantage, differentiation and expanding market share.

What’s Changed?

We’ve seen the questions that executives were asking in late 2011. Here are the five questions that capture the sentiments and priorities of business leaders today:

The 2012 Questions

- Are there other places to cut costs that we haven’t identified?
- Can we hold off on spending what we’ve budgeted, at least for another quarter?
- Can we get by, for now, with what we already have?
- Where do we need to focus our energies to increase revenues quickly?
- We have to make investments, but can we balance that against revenue?

These are the questions being asked by decision-makers in companies that are re-examining their priorities. With feelings of risk re-emerging and B2B spending not increasing significantly, more and more companies are focusing on saving money, not spending it. When they look at the disappointing revenues for 2012 they are being forced to put increased scrutiny on the investments they had budgeted. They are willing, for now at least, to live with the products and services they already have. Does this sound like your company?

The lack of certainty is making decision-making difficult and your biggest competition is not other companies, but indecision.

Of course, your customers and prospects are asking themselves the same questions. And it isn’t just the early-pipeline prospects, but every one of the locked-in, sure-thing deals that cause you to breathe a sigh of relief when you see their numbers on your forecast.

The “2012 questions” suggest that every dollar in your pipeline is at risk. This is true regardless of what the client has told you, regardless of the commitments they have made, and regardless of the positive messages they are giving the market about the health of their company.

Has your selling approach changed to reflect this reality?

For most salespeople and sales organizations, it hasn't. They're still using the selling skills and strategies that were successful with buyers who planned expenditures on the basis of the 2011 questions, not the 2012 questions.

History has a way of repeating itself, and at the Huthwaite Center for Research we have identified two strategies that companies have started to employ to deal with the reality of 2012:

1. Stick to our guns. It's only one quarter, after all. Things will improve in the second half of the year, and we will enjoy the revenue growth that we planned for.
2. Do more. If we just do more— more marketing, more prospecting, more sales activity—everything will be OK. (But more of everything that worked when times were promising is not the way to succeed when perceptions of risk re-emerge).

Responding to Existing Demand vs. Creating Demand

In Q4 2011, companies were emerging from a couple of years of cost-cutting and had enjoyed some degree of revenue growth. They were producing business plans showing growth targets and territory expansion. They were willing to strategically invest in technology or human capital to help them get there. For selling organizations this meant that there were more potential customers. Purse strings were finally being loosened. There was growing demand.

However, the revenue performance of most organizations so far in 2012 is causing them to re-examine that demand. The majority of buyers are asking themselves the 2012 questions.

In this current environment, the most successful sellers are not those who show customers why their offerings are better than the competition, because many investments have been put on hold. They are not necessarily the ones with the best customer relationships, because unless the person with whom you have the relationship can clearly articulate how your solution will help their company grow revenues or save money, the relationship doesn't matter. Instead, the most successful sellers in this type of economic uncertainty are the ones who help their customers see the urgency of their problems and the downsides of inaction. They are the ones who provoke deeper thinking from their customers about the investments that they need to make. Successful sellers in this economy are creating demand, not responding to it.

They challenge their clients into seeing that their solutions are not discretionary, but essential. However, the skills required to create demand are very different from those required to respond to existing demand.

| Responding to Demand: | Creating Demand: |
|--|---|
| <ul style="list-style-type: none">- Ask questions that get the buyer to discuss their recognized problems and issues.- Present your offering as a solution to the buyer's stated needs- Describe to the buyer why your offerings are superior to the competition- Deliver product-based presentations- Obtain appointments at the user-level to discuss tactical problems and opportunities.- Rely on marketing campaigns to generate new business appointments- Understand the client's budget to formulate and price your offering appropriately- Produce marketing based on a strategy of informing clients of "who we are and what we do" | <ul style="list-style-type: none">- Ask questions to uncover unrecognized problems and challenge the buyer's current perceptions- Increase the size, urgency and severity of the buyer's problems to increase the value of your offering- Present your offering to meet previously unacknowledged problems- Conduct value-based conversations about the buyer's most-pressing issues- Obtain appointments at the executive level to present a persuasive business case- Use networking, referrals and strategic prospecting to generate new business appointments- Influence your client's budget and get them to re-allocate money that has been put on hold- Produce marketing that provokes clients to think differently about their problems, needs and priorities |

Where have all my quota-busting salespeople gone?

This is a common complaint that we hear from sales leaders this year. The reality is that they haven't gone anywhere. It's their client-base that has changed, and sales reps are still selling using the outdated skills and tactics that helped them to high levels of success.

Four Strategies to Employ Immediately

Leading sales organizations are being nimble and making adjustments now. Here are four strategies that your organization can immediately begin to employ:

1. Define your “demand creation” sales approach. Sales and Marketing must create demand if you are going to generate enough momentum to get past the 2012 questions your buyers are asking. Begin by establishing your company’s demand creation strategy. If your message revolves around the benefits that a company will receive from implementing your solutions, you may be fighting a losing battle when your customers start hanging onto their money.
2. Do an inventory of your sales force. What are the tendencies of your salespeople when they are face-to-face with your prospects and customers? Are they asking the questions that lead to deeper thinking about your customer’s problems and opportunities? (High value) Or are they describing to customers why your solutions are tremendous? (Low value) Then identify what skills your people need to start using/stop using to execute that strategy effectively.
3. Develop provocative prospecting and selling messages. In times of heightened risk, effective selling provokes buyers out of their fear. Prospecting messages that describe “who we are and what we do” don’t work when demand is low. Coach your salespeople to build provocative (not informative) sales messages.
4. Leverage your Marketing department to create these messages. Too many organizations leave it up to the salespeople to generate effective messaging that resonates with buyers in this economy. Marketing is well positioned to create the messages, questions and playbooks for the sales force to use in the field.

Moving Ahead

Companies that choose to “ride out” their current troubles may find in the near future that they have survived the storm—but have lost ground to competitors who have taken advantage of the current situation and have consequently emerged stronger and better equipped for growth. To move ahead, your sales force must have the skills and business acumen to demonstrate to prospective customers the imperative for taking action and the value that will be derived from it. Sellers must have the ability to uncover the issues or opportunities that have enough urgency or value for customers to take action. Finally, you must follow through with speed and efficiency to ensure indecision doesn’t get a chance to reinsert itself into the process.

Getting back to your plans for 2012 begins with the four strategies above. Then, be smart about preparing your people to execute. Make sure your sales teams get the skills to leverage your value proposition in ways that will help your clients realize how necessary, maybe even essential, your offerings are.

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