Addressing Revenue Challenges: Customer Knowledge and Organizational Alignment

The right strategy is not enough. Asking the right questions and knowing the "brutal truths" about your business are essential.

Kannon has learned several lessons in our work this year about issues clients face as they work to identify revenue growth opportunities and anticipate and mitigate revenue threats. We hope this brief summary of issues and lessons will be both practical and thought-provoking as you put together strategies to retain and grow revenue.

The focus here is on several key revenue-related issues you can address and lessons that you can act upon. We are all excruciatingly familiar with the macro economic situation and the challenges it presents to both marketers and consumers in our uncertain and volatile economy. Success going forward will be set by how well we are able to help our customers respond to these challenges.

ISSUES WE HAVE SEEN

Two over-arching issues we have seen involve Customer Knowledge and Organizational Alignment. They are inter-related and impact two key parts of a Revenue Strategy: Product and Service Portfolio, and Pricing.

On **Customer Knowledge**, many of the issues we have seen are the result of very rapid changes in the environment current and potential marketing customers do business in, and the range of competing advertising and marketing services they have to select from. We have seen that critical understanding of how different products and types of customers contribute to overall revenue can be incomplete, frequently because resources are not available to do the detailed analysis needed to achieve it.

As revenue becomes more fragmented and dispersed across different products and services, business units and partnerships having this "big picture" understanding is vital. This in-depth analysis can help to understand revenue and retention trends and concentration across the full range of products and services offered. The analysis should include revenue for the full range of print, digital and other products by customer, by product or service, by type of revenue, by business or consumer segment, by source of revenue, by geography etc.

Looking at **Organizational Alignment**, we find clients working to understand and productively align a multiplicity of issues. These often includes aligning revenue opportunities with product portfolios, pricing levels and metrics with consolidated rate cards and bundling options, sales channels and costs with the lifetime value of customers, products and performance metrics with sales staff skills and personalities, compensation plans with retaining revenue and growing revenue.

Frequently, analysis of where the organization is applying current resources and sales pressure finds a focus on an increasingly smaller set of customers and products, many of whom are at risk from continuing changes in the marketplace. Research that we see and advertisers that we speak with report that organizations are increasingly difficult and cumbersome to do business with in today's flexible, real-time environment. Sales staffs present products and services with pricing and metrics that are disconnected from advertiser needs and from the value delivered.

In other words, **revenue is increasingly at risk because the organization's focus and processes are on where the market has been, rather than where it will be**.

What follows are a few lessons learned on how these issues are being successfully addressed.

CUSTOMER KNOWLEDGE QUESTIONS

Virtually all of our clients engage in multi-product, multi-media selling. Often, these sales efforts cross multiple business units or divisions. They frequently sell both their own products and services and those of various partners. In a number of cases, they have further extended their relationship with customers to include an "agency" role, planning, packaging, buying and tracking marketing services from many sources for a client.

What may be missing is a "big picture" view of the customer that extends across all these business units, partnerships, products and services. Capturing this big picture view has helped clients answer questions such as these:

- How many different products and services does a customer buy across all of the possible offerings? How concentrated is a customer's revenue in just one or two products? Are those products in growth areas? Are customers who buy multiple products different from those who do not?
- What are the patterns of multiproduct purchasing? Do they vary by business segment? By customer size? By customer scope (national regional, local)? How is spending and spending mix changing?
- How concentrated is revenue? What percent of customers account for what percent of revenue? What percent of my revenue comes through key "gatekeepers" such as an agency or buying service, or a common corporate parent? How does this vary by business segment? Type of revenue?
- How vulnerable is my multiproduct revenue? If a customer reduces spending in one product, does it put other spending at risk? Can that spending be captured in other parts of the portfolio?
- Where are my customers and potential customers located? How well do my products and services reach them? Where can reach be improved, and is it worth it to do so?
- Looking at competitors, how do their product portfolios compare to ours? Mapping their offerings to ours, for which advertiser segments is our portfolio stronger? Weaker?

With answers to those questions in hand, clients have been able to examine the broader market and answer questions such as:

- What are the marketing needs and buying patterns of various business segments?
- What are the product and services needs of different consumer segments?

- What business segments and characteristics are better targets for multi-product sales approaches? What are the best product packages? Which segments might be better targets for single-product sales, or for selected packages from the full portfolio?
- Where do I start? How do I select the best targets for each different sales approach? How do I prioritize the new revenue opportunities? What should I say "no" to?
- What opportunities do I have to better align my offerings and my marketing with my current and potential customers? With new product development? Through partnerships? Acquisitions?

Through answering questions such as these, we have helped clients set organizational strategy based on complete data rather than more siloed results or limited "institutional knowledge" of the marketplace.

Clients have achieved a common organizational understanding of revenue and customer concentration and consequent opportunities and vulnerabilities in their business. This facilitated development of strategies to address both opportunities and vulnerabilities. Other clients were able to realistically size and more effectively reach their target audiences, making better use of resources and more accurately setting management and board expectations.

ORGANIZATIONAL ALIGNMENT QUESTIONS

Once an organization has a solid foundation of Customer Knowledge, the mission becomes acting on that knowledge: aligning the organization – people, processes, products and services – to achieve success in the market.

Organizational Alignment covers a lot of ground: the resources applied to developing and supporting products and services, how products and services are priced and packaged, go-to-market approaches and sales channels, pricing and bundling, compensation plans and revenue responsibility within the organizational structure.

By intensively examining what organizations are actually doing, we have helped clients answer questions such as these:

- What are our current sales approaches, and where and how are they applied? How well do they align with market opportunities and growth?
- Where are we "over covering" segments, and where is our product portfolio or sales pressure too thin relative to the opportunity? Are costs of sales and support appropriate to revenue?
- What sales approaches and channels are appropriate going forward, for each element of the portfolio? To what extent can current sales approaches and channels be optimized to align with customers and the product portfolio? Where are new channels and approaches needed?
- What are the organizational and structural aspects that need to be in place to best align with the market and emerging opportunities? Clear priorities? Culture? Reporting structures?
- How do I improve both sales and product development processes to best serve customers? Teams? Training? Communication? Goals? Uniform metrics? Compensation?
- How well do people align with opportunities? Skills? Personality? Flexibility?

Through answering questions such as these, clients have developed targeted cross-channel sales approaches and teams, moved toward more responsive and accountable organizational structures for revenue generation, and simplified and consolidated print and online pricing and rate cards, benefiting both customers and sales teams.

About the Authors

Kannon Consulting is a strategy and marketing consulting firm helping clients identify growth opportunities in a changing marketplace. Kannon builds ***Outside-In*** frameworks for clients reflecting customers, competitors, channels and technology to create insight for winning strategies. Kannon is committed to working collaboratively with clients to ensure the actionability of recommendations and their ultimate impact in the market.

Our clients are in both the business-to-business and business-to-consumer arenas. They span a wide range of industries, including education, commercial and public media, non-profits and public service agencies, telecommunications, healthcare and consumer products.

If you would like more information on Kannon's ***Outside-In*** approach to Customer Knowledge and Organizational Alignment issues, and how it can provide new insights to grow your business, please contact us.

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