

Achieving Revenue Goals through Demand Creation

A RevenueStorm White Paper

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What to do when your sales organization misses the target.

Allow me to be direct, if your business development organization is functioning in the same fashion as it did a few years ago, chances are good that you are having a problem hitting your revenue growth goals. And, if that is true, it is probably time for your organization to consider transforming from a **Demand Management** to a **Demand Creation** Go To Market Strategy in order to achieve your business objectives.

A company can mask their *Sins of Omission* in Demand Creation with market growth.

During good economic times, a company can mask their *Sins of Omission* in Demand Creation with market growth (growing along with your existing customers and markets). But when faced with a difficult business and economic environment, it quickly learns that its over-reliance on existing markets and its myopic dependence on Demand Management creates an extremely difficult situation for Sales to pull their way out of, much less bring in significant new revenue gains.

Does your organization have an exclusive focus on Demand Management? Or have you considered transforming your organization around the competencies involved in a Demand Creation sales organization?

To quickly cut through all the confusion, your organization has a Demand Creation competency deficit if:

- You are experiencing sluggish launches in new products and/or services.
- Your Sales, successful in the past, are no longer as successful in this new emerging marketplace.
- Your Sales and Marketing functions are pointing fingers at each other for the assignment of blame for the lack of revenue production.
- You are experiencing the erosion of profits from the commodization of your products and/or services.
- Your competitors are growing at a faster rate than your organization.
- Your sales organization is having difficulty uncovering and/or finding enough pre-existing demand to close.
- Your sales organization, which has decent “win rates”, but is just not “getting up to bat” enough to hit revenue targets.

If your organization has two or three of the above issues, you probably have an emerging Demand Creation Competency deficit, four or more; the deficit is severe and is probably causing serious revenue issues.

If the problem is improperly diagnosed, as is often the case, than a knee-jerk “Band-Aid” solution will never yield the results for which you are looking. Well intended senior managers, desperate to achieve growth under adverse conditions, often employ a variety of “Quick fixes” to jumpstart revenue production. An organizational Demand Creation competency deficit cannot be solved by any one of the following popular and common remedies:

- Merger or Acquisition
- New Sales Management
- Firing and hiring new sales people
- Buying and installing a CRM system
- Sheep-dipping sales people in a cookie cutter sales training program
- Re-branding the company and/or its products
- Slashing costs
- Introducing more new products/services
- Changing the compensation plan of the sales people
- Implementing a marketing blitz in some new targeted market

The Differences Between Demand Management & Demand Creation

Demand Management	Demand Creation
<ul style="list-style-type: none"> • Known Pain Solutions • Existing Need • Differentiate from Competition • Selling is about Identifying & Fulfilling • Product/Service and/or Price Leadership 	<ul style="list-style-type: none"> • Unknown Gain Innovations • Fleeting Opportunity • Preempt the Competition • Selling is about Educating & Generating • Thought Leadership

Figure 1

To be sure, any one of the above may provide some value, but in and of themselves they can not and will not achieve the sustainable revenue gains that your business plan needs in a “down” market.

Demand Creation is the ability of an organization to generate a burning “must have” need for its products and services to attain a newly conceived vision of some coveted gain.

It is NOT the identification of an organization’s pain and matching it with a curing solution. Whereas this is a very legitimate form of doing business, this would not be Demand Creation; this would be by definition — Demand Management. Demand Management is the location of a pre-existing need and filling it.

Shifting our focus from uncovering a customer’s “known pain” to assisting a customer in acquiring a vision for an “unknown gain.”

In a “growth market” it is entirely possible that an organization can do well and even thrive, through excellent execution of a Demand Management Go To Market Strategy. But when times become more difficult, we must accept the challenge of shifting our focus from uncovering a customer’s “known pain” to assisting a customer in acquiring a vision for an “unknown gain.” This entails a higher order of both, marketing *and* selling. This is not just a different approach, but an elevated approach that builds on, *not replaces*, the foundation of Demand Management.

At the risk of overstating this, any business desiring to transform its approach to market does not antiquate its current organizational Demand Management competency but adds to and expands its organizational abilities to include a Demand Creation organizational competency. In so doing, you will not be subtracting but adding, not eliminating but elevating skill proficiency. The net is: that any and all previous training development

investments made in Demand Management will not be lost but leveraged resulting in additional long term returns through the achievement of sustainable revenue gains. To state the blinding obvious; all the new Demand that is being created must still be managed thereby utilizing existing Demand Management skills(see figure 1).

We’ve found that it takes an organization between 12 to 18 months, depending on the size of the organization, to fully install this transformational elevation. Installing a Demand Creation Go To Market Strategy involves the establishment of “Directional Strategy” and aligning all of the functional components of the revenue engine through the installation of a process, supporting tools and most importantly, the development of the various internal stakeholders’ competencies in revenue acceleration activities.

Strategy is set by senior management going through a structured thought process that includes identifying and diagnosing all of the misalignment “gaps” within the organization.

It’s probably no surprise when I say that in most companies, Marketing and Sales are severely misaligned.

Attention is usually focused on the “front end” of the engine — Marketing. It’s probably no surprise when I say that in most companies, Marketing and Sales are severely misaligned. Since Demand Creation is all about achieving *Speed to Revenue*, the initial opportunity to compress the sales cycle is through obtaining maximum speed at the top end of the revenue funnel. By compression, I mean the length of time it takes to identify *Suspects* in a targeted market segment, converting them to *Prospects* by capturing their attention and further converting them into *Leads* by establishing a dialog all in the shortest amount of time and in the most cost effective manner.

The question now becomes, “Who should be doing these three activities?” In a Revenue Storm Research Study conducted in 2002, we found that there’s a very mixed perspective on whether or not Marketing is responsible for generating demand in the marketplace. As the chart (figure 2) shows, only 22% of participants have a clear nod to their Marketing organizations accepting the responsibility for generating demand in the marketplace.

One of the reasons that Marketing is often seen and treated as a cost center in so many organizations, is that it fails to take a leadership role in generating meaningful demand. It is the role of the sales professional to nurture the relationship and generate revenue. Sales should not be forced to take critical time away from client relationships in order to generate their own leads. But when Marketing fails to fulfill this role, the sales organization often finds itself having to do the Suspecting, Prospecting and Lead Generation on their own.

When Marketing’s role in the revenue generation process is sub-optimized, our research further indicates that this may likely have any or all of the following five negative effects all creating **Organizational Drag** on the production of revenue:

1. High Cost of Sales due to the misuse of very expensive sales assets (Typically, the most expensive assets in the company.) Marketing could more effectively do Demand Creation at the top of the funnel at a fraction of the cost.
2. Low “Win Rates” due to the unwise pursuit of unqualified customers by opportunistic sales people desperate to hit their “numbers”.
3. Low profitability due to misappropriation of resources on unqualified or low quality opportunities.
4. Unwanted sales turnover because of misuse of a sale professional’s competencies in prospecting as opposed to selling activities.
5. Lower Revenue per Sales professional due to an inordinate amount of wasted time spent in “opening” activities as opposed to “closing” activities. This is analogous of a good baseball player with a high “hit rate” not getting up to bat often enough to hit in runs to win the game.

Does Marketing accept, as its responsibility, the need to generate demand in the marketplace?

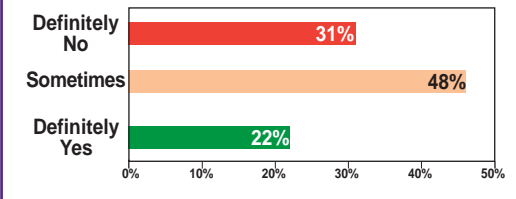


Figure 2

Although, the Revenue Engine contains 11 different cross-functioning components that play a role in Demand Creation, the natural limitations of this article allow us to only overview two — Marketing and Sales.

This transformation changes the organization’s over-dependency on *Buyer-Initiated* buying processes to *Seller-Initiated* sales campaigns. That means that selling is no longer just a function of uncovering and/or responding to pre-existing demand but creating demand where none existed before. The nature of this demand is typically not product-centric, but business-centric. This requires educating the customer of a business gain that may not have been on his/her radar screen.

This is accomplished by a skilled sales professional utilizing their “Thought Leadership” in taking a senior manager’s thinking to places it has never been to consider options they have never considered and making connections they have never made before. This is accomplished through a co-developed business improvement Value Proposition resulting in a sense of urgency to take advantage of a fleeting opportunity.

By redirecting sales activities to include Demand Creation behaviors, they will be giving birth to revenue opportunities in places where they previously did not exist. And since they “started” them, there usually are no competitors and if the opportunity is truly built on a compelling Value Proposition, they will be immune to customer initiated discounting and further protected by the absence of a “bake-off” with a competitor, as a result the profitability will be respectable and balanced with the value provided.

Viewing Demand Creation as a Senior Executive

The following interview with Michael Ciaramella, the former vice president of sales for Creo Americas, Inc., and currently the corporate director of sales development, has led his organization through a Demand Creation transformation process. He provides a senior executive's insight into the mechanics of elevating an organization's approach to market.

Why should a sales organization consider elevating their Go To Market strategy to one of Demand Creation?

[Michael Ciaramella] For us it was a matter of taking control of our future. With a demand creation model you can create prospects, not find them. That is a much more powerful position for a company to be in. We also found the following to be true of the demand creation sales, they tend to be much more profitable than the demand fulfillment type of sales. This seems to stem from the fact that if you create demand the customer has not pre-assigned a value to your product or service. If you wait until their needs are known and felt then they have already set up some buying criteria that you may have to break down and they also have placed a mental value on your products or services. An additional benefit is that we are able to predict the closing time frame better and we are much less vulnerable to competition

“The key is to get total buy-in and ownership of the sales team and sales managers to the process.”

What are the critical success factors for transforming a sales organization from Demand Management to Demand Creation?

[Michael Ciaramella] The key is to get total buy-in and ownership of the sales team and sales managers to the process. You also need to make a total business change within the company. By this I mean the entire company has to adopt a business solution/demand creation mentality, not just sales.

How does a Demand Creation” business development organization look different from one of Demand Management?

[Michael Ciaramella] The demand creation business development organization is totally focused around their customer's business. They need to become an expert in their customer's business so that they can bring the thought leadership to their customers that will allow them to grow.

How would a company know if they need to move to a Demand Creation model?

[Michael Ciaramella] Are margins slipping? Is market share slipping? From the time you introduce new products or services to the market how long does it take you to get to critical mass. If the timeframe of bringing new products to market and getting them in the hands of enough customers is growing then it may be time to make a change.

Viewing Demand Creation as a Sales Professional

In addition to the organizational change that Michael identifies, the individual behaviors of individual sales people also need to be elevated to a new level of proficiency. One individual who has changed his approach to selling is Timothy Lanai. Tim was your average sales guy but once he adopted a Demand Creation approach to sales, He catapulted to the number one position in the company and has obtained revenue levels of 250% of quota. Here is Tim's interview:

Since you have elevated your sales approach to Demand Creation, what results have you seen?

[Timothy Lanai] In the 8 months since I first I learned how to create demand through Revenue Storm, I have sold over \$5 million in revenue on a 12 month quota of \$3.1 million (250% of quota). I have never sold over \$5 million annually in my 11 year sales career. I have also been at, or near, the top of the sales rankings in my company ever since I starting selling this way.

How would you compare this new way of selling to that which you've done before?

[Timothy Lanai] There is no comparison to a Demand Creation sales campaign versus demand fulfillment. Demand Creation is a

much more enjoyable experience for both the customer and the salesperson. A Demand Creation sales campaign fulfills the most important business need that the customer has, a need that the customer didn't realize the sales person's company could address. This need is uncovered by the sales person early in the process, a process the sales person initiated, versus the customer telling the sales person (and all of his or her competitors) what they want to buy to "commoditize" the product, thus making price the most important of the buying criteria.

What impact does a Demand Creation sales cycle have on your profit margins?

[Timothy Lanai] Demand Creation is typically a sales process that doesn't involve any competitors that the customer considers seriously. This is because the business need, or "critical success factor", is uncovered by the sales person and can only be addressed completely by that sales person because he or she is the only one who really understands that need. The absence of serious competition leads to shorter sales cycles and prevents customers from squeezing margins to unacceptable levels, which is what typically happens to whoever wins a demand fulfillment sales campaign.

"My customers have noticed a big difference in the approach I have taken with them."

What has been the reaction of your customers to your Demand Creation approach?

[Timothy Lanai] My customers have noticed a big difference in the approach I have taken with them. They have noticed and appreciated that I am not trying to sell them anything. I am legitimately concerned for their business and trying to help them in any way I can.

What would be your advice to someone who wants to sell by Demand Creation?

[Timothy Lanai] The first big step is to get rid of the limiting beliefs that tells you this type of sales campaign can't happen — not in my territory, with my customers, or with my company's products and/or services. Once those limiting beliefs are removed, which is not an easy task, the process of moving from a typical vendor

(who ends up competing on price) to a resource your customers and prospects genuinely value is not that difficult. It takes a sincere interest in your customers and prospects success — as much or more of an interest than you have in you or your company's success. Once the customer understands and believes your main goal is to help and not to sell, they will give you the keys to their business to allow you to help them. I would also suggest speaking with as many peers as possible who sell this way to learn how they do it and the successes they have had. It is a constant learning experience as you go through the process of changing from being a sales person to a business resource and the more advice and coaching you get along the way will make your journey significantly shorter.

Viewing Demand Creation as a Customer

But perhaps the most important consideration of undergoing a Demand Creation transformation process is the impact on the customer. How do they want to be sold? What is the value they experience during a typical Demand Creation "sales campaign"? To find out, Revenue Storm interviewed one of Tim's customers — Philip Scull Owner and President of Yorke Printe Shoppe, Inc. Here is how the President described the effect on his company's business from being sold by a Demand Creation sales approach. Please note where the focus is, it is not just about buying "stuff," but about implementing a plan that resulted in improving his organization's business performance to take advantage of a window of opportunity in his marketplace.

"As a result of doing business with Creo, our company is better prepared to achieve its business objectives. Along with the newest and best equipment for the new digital workflows, Tim and his company have put together customer 'user friendly' tools to help us interface our work-flows. This not only enhances the added value our company brings to our current customers but also provides us a definite edge with our competition in getting new accounts.

Tim has been helping us see that as we get the story out on the street it enhances our whole company image as progressive, up to date technology wise and having the best chance of solving their more difficult and challenging projects.

Tim is definitely not a “peddler”, but a guy who has a sincere desire to help his customers succeed. He has become our “Business Coach”. He’s also smart enough to know that if we succeed it will help him as well. He stays up with what is happening in our industry and what others are doing to make changes to adapt and passes them along. We know he is committed to this industry. He’s worked at the user level and since we’ve known him for several years having bought other equipment from him we know he’s in it for the long haul.

He has shown us that we need to present our company to our customers the same way he does his company. There are a lot of companies out there that can do a lot of the same things we can do, but in the big picture we have a lot more to offer them service and capabilities wise that will help them market their products or service.

Overall I think we are a better company because of our association. And by the way we also have some good equipment that Tim sold us.” Phil Scull

It appears that Demand Creation is here to stay, even if the economy improves. Customers want it. The legacy of the troubled economy of the last couple of years will be the elevation of any organization’s Go To Market Strategy. The “Table Stakes” for growth have just gotten higher. A new game is in town, and its called Demand Creation and Business-to-Business selling will never be the same!

About Revenue Storm

Today’s analysts and shareholders have made it clear to businesses of all sizes — ever increasing profits is the goal. That leaves companies with two major choices: reduce expenses or grow profitable revenues. Executives have made a career of reducing expenses. While expenses can still be improved today, due to a decade of cost-cutting efforts, the greatest potential impact is GROWING PROFITABLE REVENUES. Companies tend to take two approaches to the Revenue Equation: 1) Dole out larger revenue goals and assume the compensation plans will drive the desired results, or 2) Push out more products and services to the market hoping more revenue options will yield more revenue dollars. Neither is a good strategy.

An aligned organization, executing against a well-defined and communicated Go-to-Market Strategy is essential to reap replicable revenue growth year after year. It demands more careful thought, focus, and planning than ever before. Revenue Storm was created to bring together an integrated set of consulting and training methodologies to bring clarity and focus to organizations navigating in today’s tumultuous business climate.

We emphasize Clarity, Speed and Revenue. We work with each level of the organization, using business drivers that are important to those teams to gain consensus and focus. We help companies identify their strengths, leverage what is working through the installation of process and tools, and help uncover vulnerabilities where improvements are needed. We look for both small, but fast impacting changes to build team excitement and motivation as well as going to work on the bigger, more global issues that when resolved will yield a well-aligned, fast churning Revenue Engine.

Let’s start a Revenue Storm within your organization that will thunder in the marketplace and rattle your competitors.

For more information visit our website at www.revenuestorm.com.

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