

# Moving the Market:

## Creating the Wave VS Riding the Wave: Creating the Next Long-Term Wave of Growth

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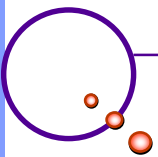
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# Time to Find a New Wave of Sales and Profit Growth?

- Has your company been riding a wave of business and profit growth, but now sees that slowing?
- Are you trying, or considering, a materially different market initiative, but worried about what you don't know about this market?
- Do you feel / believe you are going to have to make systematic changes to be successful in these efforts, but the nature of those changes is unclear?



**QDI Strategies, with 30 years of experience, can help you “Move the Market”.**



# Business Grow for Two Reasons

## 1. They ride the wave of growth of their market or their channels

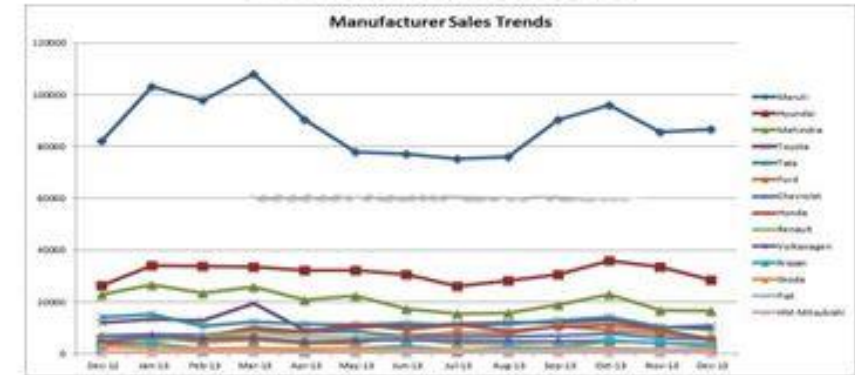
As long as companies continue to do what they have done well, they should reap this market growth. In this scenario, marketers are riding the wave of existing market forces to grow their business.

## 2. They create a wave to ride

By creating a value proposition with enough power to win a new segment of customers and ride the wave of demand they have created.

### Markets Tend to Stay on their Trend Line (or Stable)

Because of the Inertia that Results from All the Forces on the Market



### Marketers can create forces to overcome market inertia



# Home Depot Growth – Example of Riding the Wave

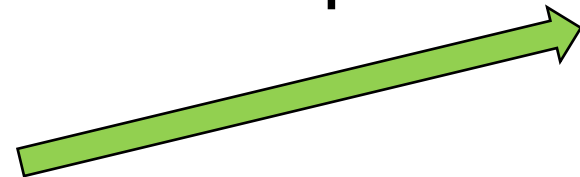
A classic example of riding the wave growth was evident in the in the late 1990's and first half of 2000 when Home Depot was emerging as a national player in the home improvement market. From 100 stores in 1989 to 2000 stores in 2005, Home Depot grew from nothing into a dominant retailer in the home improvement industry.

If you were a vendor to Home Depot, and kept your position in their business, your sales would grow twenty-fold over the 15-year period. If you expanded your product mix within Home Depot, you would even grow faster.

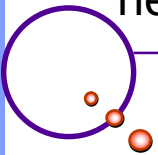
These marketers looked like geniuses, and they were, for building a strong partnership with Home Depot.

QDI had clients who rode this wave, but this also meant that their growth stalled in 2007 when Home Depot stopped growing – their market changed, and they needed a completely new approach to create a new wave to ride.

**Market Trend Line for Riding  
The Home Depot Growth Wave.**



**20% Annual Growth**

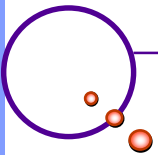


# Riding the Wave When Market Conditions Change

Companies stall and even shrink when markets change, and they do not react to that change.



**Market forces, such as a change in demographics, or customer taste, can change the trend line, resulting in accelerated growth or decline.**



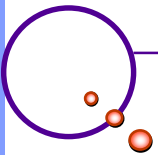


# Riding the Wave Down Example: Consumer Flooring

Armstrong World Industries was the undisputed leader in consumer hard surface flooring at the start of the 1980's. They had market shares in the range of 70% in vinyl tile and were working hard to hold on and even grow that share.



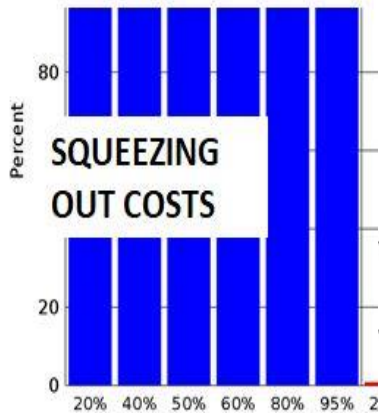
But consumers were moving away from vinyl – to wood and ceramic – faster than Armstrong management realized. The result was turmoil for Armstrong World Industries as it has had to split up its business units and reorganize over the last 20+ years to become a leader again in the consumer hard-surface flooring business, but in the process shares dropped from around 70% to less than 20%.



# Awareness of Change - The Fundamental Requirement to Create a Wave

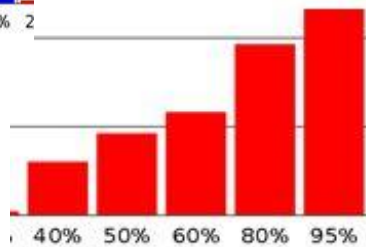


When companies focus solely on the day to day business, squeezing out all the extraneous cost to be efficient, they move further away from learning something new that will change the business.



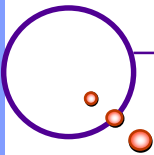
**BUT...**

**MISSING LEARNING  
AND GROWTH  
OPPORTUNITIES**



**Business is a daily race for sales & profit**

Be open to near-by  
*growth opportunities,*  
*while not expending*  
much energy or  
capital.



# Creating the Understanding to Propel Change Requires Devoting Resources Away From the Day-to-Day Business



**FOCUS ON  
NEAR TERM  
GROWTH**

Near-term growth – something close to day-to-day has a chance of being found, but if you want real growth, you need the external learning.

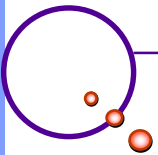
**External Learning Focus Required  
to Overcome Inertia**

**If you want real growth, you need the  
external learning**



Actively explore outside of your day-to-day opportunities to understand threats and changes that will impact your business and potentials for growth.

If you focus on maximizing efficiency – and don't spend resources outside of your core business, you will be blind to these opportunities.





# Creating a Wave for Market Growth: Mistakes to Avoid

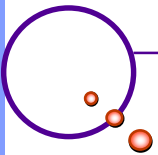
If companies are learning about the changes in their market, they are in a position to take advantage of these market forces. Typically, there are two areas that trip companies up when trying to “Create a Wave.”

- The change they make in the value proposition (i.e., lower price, longer warranty) isn’t powerful enough to change behavior in the new target segment.
- They fail to consider the communications, coverage, and delivery changes required when they selected the new value proposition. Then once executing the strategy they find they can’t make the needed internal behavioral changes or making them would be too disruptive to their existing business.

**Value propositions**  
not powerful  
enough to  
change  
behavior...

And

They can not  
create  
**organizational  
changes**  
needed.

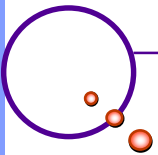


# A New Approach to Changing Market Behavior

The rest of this presentation shows a new approach – no more guessing if the change in value proposition will have an impact – no more designing with a blank sheet of paper thinking we will figure out if we can build it later.

This approach enables you to consider what has impact, and what your organization can execute at the same time.

## Moving the Market – Changing Market Behavior

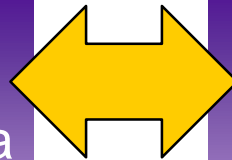


# Challenges to Market Growth

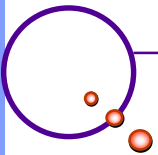
- **Creating a value proposition for target customers that is great enough to overcome their resistance to change.**
- **Communicating and Delivering that new value proposition to the target customers.**

Learn what you could do to change customer behavior and what you have to do to execute that change

**Outside**  
To Change Behavior – Create a  
Winning Value Proposition



**Inside**  
To Change Behavior –  
Implement Internal Changes to  
Communicate and Deliver Your  
Value Promise

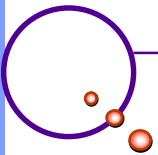


# Learning from Outside Your Organization

Learning what you could do to create the market force to win back lost customers, or win with new customers, or in new product categories, requires learning **outside** your organization what you have to offer as a value proposition to change a buyer's behavior so they select and use your offering.

Outside

To Change  
Behavior –  
Create a Winning  
Value Proposition



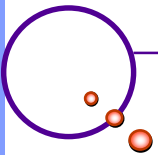
# Learning from Inside Your Organization. What Do You Need to Do to Bring the Product to Market at a Profit?

## Inside

To Change  
Behavior –  
Implement Internal  
Changes to  
Communicate and  
Deliver Your Value  
Promise

Additionally, you need to learn what you have to do **inside** your organization to assure the organization changes it's behavior so it will communicate and deliver that new offering to the customer.

Learning outside what would change buyer behavior and inside what you need to do to assure that value is communicated and delivered are parallel activities, as you have to understand what your organization is capable of as you learn what customers might require.



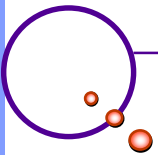


# Don't Fall Into Either of These Categories

**If you can't implement it, the best value propositions have no value!**

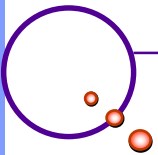
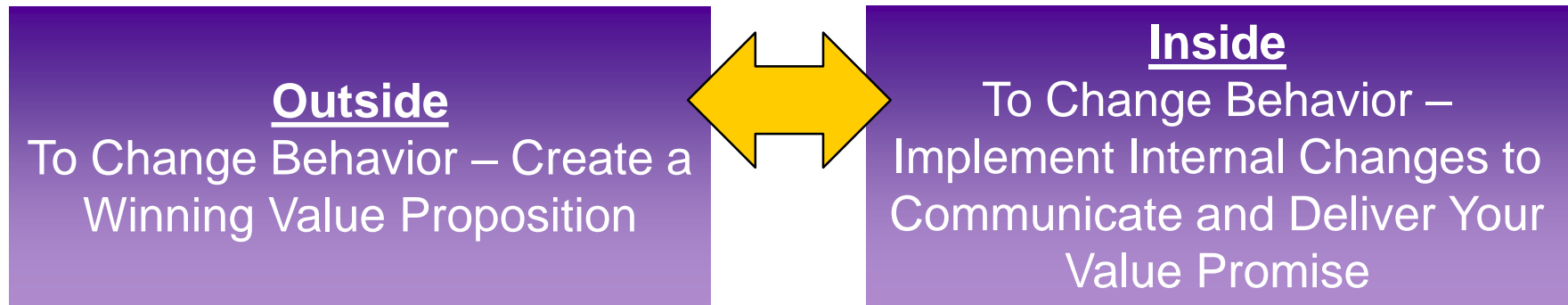
Most new product/service offerings fail for two reasons

- Companies over-estimate the value of the new offering
- Companies under-estimate the internal changes required to execute the new strategy

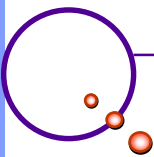
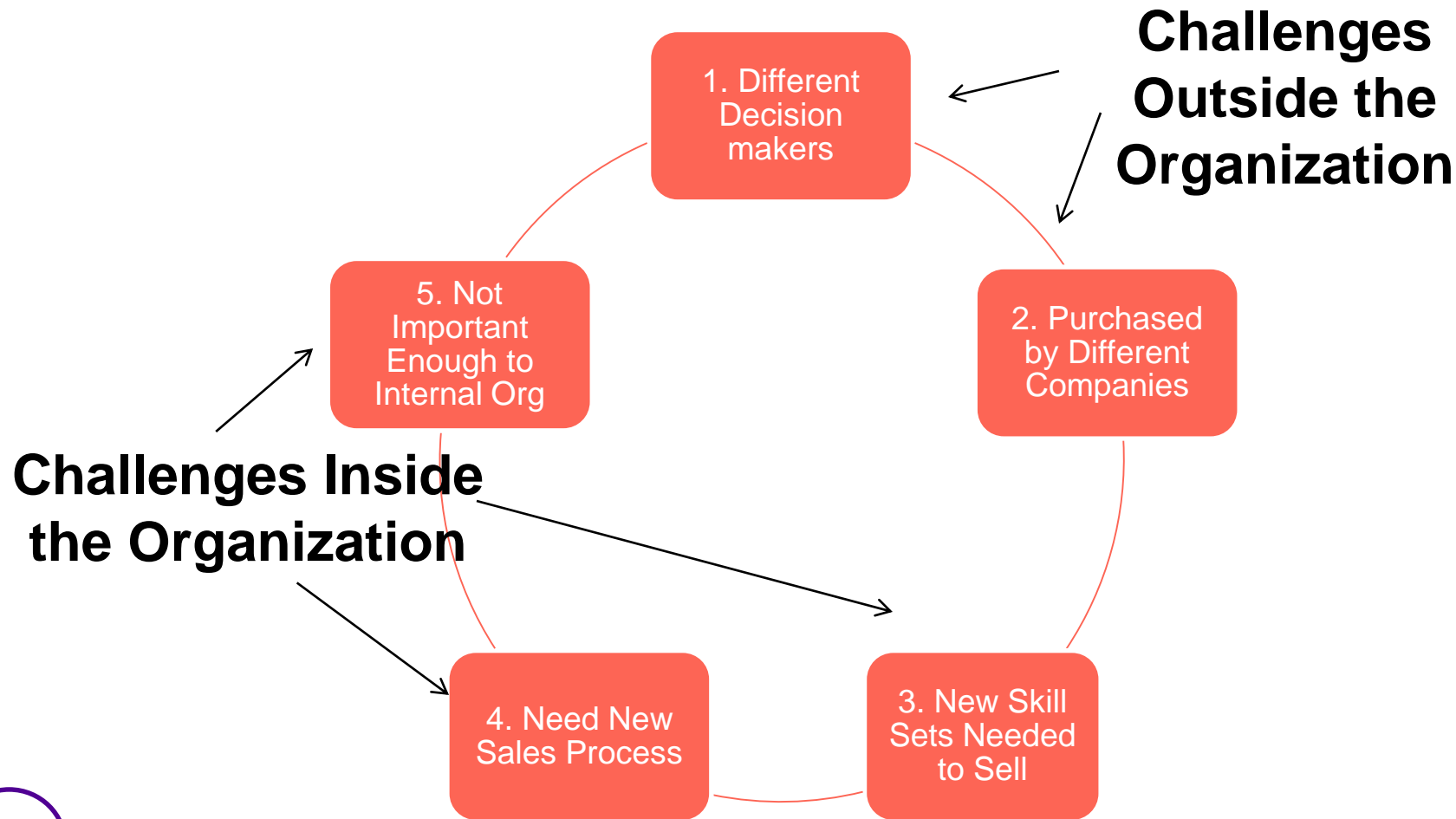


# Be Able to Execute Strategies Needed to Communicate Value of New Product to Target Customers

- While the common strategy of marketers is to start with the target prospect, it makes little sense to start with the target prospect and develop a value for that prospect that you can't deliver.
- While this seems obvious, many companies fall into the trap of developing products and services that their existing organizations can't market – or require changes inside the organization that are not identified and put in place until after the market and company has lost faith in the new product or service



## Potential Challenges to Marketing a New Product or Service



# Impact of Different Decision Makers

## 1. Different Decision makers

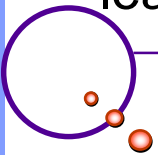
The new product/service is purchased by different decision makers than the existing product line. Here's an example:



### **The move from paper forms to electronic forms.**

QDI was working with Moore Business Forms as they began this journey. As is often the case, the sales force demanded that the new products be sold by their sales reps who already called on the customer. But the challenge was, the buyer was not the forms buyer. It was the IT department. Moore's paper forms sales people needed to call on a different buyer, which required a new vocabulary, communicating different benefits, and selling a software license.

All of this added up to needed behavior changes that were too great for Moore to overcome and resulted in several failed attempts to be a leader in this space.



# Product/ Service Purchased by Different Companies

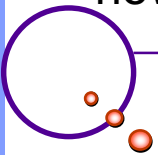
## 2. Purchased by Different Companies

Sometimes this is very easy, as your distributors may already have relationships with these customers and just need to offer your product. At other times, you may have the same problem as the first one -- having to build new customer relationships. Here's an example:

### **Learning How to Sell a New Product or Service**

Manufacturers of construction and agricultural equipment markets are investing millions of dollars trying to turn the data that is flowing almost real-time off their machines into valuable business models, but the jury is still out on how successful they will be.

The most significant challenge is that the value propositions for everyone in the market chain have not evolved. Customer's don't see why they would spend money for this data and analysis. Channels don't see how customers use of this data will make them money and feel it often erodes other revenue streams. And finally, the sales representatives are being trained to sell the technology, but not how to get the value the technology delivers.



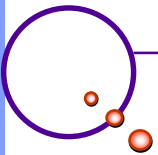


# Learning How to Sell a New Product or Service

Komatsu saw that selling the benefits of the data was not enough. They realized they needed to do more to get customers to adopt their data tracking technologies. So they developed a complete change management program for contractors to use with their operators to positively motivate them to change their operating behavior and save fuel,

Komatsu learned that you have to sell the customer a way to capture the benefits, which they successfully did. As a result they took a leadership role in this rapidly evolving competitive space.

# KOMATSU



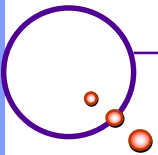
# New Product/Service Requires Different Skill Set to Sell

## 3, New Skill Sets Needed to Sell



The new product / service requires a different skill set to sell. The net effect is the sales channels have to develop new skills to be successful.

For example, as industrial vendors launched retail packaged products for firms like Grainger and Home Depot, many learned the hard way that their reps need the vocabulary and skills to present how their products could increase return per square foot of display space and return on investment. New skills for a traditional industrial sales rep.



# New Product/Service Requires New Sales Process

## 4. Need New Sales Process

The new product / service is new enough to your organization that you have to learn how to sell it. Since the job of a sales force is to sell, not figure why the new product isn't selling, someone has to develop the new sales process that can be shared with the sales force.

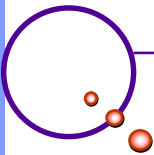
### ***QDI Case Study - Learning New Skills to Sell a New Product or Service***

Stonhard believed that some of its industrial products also fit commercial applications, yet they had almost no commercial account sales. QDI met with Stonhard to develop a better perspective of the features, benefits and drawbacks of the new products. Industrial accounts loved Stonhards ability to both supply the flooring and provide the installation

**STONHARD**



*Continued*



# Learning New Skills to Sell – QDI Case Study

QDI learned that both hospitals and schools, lacking the expertise industrial customers had, often turn to architects and general contractors for projects. It was clear that to be successful in the commercial market Stonhard sales reps would need to work with architects and the installations would need to be coordinated with general contractors.

This new sales process (Selling the hospital and its architect while showing the General Contractor Stonhard is easy to coordinate with) was the key to opening these markets. Selling this way, Stonhard has been able to expand into the healthcare and academic segments.

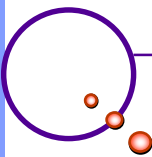
**Sales doubled** the next year and have grown into a major segment of the business.

**STONHARD**

Architect

Hospital Board

General contractor



# Too Few Inside the Organization are Committed to the New Product or Service Offering

## 5. Not Important Enough to Your Internal Organization

The new product / service is just not important enough to your internal sales organization or the channel's sales organizations to put enough effort behind it to be successful.

The net effect is that you will have to introduce the project and educate the buyer without taking the sales organization's and/or channel's time.

It is tempting to force or incent reps to focus on the new product, but taking time away from selling products reps know how to sell is just too hard for them, and usually unsuccessful.





# Too Few Committed to the New Product

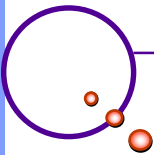
## Too-unimportant

Distributors and sales organizations all have a hierarchy of product:

- Primary products – account for more than half of their revenue, but only about 10-20% of their SKUS.
- Secondary products – account for about 20-30% of revenue, and about 20-30% of SKUs.
- Tertiary products – account for about 10% of revenue and more than 50% of SKUs, each product typically accounting for less than 1% of sales.

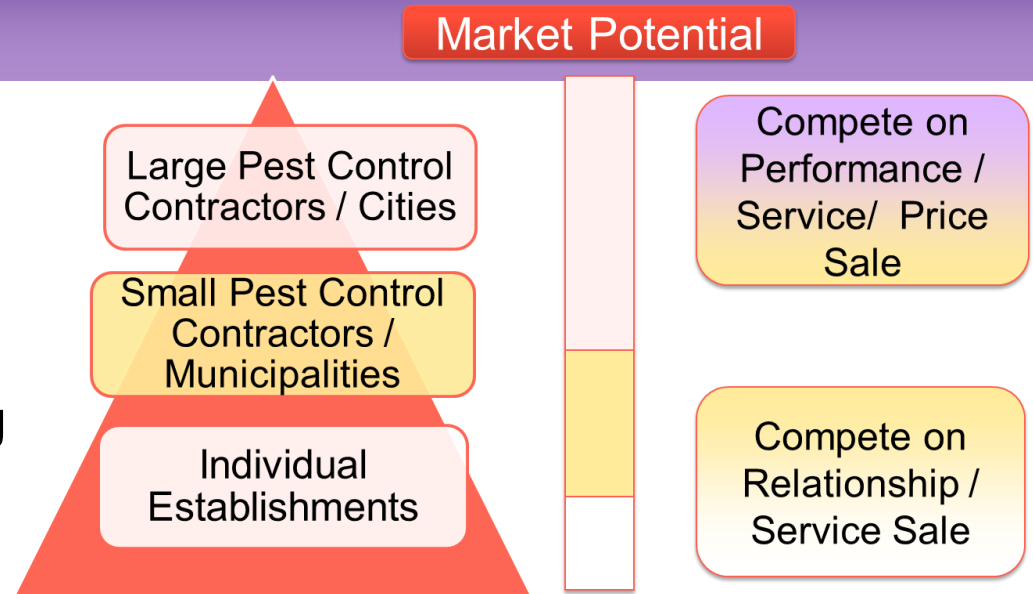


Growing sales of tertiary products is a challenge as they are usually not sold by the sales channel, but instead the sales channel takes orders for them when the customer asks for them. A QDI client asked our help in growing his sales in a classic tertiary product. QDI's research revealed that while the product was definitely tertiary to our client's distributors, it was not tertiary to all the distributors' customers.

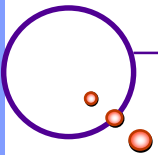


# Too-Unimportant Case Study

- Research found there were three customer segments. Specialist channels were already calling on the “volume” segment, providing expertise the broadline reps could not compete against.



- Accepting that their distributor sales people would never develop the expertise to compete against specialist, the company adopted a two pronged approach to growing its share.
- They created a new sales specialist dedicated to these accounts. These individuals would treat pest control chemicals as their primary products.
- The second marketing approach was for the rest of the customers, who don't buy enough to get the distributor's attention. This approach focused on bundling the product in the overall customer relationship.

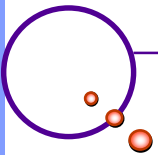
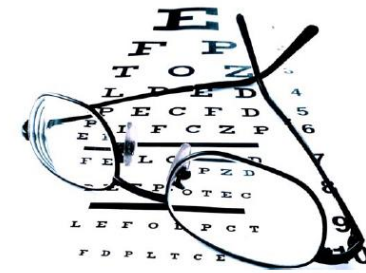


# Too-Unimportant Lessons Learned

- While a product category may be too-unimportant to most customers, it may be very important to some. Good segmentation work can lead to strategy options that are not evident when looking at the category as a whole.
  - Competitors will have set up distribution channels where the product will be primary or secondary that you have to compete with to win the business.
- When it is un-important – nobody will be selling it for you. Your options are to bundle it as part of an overall service offering or market it with specialized pull-through activities:
  - Email marketing / search marketing campaigns
  - Targeted telemarketing

**Click to learn about  
Segmentation from QDI**

*A 20/20 Look at Segmentation*

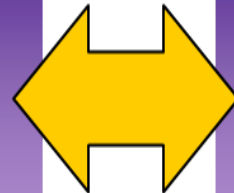


# QDI Strategies Help you Grow Your Revenue Stream

We tell these stories because to be successful in overcoming the barriers to growth companies have to do two things simultaneously:

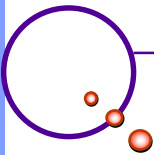
Learn what you could do to change customer behavior and what you have to do to execute that change

Step 1 to Change Behavior –  
Create a Winning Value  
Proposition



Step 2 to Change Behavior –  
Implement Changes to  
Communicate and Deliver Your  
Value Promise

Neither of these changes are trivial, and often the internal one, is the more difficult change.

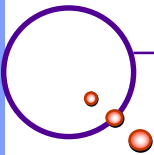


# How QDI Helps Clients

It's normal for QDI conversations to go more than an hour with a lost customer or potential target customer in a new segment. Why? Because the customer is interested in the conversation. It's not a survey, it's a discussion that's helping the customer explain how they buy and use these products, why they are buying what they buy, where you are falling short and how you could do a better job of meeting their needs or how the new product would fit in their business. Often the conversations raise customer problems that the customer doesn't have the answer to, which provides opportunities for our client to create valuable solutions to those problem.

QDI consultants have similar conversations with your sales channels to understand how they work with the lost or target customers, how they spend their time, what motivates them and how they perceive customer needs and challenges.

This input is the “fuel” to generate new customer solutions. While QDI consultants can see opportunities to create value, only our clients can design products and services to do so. Thus, during this stage of the process, QDI is working with a client project team to share what they are learning and begin the process of creating high value customer offerings.



# What QDI Strategies Customers Say

"QDI's work quantified the opportunity in our "mega" segment and identified the criteria this group uses to evaluate us. We're in the process of putting in place the information and communications necessary to win these customers."

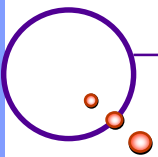
Jack McQuellon, Caterpillar

"In my experience, what distinguishes QDI is that they identify the deep underlying insights quickly. Their research techniques draw the relevant truths out of the marketplace and these enable us to develop valid strategies that will make a difference. Our company's true opportunities in the current marketplace become apparent . The interactive process gets buy-in from the participants within our company so at the end of the project, we have actionable strategies."

Michael Hadjinian, TPI Composites

"Terrific work- based on QDI's findings we are already putting marketing programs in place targeting buyers at the key decision points they identified."

Frank Dennis, Dennis Consulting





# Visit the QDI Strategies Web Site and Learn More About How We Can Help You Add Value and Grow Your Business.

## How does QDI help?

*QDI listens and understand what customers, channel partners and other customer facing people are saying and grasp how it relates to your business challenge - whether that is kick-starting a stalled product line or effectively marketing a new product. QDI has an intellectual and intuitive skillset and a process for linking what they are learning to your business to find solutions for your problems and how to execute those in the market.*

To learn more, take a look at QDI's White Papers with case histories about companies facing market challenges: <http://www.qdistrategies.com/about-qdi/value-management/>

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