LAWRENCE G. FRIEDMAN

FROM THE LEADING AUTHOR OF *THE CHANNEL ADVANTAGE*

GO TO MARKET STRATEGY

Advanced Techniques and Tools for

- Selling More Products
- To More Customers
- More Profitably

With a Foreword by Neil Rackham, author of *SPIN Selling*

Go-To-Market Strategy

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Advanced Techniques And Tools For Selling More Products, To More Customers, More Profitably

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BUTTERWORTH HEINEMANN

OXFORD AMSTERDAM BOSTON LONDON NEW YORK PARIS
SAN DIEGO SAN FRANCISCO SINGAPORE SYDNEY TOKYO

Butterworth-Heinemann
An imprint of Elsevier Science
Linacre House, Jordan Hill, Oxford OX2 8DP
225 Wildwood Avenue, Woburn, MA 01801-2041

First published 2002

British Library Cataloguing in Publication Data
Friedman, Lawrence (Lawrence G.)
Go-to-market strategy: advanced techniques and tools for selling more products, to more customers, more profitably
1. Marketing
I. Title
658.8

Library of Congress Cataloging in Publication Data
A catalog record for this book is available from the Library of Congress

ISBN 0 7506 7460 1

For information on all Butterworth–Heinemann publications visit our website at www.bh.com

Typeset by Keyword Typesetting Services, Wallington, Surrey, UK
Printed and bound in the United States of America

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Foreword by Neil Rackham

Few business books are well written. Ask me about it. For some sin committed in a former life, I'm condemned to read hundreds of the wretched things every year. And even fewer of the books that I wade through have real substance. So when I first read the manuscript of Larry Friedman's classic, *The Channel Advantage*, I was delighted. Here was exciting content written in an engaging way. In my back cover endorsement I wrote:

Its ideas will shape how companies use sales channels for years to come.

That was in 1999, at the dawn of modern channel history. And now, with all the benefits and the embarrassments of hindsight, I realize I was only partly right. The book certainly did shape how companies used sales channels. It was extraordinarily influential. It provided exactly the clear and concise guide that let organizations large and small slash millions from their costs while increasing their market coverage and sales volume. And it was almost alone among business books in that year for sounding a prophetic note of caution about the New Economy and the dot.com revolution. But when I wrote 'for years to come', I badly underestimated the speed with which the new field of go-to-market strategy was evolving.

In 1999, just as *The Channel Advantage* was hitting the bookstores, the prevailing wisdom of the strategists could be summarized in three simple tenets:

1. *Choose fewest channels for maximum economic coverage*. Channels are expensive to set up, so the argument went. They conflict with each other and they can confuse customers. So why have more channels than you must? In 1999 there was much talk of 'channel rationalization', 'channel pruning' and 'avoiding channel proliferation'. The experts advised you to reduce your

channels. The consultants' smart question of the month was 'what's the minimum number of channels to give you maximum economic coverage?'

2. *Set clear rules to minimize channel conflict.* Channels fight. As one Director of Channels put it, 'on a good day it's minor skirmishes, the rest of the time it's war'. So the 1999 wisdom for managing channel conflict was to set clear boundaries between channels to keep them as separate as possible. Channels were separated by product, by geography, by customer size, by industry or by the well-established first bite principle of 'Hands off! It's mine! I saw it before you did!'
3. *Allocate customers to the appropriate channel.* Left to themselves, customers have an inconvenient tendency to choose exactly the channels where you least want them. Much attention was being given in the year that *The Channel Advantage* was published to systems for allocating customers to the 'right' channels.

These three principles sounded sensible enough. They were logical and they made good economic sense. However, they suffered from one minor disadvantage – they didn't work. The reasons will become all too clear as you read this book. First and foremost, customers refused to be allocated to channels of the supplier's choosing. And they demanded channel choice. An increasing number of studies showed that those companies that restricted the channel choices available to their customers ended up with both fewer customers and a lower spend per customer. While it made logical sense from a supplier's point of view to minimize conflict and inter-channel fighting by keeping channels separate and watertight, it made no sense to the customer. Reducing channel conflict by building channel silos made it difficult for customers to choose and move between their preferred channels.

So, partly as a result of Larry Friedman's work, a new wisdom has emerged. Offer customers the product and service choices they want. Let them decide about how and when they want to do business with you. Make it easy for them to move between channels. Integrate channels rather than separate them. These are simple enough things to say; the trick is how to do these things without losing your shirt. Giving customers choices is an expensive business. How do you know which choices they want? Or which channels they will use? Offering too many choices is anarchy and the road to economic ruin. Offering too limited a range of choices will lose you customers in droves and get you to bankruptcy just as quickly. Marketing is caught in a paradox. Corporations can't afford to provide all that customers want, but they can't afford not to either.

Here's where *Go-To-Market Strategy* comes in. It will allow you to design and engineer your go-to-market strategies so that you can provide more of what your customers want for less than you are paying now. That's quite a trick. In nineteenth-century Scotland there was an elegant definition of an engineer as 'a man who can do for sixpence what any fool could do for a shilling'. (For those unfamiliar with the arcane currency of Britain, a shilling is two sixpences.) That's the role of good go-to-market strategy – and it's the mission of this book. Given a big enough budget, it doesn't take much talent to put together an impressive array of sales and service channels. Why not have a large direct sales force, plus a partner network, and telesales, and catalog sales – not to mention a few VARs and an impressive e-commerce capability? Oh, and while you're at it, why not spend a few extra millions on a CRM system to link them all together? But can you do it for sixpence? With the help of Larry Friedman you can, and he shows us how with that impressive clarity of thought I've come to expect from his writing since we co-authored *Getting Partnering Right*, in the truly prehistoric year 1996.

You'll find this book packed with ideas, case studies, things to do and mistakes to avoid. It's hard to pick out just one insight. But I have my own candidate, and it's fresh in my mind. A few weeks ago I was working with a large European multinational. In the room was the Head of E-Business, the Head of Sales, miscellaneous luminaries from Marketing, and the person whose unenviable responsibility was to oversee channels and agencies. We were putting together an important element of their go-to-market strategy and, for a couple of hours, we had been discussing what customers really wanted. We were quite pleased with ourselves and thought we'd come up with some elegant insights and strategies. Then I remembered Larry Friedman's first commandment: *Go-to-market strategy must start with the customer*. Here we were in a closed-door strategy meeting, each of us speaking convincingly on the customer's behalf. I recalled Larry's warning:

... **the only people who have a clue what customers will actually buy and how they will buy it – the customers themselves – are not in the meeting. They weren't invited.**

We experts were all confident that we were right. Each of us thought we understood what customers wanted. Some of us even had data. Yet in the few weeks since the meeting, preliminary research has collected the missing voice of the customer and I have to confess that we misjudged it. Fortunately, if belatedly through this research, we did give the customer a seat at the table. But had we been carried along by our own confidence we would by now be in deep trouble.

It's a simple point, yet we ignore it all the time. Go-to-market strategy is about customers – and customers are ever changing. Most of the data on which organizations base their go-to-market decisions are questionable and dated. This book will provide you with elegant strategies, tested models and sound ideas, but only your customers can tell you which of those ideas they will embrace. And, as Larry Friedman makes abundantly clear, everything you do has to be designed from the customer and the market, not from your preferred strategy.

Acknowledgements

Many people and companies have influenced the content in this book. It would be scary if that weren't the case, because otherwise I would have made all this stuff up. I'm happy to report that I didn't. This book is a continuation of the work of a large group of companies, academics, individual consultants and other experts who've gradually brought shape to the overall discipline of 'go-to-market strategy'.

I must first acknowledge the people working at the various companies mentioned throughout this book, such as Charles Schwab, Dell Computer, Marriott, FedEx, and Procter & Gamble. These companies have been fountains of creative energy in pushing the field of go-to-market strategy forward. My own clients – companies such as IBM, Oracle, General Electric and Hewlett-Packard – have equally been out in front of the pack, developing new go-to-market approaches and radically reshaping the way people think about selling.

I have also been influenced over time by significant thought-leaders in the field. First among them is Neil Rackham, who graciously provided this book with its foreword. Neil's book *SPIN Selling* basically created the field of sales effectiveness, from which many derivative works have since been spawned. His other books, such as *Rethinking The Sales Force*, *Major Account Sales Strategy* and one that I had the opportunity to co-author with him in 1996, *Getting Partnering Right*, have also been influential. He continues to exert thought-leadership and contribute actively to the field, with original contributions that shape and influence the strategies of a vast majority of the world's leading companies. We have been colleagues and friends for a long time, and we will be for many more years.

Other thought-leaders who've done path-breaking work include leading academics and top-notch consultants such as Michael Porter, Philip Kotler, ex-McKinsey principal John DeVincentis, Kenneth Rolnicki, and Rowland Moriarty. The latter, an advisor to many leading companies, contributed to the public debate and understanding of the field in his forward-thinking 1989 article in *Harvard Business Review* entitled 'Managing hybrid marketing systems'. It has stood the test of time as a major contribution to the field. My earlier writings and thinking were also influenced positively by the co-authors of my previous books, Richard Ruff and Tim Furey.

I'm particularly pleased to acknowledge the contributions of the staff of my firm, The Sales Strategy Institute, in Herndon, Virginia. Numerous employees played some role in the development of this book, while also working very, very hard to help build our company and attend to clients' needs at the same time. I must especially thank Suryo Soekarno and Michael Tan, two outstanding senior business analysts who researched and developed a number of the case studies and helped out with some of the key ideas. Suryo and Mike have been a real pleasure to work with over the past few years. Business analysts Sheena Chawla and Michael Moyer also made valuable contributions by helping out with some of the key case studies. My assistant, Edna Carrozza, did a great job of taking care of my schedule and keeping everything on track during the six months that I was writing this book, and also lent a helping hand with some of the research.

The biggest acknowledgement, and the one I am proudest to record here, must go to my wife Kim, and not just for being the proverbial supportive wife while I wrote this book, though she certainly was. Kim is in her own right one of the leading business researchers in the United States, acknowledged by many clients and staff at SSI to have a singularly encyclopedic knowledge of business and go-to-market strategy best practices – she was nicknamed The Human Search Engine by a top SSI client, and appropriately so. Kim served as editor and proofreader of the last book, *The Channel Advantage*, but this time around she did that and so much more. Kim led the five-month-long effort to identify relevant case studies and, through careful and painstaking research, develop them into hard-hitting examples that would illustrate and articulate key points. We got married a year ago, and our partnership is very strong.

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Go-to-market strategy:

A brief tour of the issues and opportunities

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It has often been said that 90 percent of everything that has been invented since the start of civilization has been invented in the last fifty years. I don't know who came up with that statistic, or if it's true (how would we know?), but it sounds good, and it's very compelling!

Much the same can be said of go-to-market strategy. People have been selling things – *going to market* with products and services – since the dawn of civilization, but not much, if anything, has changed in how they do it, until very recently. Make a product. Find a customer. Meet face to face to discuss the product with the customer. Negotiate. Close the deal. Check in with the customer to ensure he, she or it is happy. And then find another customer and start all over. Does this all sound familiar? Sure it does. People have been going to market in precisely this way, from the first suppliers of cave-painting tools, to hawkers of medieval battleaxes, to purveyors of steam engines and locomotives, to the blue suits in the 1970s pitching mainframe computers. The basic face-to-face sale – the process of going to market, in person, to meet customers and make deals – has a long, proud history. It's a model for doing business that predates the recent harping about 'business models' by at least ten thousand years.

And it's also dying out. No, it's not quite dead yet; people are still out there selling. But as the sole, or even primary, means of going to market, well, let's just say you might want to place some bets on a few other horses. Most executives today believe that going to market through a single, company-owned face-to-face channel is an expensive, growth-limiting and competitively catastrophic approach, and they're right. We live in a world of rapidly increasing go-to-market choices, many of which were created by recent technological advances. These choices have enabled today's successful business carnivore – the aggressive integrated multi-channel organization, the scary one who's actually figured out how to make sales reps, partners, the phone, and the Web all work together – to devour the friendly plant-eaters dressing up in suits and calling on their customers one at a time to talk about golf and the kids. I'm sure you can think of more than a few companies who've looked like *lunch* as they lumbered into the market place with fat, happy sales forces knocking on doors indiscriminately, while nimble, creative, aggressive competitors began approaching their best customers through a half-dozen new sales channels, each and every one of which was perfectly tuned to those customers' needs and buying behaviors. It can get ugly.

Unless you're the carnivore.

This book will help you become a go-to-market carnivore, transitioning to a fully competitive and winning go-to-market strategy, based on a solid game plan to be implemented over the next 18 months. There is no sense in talking about incremental change here. If your goal is to grow revenues 3 percent or improve profitability 'a little' then you may as well throw this book away. You don't need to rethink and redesign how you go to market to achieve those kinds of results. Just raise your prices a percent or two and fire a few under-performers. No, for the next few hours we are going after larger game: double-digit revenue growth and the slashing, at a minimum, of 10 to 15 percent of selling costs – absolutely realistic results that have been achieved consistently by companies that have become serious about go-to-market innovation. With all due respect to vegetarians, we are going to design a new go-to-market model that will help you devour the plant-eaters competing in your space and take charge of your markets. And we will do it without falling back on the bland, repetitive jargon of business books, in which every new thought is a 'revolution' or a 'paradigm shift', and in which you are just minutes away from going out of business unless you adopt the writer's five- or eight-step process immediately, without question. Forget all that. We are going to be practical, and we are going to put together an actionable game plan for going to market faster, cheaper, better, more effectively, and more efficiently than the competition.

Let's look at the new go-to-market choices and alternatives, and let's start with the star of the show. The big go-to-market innovation of recent years is, of course, the Internet. The 'noisy' part of the Internet story is the rise and fall of the dot.com companies: first threatening their bricks-and-mortar competitors, then anointing themselves the 'New Economy', then leading to a feeding frenzy by retail investors desperate to be part of the electronic gold rush, and finally dismissed as a juvenile experiment in excess and arrogance – all in a period of about four years! All those visions of Internet World Domination that made complete sense way, way back in, oh, February of 2000 seem positively ludicrous now. People running home to little Web devices on their kitchen counters, pulling down dinner recipes from the Internet and ordering milk online from the local supermarket.

Businessmen dashing through airports, checking their Ebay bids on their wireless-Web-enabled cell phones to ensure they win their share of other people's attic junk before anyone else can outbid them. Wars ending, and an era of world peace resulting from people using email to break down national borders by ... well, it was never quite clear how email was going to lead to world peace, but it sounded great at the time.

Truthfully, a few of us suspected all along that no one really wanted to sit at their computers all day buying lawn mowers and parrots and whatever else the inventors of the mythical New Economy thought they could sell us over the Web, but today it's downright trendy to be an Internet skeptic.

The quieter part of the story, though, and the much more important one, is the gradual, less flashy, but ultimately more meaningful adoption of the Internet by stable, successful companies. Even after you discount the hype and the shameless self-promotion of the Internet evangelists, you are still left with a technology that has changed, and continues to change, how people and organizations do business. Let's look at a few numbers. Office Depot booked $982 million in online sales last year, and now expects online transactions to account for $1 of every $7 in sales this year.[1] Ford Motor Company and twelve hundred steel producers and stampers will do over $1 billion in steel procurement this year on the E-Steel exchange.[2] Intercontinental Exchange, a trading site for electric power, gas and oil, has handled $100 billion in trades in the ten months since it opened.[3] Then there's General Electric's GE Global eXchange Services (GXS), a business-to-business e-commerce network that handles over one billion transactions and over *one trillion dollars* ($1,000,000,000,000) per year in goods and services between over 100,000 trading partners – companies such as Coca Cola, Daimler-Chrysler and FedEx.[4]

In short, the Internet is real. True, some of the early Internet pioneers have been killed off, but that's what has always happened to pioneers. My advice: be cautious about becoming a pioneer; most of them get

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[1] Charles Haddad, Office Depot's e-diva. *Business Week*, August 6, 2001, e-biz section p. EB22.
[2] Richard Karpinski, E-Steel rising. *Internet Week*, July 20, 2001
[3] Bob Tedeschi, Some business-to-business marketplaces showing staying power. *New York Times*, July 16, 2001.
[4] Wiring your company – online business exchanges. Washington Post.com, June 20, 20001.