WHITEPAPER SURVEY

What is Your Recession Sales Strategy?

by Josh Gordon

TheCustomerCollective

What is Your Recession Sales Strategy?

Does your organization see the recession as a sales problem or a strategic business opportunity?

Most organizations see it is as the former, missing significant opportunity to grow their business. A lot of companies are responding to the recession as if it was just a slow sales time. But there are fundamental differences between a time of slower sales and a recession. By understanding these differences and making adjustments, organizations can maintain business during a recession and, when it is over, emerge with more growth potential, loyal customers, stronger earnings, and a more unified organization.

This study was intended to measure the effects of the recession on sales organizations. I conducted interviews with some of the nations' top sales consultants, and included some of my own experience as well, to add perspective to the survey results. But in the process came a surprising discovery: much of the "experts'" advice was at odds with the responses from the sales organizations. Could the mainstream response to the challenge of selling through a recession be generally off target? This study found that it is. One theme that all of our experts agreed on is that the most effective sales practices in a recession are actually counterintuitive to many of the usual recommended strategies.

The good news is that there is room for quick improvement. If you have not rethought your sales mission for the recession, use the following six findings and recommendations to start the process.

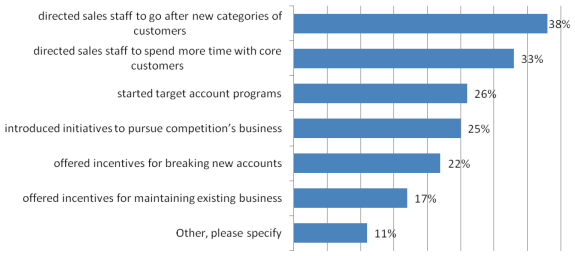
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FINDING #1

As a result of the recession, the top direction sales organizations are being given is to go after new categories of customers.

As a result of the recession, my sales organization has…



It can make sense: If business in your market is down, why not go after business in other categories or markets? But Dave Stein, CEO of ES Research Group, generally advises against this: "Instead of charging off after new categories of business in a recession, we advise organizations to focus on their core customers, while providing them with additional products and services. There are a couple of reasons for that.

"First, during a recession many clients will ask, 'Is the economic situation hitting our suppliers as badly as it's hitting us?' They are looking at risk right now, and are very concerned about doing business with suppliers who may not be viable; this is especially true of smaller suppliers. So, clients will tend to do business with companies

that they have done business with before, where they feel a degree of security.

"Security issues aside, there is the practical matter of an organization's 'cost of sales.' The calculations for bringing aboard a new customer versus selling to an existing one have been around for ages. It simply costs much less to sell to an existing customer. These basics do not disappear in a recession. Why pick an uphill battle at a time when sales are challenging and clients are pulling back? Why not use these same forces to your advantage? The key is having more products to sell to your existing client base. Besides developing new products, you can reconfigure others and pull back older ones that still have useful life in them."

To take advantage of Dave's strategy, you cannot treat the recession solely as a sales problem. To come up with more products requires that your marketing and product development people be involved.

But think about how this strategy can benefit your organization. It will take less effort to sell, so sales could improve. When the recession ends, you will have a more loyal group of customers who are more dependent on you for products than ever before, and you will have added more new products to your portfolio.

"The calculations for bringing aboard a new customer versus selling to an existing one have been around for ages. It simply costs much less to sell to an existing customer."

While prospecting for new business in the recession, I advise my sales force clients to consider how businesses have behaved during previous downturns. Studies of past and present recessions have noted consistent repeating patterns. Follow these to anticipate which companies will provide the best prospects for selling. Specifically:

Consider that recessions do not impact every company to the same degree. Some product categories and industry segments are recession-proof. Take the time to consider which might be recession-proof in your markets. When I work with salespeople in recession sales training sessions, they often laugh at this question at first. But if think your client list through, you may find surprises. Some industries that traditionally glide though recessions are chocolate manufacturers, motion picture entertainment, healthcare, and bankruptcy lawyers. To think this through this for your account list, consider who is selling the lower cost products, and who has products that naturally save money or do things less expensively.

To get my clients thinking, I refer them to a list maintained by Career Hub, of 72 jobs that have proven to be recession-proof during the recessions of 1990, 2001, and 2007.

While selling during the last recession, I noticed that I was making more sales more quickly to small and mid-sized accounts than to those in the Fortune 500. My smaller accounts bounced back faster because they could change and get past the "cut back" phase more quickly. Once the adjustments were made, they returned to business growth, and to buying.

My experience was not unique. Similar results were found after the 1991 recession by Avraham Shama, and published in the Journal of Small Business Management. Shama measured the effect of that recession on small Inc. 500 businesses versus large manufacturing and service corporations, and came to the same conclusion that I did.

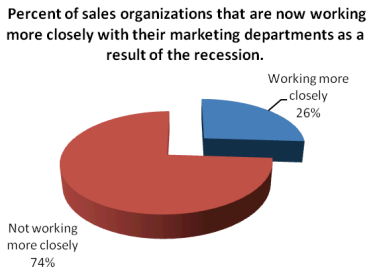
Typically, you direct a sales staff to go after the biggest organizations possible, as they represent the largest potential for sales. But in a recession, it might just be that your mid-sized and smaller clients are actually better prospects, due to their ability to bounce back more quickly.

- Use the Career Hub list of 72 recession proof jobs from 1990, 2001, and 2007 on sales calls
- Use the Sharma study on large vs. small companies in a recession on sales calls

FINDING #2

As a result of the recession, 26% of sales organizations are working more closely with their marketing departments.

The good news is that about one in four sales organizations are working closely together with their marketing departments to fight for more sales during the recession. The bad news is that this leaves out the other three out of four that are not. As we saw in Finding #1 of this study, having marketing and sales work together is essential to the success of the sales staff.



According to Jill Konrath, Chief Sales Officer for Selling To Big Companies, during a recession, marketing departments need to do far more than just cooperate with sales, they need to become advocates for sales and shift their basic function in the process:

"Marketing departments need to do far more than just cooperate with sales, they need to become advocates for sales and shift their basic function in the process."

"Instead of doing branding-type activities, marketing departments really should be focused on lead generation and the need to establish a thought leadership position on the internet. They need to be out there catching 'seekers,' people who are actively looking to solve the problems that the company's products address. Marketing should be capturing those names and entering those people into a lead nurturing program where they are consistently sent more information. "Finally, marketing needs to develop information on how to solve those problems and put it into the hands of their sales department."

Denis Pombriant, Founder and Managing Principal of Beagle Research, advises that in a recession, often what blocks a sale is not an objection over product features but simply availability of capital: "In some cases you need to sell into markets where demand is frozen because your client's access to capital is frozen as well. This is different from selling in a market where demand is simply slack. Smart vendors need to function more like banks to get demand flowing again.

"For example, in the software industry, we've seen a great shift moving from conventional, on-premise software to on-demand software. The difference financially is that organizations no longer have to pay out large sums of money for a license. They pay as they go on a monthly or quarterly basis. This idea needs to be applied more broadly to the economy as a whole.

"I noticed K-Mart is now advertising a lay-away plan. That old idea that was clobbered long ago by credit cards. But as credit card rates go higher, people are reluctant to use them and we are now seeing a renaissance for lay-away."

At companies where marketing is not helping the sales staff, Dave Stein advises sales executives to take matters into their own hands: "If there's no other way, take your marketing VP colleagues out for the best meal in town and beg them to help redefine their own company's value proposition to their customers. Ask them to provide the sales staff with business cost justification, online models, case studies, endorsements, and specific examples. Salespeople need to be able to walk into a customer's company feeling like they completely understand what questions to ask. Then, once they get the answers, they need to know how to determine the value in dollars they can deliver to their customer as the result of a sale. Because if they don't do that, the customer is not going to buy anything. That's what's going on out there."

Any company whose marketing department is not actively supporting their sales staff during a recession is putting their organization at a huge

financial risk. A study by the consulting firm Bain & Company, released in March 2008, found that recessions provide a strategic window through which competitors can surpass or fall behind one another at speeds double those of normal times. The study documented that financial performance follows "… more than a fifth of companies in the bottom (financial) quartile in their industries jumped to the top quartile during the last recession. Meanwhile, more than a fifth of all "leadership companies"—those in the top quartile of financial performance in their industry—"fell to the bottom quartile." Recessions, while hard on companies, also provide a window of opportunity to move ahead of competition. Only marketing departments that work with their sales staffs can take advantage of this huge opportunity.

▸ Use the Bain & Company study on sales calls

FINDING #3

The two most frequently used strategies for keeping customers loyal during a recession are to seek more customer contact and improve customer service.

"In a recession, it is not the volume of contact you have with a customer that makes the difference. It is having the right approach, products, and solutions."

In the study, I asked an open-ended question to determine what strategies sales organizations are using to keep existing customers loyal. Of the 321 respondents to the survey, 244 gave a verbatim response. A hand tabulation of their comments revealed the following:

"What have you done to assure the loyalty of existing customers who might be targeted by lower cost or desperate competitors?"

56	more frequent customer contact
51	improving customer service
21	keeping prices low/reduce costs
19	"nothing"
12	reinforce value proposition

Jill Konrath believes that the "more frequent customer contact" strategy can backfire: "Many customers have had layoffs and they are working harder. They have less time and more responsibility. The last thing they want is a salesperson looking to spend more time with them.

"However, if that same customer can look at you as a resource to help them do their job better, leading to their company making it through this crisis, then the time with you will be viewed as time well spent. If you don't know why your customers should see you from this perspective, then you've got some more work to do. Don't try to speed things up by seeing them prematurely, because it will just spoil your chances for next time."

In a recession, it is not the volume of contact you have with a customer that makes the difference. It is having the right approach, products, and solutions.

Denis Pombriant has doubts that customer service is the critical factor when keeping customers loyal in a recession. He says, "When you look at loyalty there are two attributes that you need to consider: attitude and behavior. Attitude is, 'I like this company, they're good to do business with or they're not.' Behavior is, 'I'm going to continue buying from them.' In an economic downturn it is the behavior that goes south first.

"What organizations need to understand is how their client's behavior is modifying, and figure out whether or not they can do anything about it. In some cases you can't such as with the customers whose behavior goes south because they are just not using the product or service fast enough.

"But for the client whose behavior you can change, the issue becomes understanding how they can affect or adjust their practices to stoke behavior. That might be as simple as offering more attractive credit terms, more attractive payment terms (say, net 60 instead of net 30

days), or being able to purchase products over a period of time. This keeps the cash flowing, albeit more slowly, but enables the customer to resume the buying behavior."

Dave Stein agrees that customer service is not the critical factor in keeping business: "If what you are proposing to your customer is not generating business, offsetting attrition, or saving money, then there's really no value to it. Getting high scores on a customer survey right now? So what! I'm not saying improving customer service is a bad thing, but it's about prioritization, what are you going to spend your time doing? I want to spend my time helping my customers succeed, win more business, lose less business, sell at higher margins. That's what I'm focused on."

To take advantage of these strategies, you need to figure out how your clients' businesses work and how they are affected by the recession, and then adjust your value proposition and offerings accordingly. This takes a lot of extra work. Simply offering more customer contact without a new level of understanding layered in will not likely advance your efforts.

"Finding new ways to address a client's deeper needs is the real issue, and those needs often change during a recession."

When I work with clients on the issue of loyalty I focus on the opposite, or, why customers leave. While it is hard to measure what makes customers stay loyal, it is easy to measure why they leave. Understand why they leave and you'll better know how to keep them. But it is not easy for salespeople to get straight answers from departing customers, who typically take the path of least resistance, throwing some version of the price objection as they exit. This doesn't change in a recession. A survey done by MarketingSherpa in July 2008 put the "why did they leave" question to both salespeople and the vendors they sell to. Salespeople cited price as the top reason, while vendors cited service.

▸ Use the MarketingSherpa study on sales calls

In a similar but more elaborate survey I conducted for my book Selling 2.0, salespeople cited price as the first reason for customers leaving, and "too little attention paid" as the second. While buyers agreed on price as a top issue, they ranked "too many problems," "quality deteriorated," and "competition built a better relationship" far ahead of "too little attention paid."

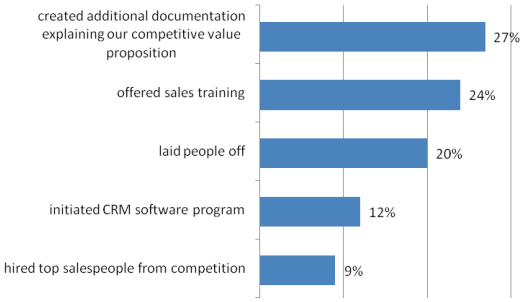
▸ Use the Selling 2.0 Survey on sales calls

When it comes to keeping customers loyal, neither "paying more attention" nor "improving customer service" is the critical issue. Finding new ways to address a client's deeper needs is the real issue, and those needs often change during a recession.

FINDING #4

As result of the recession, 27% of sales staffs have created additional documentation explaining their competitive value proposition.

As a result of the recession my sales organization has:



About three out of four salespeople do not carry documentation explaining their value proposition in light of the recession. This may seem natural to some, and surprising to others. When salespeople make calls today, should they talk about that huge white elephant in the room, the recession causing budget cuts, layoffs, and stress? Conventional

wisdom calls for salespeople to emphasize the positive and diminish the negative. But, does this mean ignoring the impact of the recession? Here is a case where the best approach for selling in a recession is actually counterintuitive to selling in good times. Salespeople must ask about the impact of the recession, negative or not. If they do not understand the business environment they are selling into, they will be operating at a terrible disadvantage.

But once clients share how the recession has impacted business, what then? It would be useful to have some documentation on how your value proposition can help in these difficult times.

Jill Konrath advises that "the best way to develop this is by talking to customers who have bought from you in the past 12 months. They can best articulate the difference between your solution and the previous status quo by sharing how your product or solution shortened, increased, eliminated, minimized, or benefitted them in some measureable way."

In addition, there are a lot of great free resources that salespeople can use to sell with during a recession. At the top of my list is a chart from the National Bureau of Economic Research that maps, in graphical form, how long each of the post World War II recessions lasted. The average length of time is 11 months. I tell my sales trainees to put this on a client's desk, tell them that even if this recession lasts longer than 11 months, it will end. Then ask what they want their business to look like when the recession is over.

"While your company may not be using the recession as a strategic window to pull ahead of the pack, your competition may."

- Use the National Bureau of Economic Research chart on sales calls

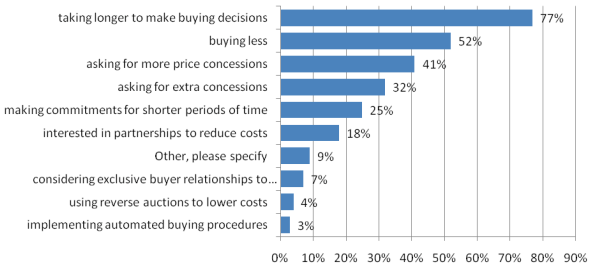
My next favorite is a study that was released by Interbrand in 2001 focusing on three iconic business rivalries that completely changed course as a result of the 1990 recession; Wal-Mart pulled ahead of Sears, Gillette pulled ahead of Colgate-Palmolive, and Merrill Lynch bested Bear Stearns. I tell my sales trainees to use this study as a cautionary tale. While your company may not be using the recession as a strategic window to pull ahead of the pack, your competition may.

- Use the Interbrand study on sales calls

FINDING #5

The biggest impact the recession is having on sales is that it takes longer for a customer to make buying decisions.

As a direct result of the recession more of my customers are…



A 77% majority of sales organizations report that the greatest impact the recession is having on them is slower buyer decisions. Only about half, or 52%, report their clients are buying less, and one in four report clients are making shorter term commitments.

Demanding customer behavior is on the rise as well. As a result of the recession, sales organizations report that 41% of their customers are asking for more price concessions and 32% for other concessions as well.

Delays in buying are not news to Jill Konrath. She notes that a lot of customers get stuck in a no-buying mode, reacting to all the bad news about the recession. She advises salespeople to

"In a recession, I recommend planning every sales call with the assumption that a financial decision-maker will be in the room. The truth is, even if they are not physically there, their influence is."

"align yourself with recessionary times by asking them to focus on what they can control as opposed to what they cannot: They can't control the economy, interest rates, or the availability of funds. But they can control their work flow, they can increase their turnover, they can increase their sales. Those are controllable. For companies that are just stuck it's imperative to get them moving. One way is to simply address what they can change to improve their business. Once they get that idea, they are more willing to hear what you have to say."

Recessionary buying slowdowns are different in three ways. If your organization can attack any one of these, you can often get decision-making back on track:

1. Slower cash flow. As your client's cash flow slows, individuals and departments that once bought products with complete autonomy begin to compete internally for financial resources. This adds an extra layer of scrutiny and internal politics that slows buying.

One way to fight this is to help your client find the money internally. When I sold though the last recession, I did this with a client by discussing the internal competition she faced for funding our purchase. I provided her with information and arguments that she used to compete for the money to buy from me.

When selling in a recession, a key question to ask is, "How can I help my client find the money?"

2. More decision makers. A Dow Jones study on organizational buying during the 2001 recession found that more people were involved in buying decisions, especially people who were financially oriented.

In a recession, I recommend planning every sales call with the assumption that a financial decision-maker will be in the room. The truth is, even if they are not physically there, their influence is. Offer your client a financial rationalization for what you propose. There are only two financial strategies: you either save them money, or make them money. Prepare to "do the math" and show them how investing in your product will benefit them.

▸ Use the Dow Jones study on a sales call

3. Fight the fear. It is well documented that companies that invest during a recession can gain tremendous advantage over competition. But recession buying is not always rational. Solid reasons for buying your products can be swept away when jobs are scarce, layoffs common, and fear becomes more pronounced.

The keys to beating the recession fear factor were uncovered by Dr. Gregory Berns, billed as the world first neuroeconomist, from Emory University in Atlanta GA. Berns wires subjects and watches their brain activation as they respond to different scenarios. Among his findings:

1. The brain's "fear center" lights up when people are uncertain.

2. The "fear center" is also activated when people behave in contradiction to a group they feel part of.

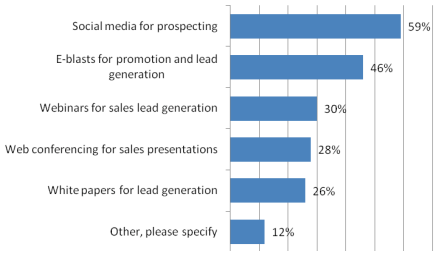
Recessions create tremendous uncertainty, and then the group fear mentality takes over. It's often not just the fear of uncertainty that freezes our client's minds and budgets, it is the fear of swimming against peers and others who are cutting back.

You can counter this by understanding your client's business to the point where you can show how investment in your product or service maps a path to success that is unique for them. "So what if your peers are cutting back? This is your plan for success."

▸ Use Dr. Berns' findings on a sales call

FINDING #6

Social media for prospecting is the top choice among use of new media by sales staffs as result of the recession



David Bonnette, Group Vice President, North American Sales at Oracle, describes how building a social network during the dotcom bubble burst helped his company: "Right after the dotcom crash we knew we faced tough times with several business sectors: software, semiconductors and high tech. At Oracle we saw this downturn as an opportunity to become community brokers. We invested and built communities in these challenged industries where we became both community builder and thought leader. The communities took the form of monthly meetings where the challenging times could be discussed. Our salespeople took the lead in organizing them.

"When those industries came out of the slump, we had a very positive network effect. Those that helped create the communities shared ideas and went through a faster rate of change than companies in other sectors. They adopted new technologies faster and revitalized their businesses more quickly. When the slump ended, their businesses were much stronger. Many benefited so much they started recommending Oracle to their peers and we found that our margins were 20 to 30% higher with these groups after the dotcom bubble slump ended."

Today, many social networks are virtual, yet can offer similar opportunities to the physical networks Bonnette's salespeople benefited from. Today, services like Facebook and LinkedIn make it easy for any salesperson to create a personal virtual network to reach out to new prospects and reinforce existing clients.

"Services like Facebook and LinkedIn make it easy for any salesperson to create a personal virtual network to reach out to new prospects and reinforce existing clients."

The real key to success in is motivating clients to "opt in" to your virtual social network. Once they are "in," you can effortlessly maintain regular contact with them, track updates in their profile without prodding, and extend your network by reaching out to people in their networks. But clients do not want "Always Be Closing"-type salespeople in their personal lives any more than they want them on their personal virtual networks. Salespeople need to earn their client's respect beyond their sales function by offering a relationship of value. Building a Facebook or LinkedIn profile that demonstrates this value and documents it with testimonials is a first step.

According to Scott Allen, social media guru and managing director at Link to Your World, the top way LinkedIn is used in selling is to connect to a "friend of a friend" at a target company and ask about the priorities and high-level factors influencing the buying process. By connecting to an insider, salespeople can get valuable information on how best to approach the account.

Mark Zuckerberg, founder of Facebook, once responded to a newspaper publisher who asked how he could build his own online social community by saying, "You can't." Zuckerberg went on to explain that communities already exist and the question to ask instead is how they can help the networks do what they want to do.

If you think of online social networking as just "doing what networks want to do" and functioning in much the same way as networking in the physical world always has, you are well on your way to success.

- Download Jill Konrath's FREE e-book "Can LinkedIn Increase Your Sales?"
- Download a FREE digital version of Scott Allen's 272 page book "The Virtual Handshake" (registration required).

IN CONCLUSION:

Planned or unplanned, every organization has a recession sales strategy. Some will coordinate with their marketing department, reinvent their value proposition, and use salespeople as the foot soldiers in an assault to overtake competitors who are "stuck" in recession paralysis. Others will have a strategy built by default, selling the way they always have while encouraging their sales staffs to work and sell harder.

These survey results, as well as the advice offered with it will, I hope, will encourage you to stop thinking of the recession as merely a time of slower sales and start thinking of it as a unique and temporary window of opportunity. Instead of viewing the recession as just a sales problem, see it as a time of strategic opportunity, when investments of time and energy can result in significant long-term gains.

This survey uncovered surprisingly low levels of strategic sales behavior. Organizations that develop a recession selling strategy will be the ones turning the recession into a sales opportunity.

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Other blog posts by Josh Gordon on selling through a recession:

- Fight recession discounts with the ultimate strategy list
- Fighting Recession Fear
- Recession fighter promo letter
- Lesson from selling in the 2001 recession; more decision makers
- How to hang on to clients in a recession
- Can you sell in a recession? Take the test!
- Three principles for selling in a recession...
- Crafting your "save money" recession sell
- Three principles for selling in a recession...
- Should you downgrade your client profile during a recession?

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Josh Gordon is president of Selling 2.0, where he helps sales organizations sell faster with research-based training and consulting services.

Gordon is the author of four books on the subject of selling, including Presentations That Change Minds and Selling 2.0. He is an internationally recognized speaker who has appeared on CNN, CNBC, National Public Radio, The Fortune Business Report, Wall Street Journal TV, and WCBS Radio. His books have been translated for publication in Germany, China, Korea, and Taiwan. Prior to starting Selling 2.0, he successfully sold media in New York City for over 20 years. Josh blogs at www.SalesTrainingBlog.com, and will be hosting The Customer Collective's "Selling Through a Slump" forum.