

Restructuring sales processes to relieve revenue and margin pressure

Problem

A European incumbent telco with a sizable B2B customer base was facing difficulties on revenues and margins as customers trimmed telecoms spending during the recent downturn. The company needed to improve selling performance while controlling discounts & rebates .

Approach

The Pricing diagnostic revealed 3 key areas where the company could boost effectiveness & enhance profits.

- Reduction of 'Money left on the table through a more rational & disciplines Discounts & Rebates Policies
- Improved targeting & value based selling in key segments where the company had a value advantage
- Improved price positioning in bid situation based on detailed Win/Loss analyses

As in many industries, the salesteam at the telecom company were often skeptical about the company's pricing policy (blaming high prices for a large part of customer losses) and ill equipped to defend their own prices or sell based on value to their own client . Indeed, the organization's Pricing organization was still fairly recent and still in the process of developing the Pricing Infrastructure & culture within the organization.

As a result, discounting was heavy and sales rep tended to spend as much time interbnally to obtain 'pricing exceptions, as they did negotiating with their clients to get theirbusiness)

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When the teams turned their attention to Pricing & Targeting, similar dysfunctions emerged. Targeting was intuitive at best (or worse, reactive) and Pricing mostly last year +/- . To improve performance, the project team developed

- Competitive benchmarking & a targeting to identify customers 'at risk' or 'under-performing'.
- Win loss analyses, by segment to evaluate the Probability of losing / Winning a client based on client & service characteristic sand on the 'Pricing differential' with key competitors
- Economic Value to customer models to quantify & present value to customers in areas where the Group had a 'Value Advantage'

With these changes and tools in place, the sales force had more productive sales calls better targeted on hot leads (or customers that were 'at risk' and substantially improved both retention & customer profitability.

Impact

By developing the pricing culture & providing the sales force with effective Pricing & Value measurement tooms , the sales organization was able to accomplish its ultimate goal—growing sales whilstimproving margins. The team saw an increase of net new sales by 20 percent and almost halved the number of customer lost to competition. They also accomplished an increase of 3 percent in average customer % margin.