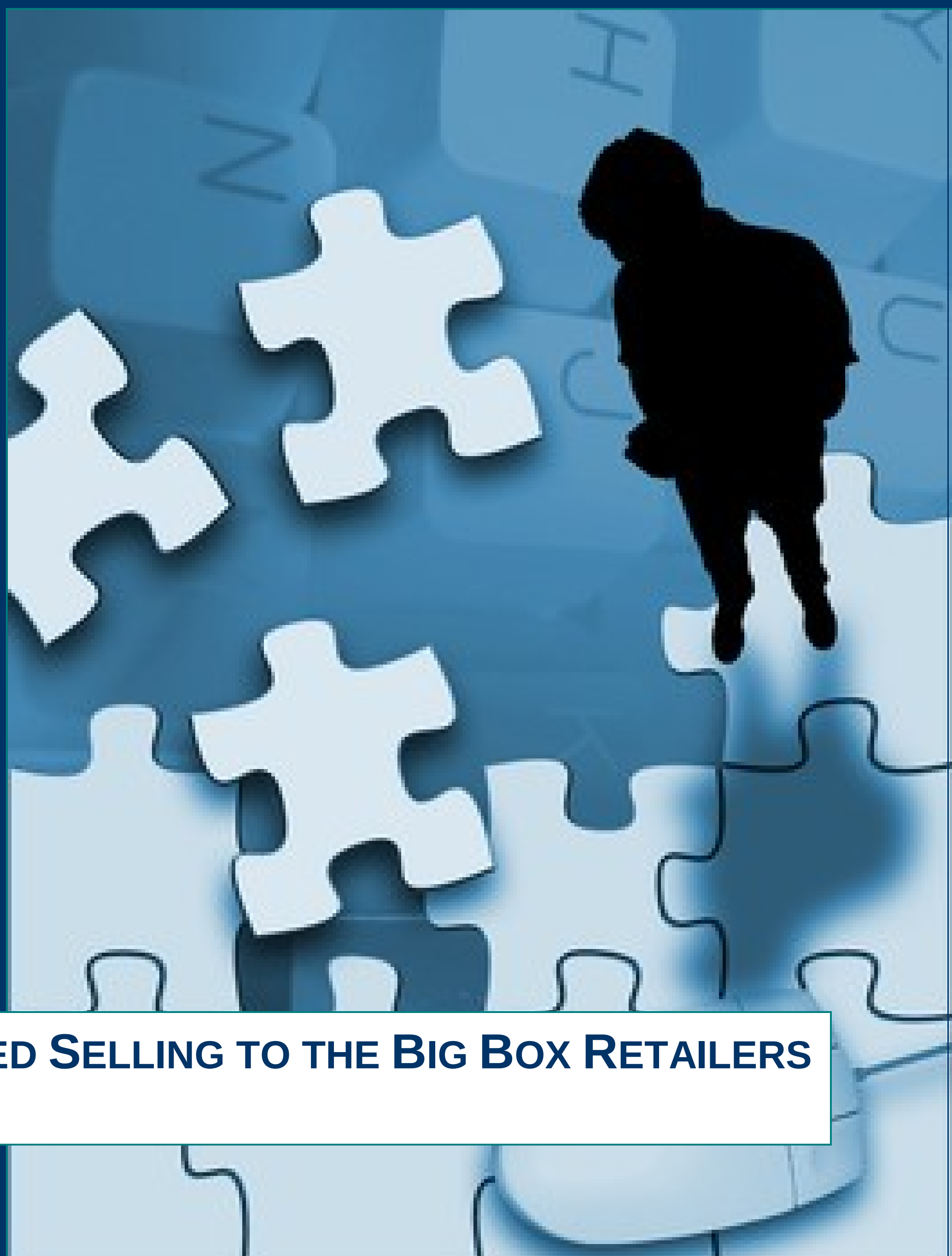
CSO The Missing Piece in the C-Suite

White Paper Series
Sales Analytics



VALUE-ADDED SELLING TO THE BIG BOX RETAILERS

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YES, IT CAN BE DONE

One of the most common objections to the use of value-added selling is that it will not work with big box retailers. Professional buyers, it seems, are seen as impervious to any of the value-added processes. The argument also states that the larger the buyer's organization is, the less likely it is that value-added selling will effective.

It is true that larger organizations, especially publicly-held corporations necessarily build hierarchies and mandated procedures. They have to – it's a function of size. More people in an organization usually results in more rules and less flexibility.

The most respected – or feared – professional buyers are the folks choosing products for Wal-Mart. Throughout this white paper we will be using them as an example. However, these ideas can be used when selling to any large organization whether they are retailers, manufacturers or distributors. This paper specifically concentrates on retailers.

Chuckisms (rules) that apply here include:

Relationship selling is a redundant term: all selling is relationship selling. Companies don't do business with companies; people do business with people.

The person at the table who knows the most about the other person's business wins.

Sales analytics are more important than ever – especially when selling to larger organizations.

Price is never the real reason why the customer said no; it is the absence of perceived value that causes them to reject our offer.

Understand the Game

When selling to a big box retailer like Wal-Mart, remember first and foremost that you are not selling to Wal-Mart, you are selling to an individual buyer. You will need to meet or exceed the requirements of that individual, not the entire company. The higher the individual is in the organization, the more sophisticated your sale will need to be. If you are positioned with a buyer, your sale will be more difficult because:

- They typically have less latitude in making decisions
- There is less information available about them for your pre-call planning
- They are less likely to be influenced by corporate objectives and more likely to be focusing on their impact on departmental goals
- They are more likely to try and follow established buying guidelines
- They are usually more risk-averse than some senior managers
- (See the following page for more details on the complexity of being a buyer)

Unless your product or service represents a significant percentage of their revenues, the big box will most likely force you to work through a buyer.

Wal-Mart's initial success was primarily the result of Sam Walton's ability to buy. In his autobiography he told of finding a deal on a huge quantity of ladies underwear. He brought to his store, dumped the items on the floor, put a low price on them and watched as they sold out quickly. This was an early example of guerilla marketing.

This business model cannot be replicated in a big box environment. Customers expect consistency in product offerings (selection and price). Buyers, therefore, must be more regimented. "One-offs" have no place in the larger retail environment.

Larger organizations will use tactics that make it difficult for you to build useful relationships with their buyers. These tactics include frequent buyer rotations (change-outs), controlling the selling environment (use of bull pens, i.e.) and limiting gifts, samples, time and other influencing efforts.

Make these tactics work for you!

Begin by understanding how the organization measures success for the buyer. Every organization is different but they typically follow some common themes which include:

- Buyer's contribution to revenue
- Buyer's contribution to profit
- Buyer's impact on growing their category
- Buyer's ability to gain vendor concessions

These inevitable changes are referred to as the "evolution of culture" – in this case, the evolution of the buying culture necessitates an evolution in the selling culture for the vendors.

When you know your particular buyer's success measurement, you know how to sell to them. When in doubt, ask.

Appreciate the complexities of being a buyer in a major retail organization. If the organization has 500 stores, the buyer's decision is amplified 500 times. They need to get it right and that's not easy.

A buyer can have a significant impact on the numbers for their department. That impact may or may not be felt at the corporate level and even if it is, the impact of one department is rarely of major significance. If your pre-call planning includes an in-depth look at the corporation, which it should, do not expect that information to carry the day for you. It can be used to influence a buyer but it rarely can be used to convince a buyer.

You are not alone. In the buyer's mind, you may actually be a face in the crowd. The buyer must entertain many vendors in each line they for which they are responsible. They need to know as many of the options as they can in order to best serve their company. Unless you break out of the ordinary, you will be perceived as just another vendor. Like all of the others, the buyer will presume:

- You believe you have the greatest product in the category
- You will say that the world will beat a path to their store for your products
- You will assert that "everyone else" is stocking up on your product
- You cannot imagine why the buyer is not in love with what you offer

So, how do you differentiate yourself from the others?

Follow their protocol with a passion.

Don't try to change the rules. Don't try to become an exception to the rules. If the buyer wants to exempt you later, that's their call. So, follow their protocol and do it with passion. Do it better and more professionally than anyone else.

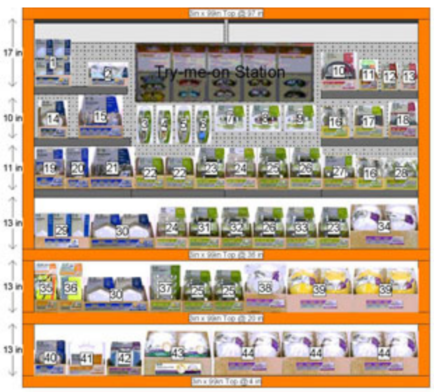
See the section below "How To Present" for more details.

WHAT A BUYER DOES

In retail, buyers are usually responsible for buying a number of specific products, usually in a specific category. Depending on the size and complexity of the categories, a buyer may have more than one or a category may be divided up among multiple buyers.

How well the products do within the buyer's area of responsibility determines how successful the buyer is perceived to be.

At the executive level, the buyer's category is given a set amount of floor space (as with major appliances), shelf space (as with aspirin or specialty space (such as refrigerated or frozen cases). Floor space is usually measured and monitored in square feet. Shelf space is usually measured and monitored in inches. Since shelves in a category typically have the same depth, running inches rather than square inches are used. Toy shelves are deeper than shelves for aspirin, for example.



Planogram for safety equipment showing shelf height and placement of each product. Note the "Try me on Station" is at eye level for an adult male, the target market.

Can you find your way around a Wal-Mart, Target, Lowes or other big box store even if you have never been in that particular store before? This is intentional. Retailers want you to be able to find what you want regardless of which particular store of theirs you happen to be in at the moment. (There are exceptions when an older, usually smaller, store is involved or when a store has not been updated.) The retailer knows you will first spend your time looking for the item that caused you to go to the store in the first place. The faster you find that item, the more time you will have to look around and perhaps find something else to purchase.

The entire store will have a layout showing where the various categories will be. A planogram is used to show exactly where each item is to be placed. Some items move faster at eye level – based on the average height of the potential buyer. Children's products, like toys, are on lower shelves while razor blades are on higher shelves.

The buyer succeeds when most customers can find what they want, find it quickly and be enticed to buy more of that item or to buy more items.

The buyer may ask the vendor for a promotion such as "buy one, get one" or BOGO. The promotion will bring more buyers into the store. Once there, the buyers, having "saved money" will often buy some-

thing else. For instance, a BOGO on paint usually leads to sales of paint brushes.

Consider the buyer's evaluation, or grade, using the following guidelines:

A = their numbers go up and the buyer qualifies for a reward

B = their numbers are unchanged and most other categories are down

C = their numbers are essentially unchanged and other categories were unchanged as well

D = their numbers are essentially unchanged and other categories grew

F =their numbers go down.

As you can see, buyers have one chance in five to score well enough for a bonus or other reward. Remember retail rewards are based on increases in sales.

Therefore, the ***probability*** of your offer succeeding must be at least four times higher than the ***possibility*** of failure. The buyer cannot risk having their numbers go down.

YOU MUST PRESENT IRREFUTABLE ANALYTICS TO JUSTIFY YOUR PROBABILITY OF SUCCESS.

One of Wal-Mart's more intriguing and enviable attributes is their ability to always seem to have the "must-have" products. During the Holiday season, if Wal-Mart is out-of-stock most consumers realize that their next best option will be e-Bay!

It is this success rate, coupled with their low price approach that causes many other companies to adopt or imitate their buying practices.

The Fundamentals

Most buyers want their company to succeed so they want their area of responsibility to succeed. Success means sales. More sales means more success. Before considering how your product might increase sales, they will weigh two components:

- Degree of change required
- Level of risk involved

So, the mantra for many buyers is: “When in doubt, do nothing”.

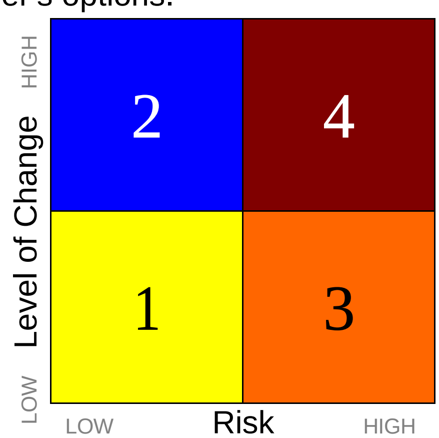
Consider their options from their perspective:

Buyer is rewarded

Buyer is still employed

Buyer is penalized

The chart at the right illustrates the typical buyer’s options.

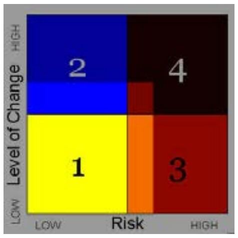


1. Little change and little risk
2. Low risk change
3. Little change but higher risk
4. High risk from major change

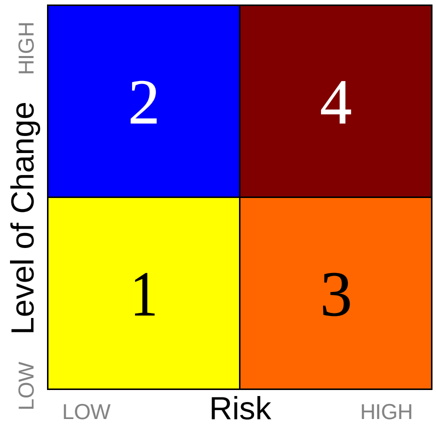
Playing it safe with little change may bring little or not growth but it carries little risk. The highest revenue growth will come from “4”, but that approach also carries the highest possibility of loss.

So your buyer may be thinking like this:

1. **Comfort Zone** Keep things as they are. Perhaps organic growth will bring an increase in the numbers. I can’t be blamed for making a bad decision. If the numbers go down, perhaps the blame can be laid on the vendor (poor performance) or the segment



Where buyers prefer to play. They accept that some risk and change are necessary. Make sure your offer falls into this area – or appears to.



(people aren't buying these like they used to) or the economy (in tough times people don't spend in this category as they did).

2. Less Comfortable I'm willing to embrace limited, controlled change for potential growth as long as the change is not too painful. This is better/easier when the change coincides with other initiatives such as planogram changes, category reviews, etc. If it does not work as well as I like, the other initiative will be factored in. A change I do like is a vendor-sponsored promotion, especially one that will lead to add-on sales.
3. Third Choice I can take a limited controlled risk as long as it does not involve too much change. An existing vendor with a history of performing well introduces a new product or program, for example. Less change is involved since the vendor is a known entity and the risk is somewhat mitigated by the relationship and history with the vendor.
4. Avoid This One! The highest returns often come from the highest risk. But it is, at the end of the day, the highest risk and may result in less sales, not more. The buyer who has the most inventory of the unlikely toy-of-the-year is a winner, the one who has limited stock loses while the buyer with the most inventory of the worst-selling item loses biggest.

The greatest return comes from this area but it is also the area of highest risk.

Key question: in which of these four categories will your buyer *perceive* your offer to be?

SELLING

Now the selling begins. You must convince the buyer that to put your item – or additional item - in the store:

- Change will be minimal
- Risk will be low
- The potential return will be high

MINIMIZE CHANGE

Regardless of what you want the buyer to do, you will need some sales analytics. Now you must learn to use those analytics to convince the buyer that you represent the least risk, minimal change and yet offer a healthy potential return.

NEW PRODUCT – If you are asking a buyer to add your product to their category, in all likelihood some existing product will have to be taken out. This is not only a risk, it requires many changes including changes in the planogram. You will need to have convincing numbers if you want to cause the buyer to move your way.

ADDITIONAL PRODUCT – I you are asking the buyer to add another of your products to the mix, you must be able to prove that your existing product is superior to others in the category and that the additional product will outperform whatever product it replaces.

Some of the ways you can minimize change include:

REPLACING TERMINATING PRODUCTS. Using industry data, can you identify products in your category that are declining in sales? It is not mandatory that you understand why the product is failing but it is a real good idea to find out why products die in your category. You can assume that the buyer is aware of the decline in performance. Now you can present your product as the best replacement. When the buyer asks why your product ins the “best” replacement, how will you answer? Know what’s in it for the retailer!

REPLACING ADJACENT PRODUCTS. If you can show that your product will outperform the product that is adjacent to yours on the shelf, it makes revising the planogram easier. Trying to add a new product on your shelf by replacing a product on another shelf can create a domino effect on the planogram. When thinking about introducing an additional line, begin by looking at your “neighbors” on the shelf. Can you outperform, them? (By the way, expect your neighbors to be doing the same thing!)

GIVE THE BUYER A TURN-KEY PRESENTATION. The buyer will most likely need to sell the changes to someone in their organization. Make this as easy for them as possible. Beyond giving them the empirical data – the numbers – make your presentation simple, attractive and professional. Just as retailers know that end-caps work magic; you need to provide the buyer with the visuals they need to sell inside their organization just as you might provide the marketing materials for the store to sell to consumers.

NUMBERS, NUMBERS, NUMBERS

Buyers are buyers, not salespeople.

They like for vendors to give them promotions, like a BOGO, because it helps to sell.

They like it when vendors provide point-of-sale (POS) materials like end-cap displays because it helps sell.

They also like it when the vendor assists them in making the necessary internal sale! If you want your buyer to succeed in selling your offer inside their organization, make the "sale" as easy as possible for them.

Nothing sells at retail like the numbers.

The bad news is that being successful selling to big box buyers requires you to be one of the best with the numbers. The good news is that numbers are often readily available. Statistical data for retailers is plentiful and accessible.

Major vendors like P&G, Black & Decker and others use this data regularly and it has a positive effect. Too many smaller vendors do not take advantage of this resource.

You already know the sources of trustworthy numbers for your industry. (If not, immediately get involved in a trade association and hire a marketing company!)

Here is what is likely to happen with the data you gather:

- You will be able to find the numbers that justify the decision you want the buyer to make (this is essential).
- The buyer will assume you are only using the numbers that justify your position! Expect this and prepare for it.
  - Know ALL of the numbers and what they mean
  - Do not hide any data
  - Be prepared to overcome the objections the buyer may raise based on their interpretation of the data
- Expect the buyer to change the numbers
  - Some they do not agree with
  - Some conflict with other sources
- Make it easy for the buyer to manipulate your numbers!
  - Use an Excel spreadsheet
  - Allow the buyer to have access and change the numbers

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Chuck Reaves, CSP, CPAE, CSO is a pioneer in the latest trends, tools and capabilities in sales and sales leadership. For more than twenty years he has been assisting CEOs, sales leaders and salespeople in taking their performance to the next level. A former top producer for AT&T (number one out of 1,100), he works with Fortune 100 and start-up companies and everything in-between. He has written five books, created hundreds of sales tools, and is one of the highest rated speakers to the world's largest membership organization for CEOs for which he has delivered more than 600 presentations.