Chief Sales Officer
White Paper Series
Sales Planning

The Danger of Low Hanging Fruit

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MORE COMPANIES WILL GROW THEMSELVES OUT OF BUSINESS THAN WILL STAGNATE OUT OF BUSINESS

It's referred to as low hanging fruit. Most start-ups see it on day one, or even before day one. There are all those anxious customers out there just waiting for what you have to offer. All you need to do is to run through the orchard (market) reach out and grab the low-hanging fruit and your baskets will be full.

Good times mask bad management

It's one of the most sinister traps for new companies. And it can be a trap for even the most seasoned companies when:

- New products or services are introduced that are clearly cutting-edge
- Competitors falter
- Markets or economies boom

When there is low-hanging fruit, the prudent, seasoned leadership teams know they need to capitalize on it. "Make hay while the sun shines", they say. This is prudent – capturing market share is almost always a good thing and high sales volume usually leads to good earnings.

There are some dangers, however, and the CSO needs to be aware of them and develop the strategies for addressing them. Remember, the CSO position is the strategic/visionary level for sales, the vice president and sales manager are the tactical levels of sales and the sales professionals are the task level.

Who is setting the sales strategy for your organization? Do you have a true CSO in place?

Using the “low hanging fruit” analogy, let’s look at how this common sales phenomena plays out. Since the author is from Georgia, we will be using peaches as our fruit. Peaches are grown in orchards which are rows of trees. The orchard represents our target market.

The primary risks to consider when addressing low hanging fruit are:

- Some good fruit will be missed
- Some good fruit will be dropped
- Vertical growth is ignored
- Competitors will be following behind
- Salespeople and sales leaders develop bad habits

This White Paper gives the CSO some guidelines to consider when formulating the strategies for a sales organization experiencing low hanging fruit. Strategies are for tomorrow, not today. Strategies determine what your team will be doing next. The prudent CSO understands that at some point the easy sales will be gone and real, professional salesmanship and sales leadership will be necessary.

SOME GOOD FRUIT WILL BE MISSED

Famous last words of some Rednecks: “Hey, watch me do this!”

“We’re growing at 300% per year,” he boasted, “and we’ve been doing that for three years!” He leaned back in his chair, wing tip shoes on his desk, and took a deep puff on his cigar. Nine months later he had a low five-figure buy-out check in his pocket and he went looking for a job.

There it is! A ripe orchard of seemingly unlimited opportunity. Tree after tree of ripe fruit ready to drop off the limbs and we have baskets. All we have to do is run through the trees, grab what we can, fill the baskets and go back for more.

Common red flag consultants look for: “All we have to do is…”

If we miss a peach or two on a tree, so what? There are many more on other trees.

Translating this to the world of sales, here are the fatal flaws of missing fruit.

1. The fruit left behind will either be picked by the competition or it will rot, ceasing to be an opportunity.
2. Not all trees are the same. In a peach orchard there may be different types of peaches. Some are succulent and perfect for

eating immediately, but have a short shelf life. Others are better for shipping long distances and still others are best for canning. By grabbing whatever fruit is available, we find our baskets are mixed with different types. The CSO must be prepared for this and have a plan for sorting these out and finding the best way to capitalize on them. But what if your organization makes more profit on one over the others? Will you be skipping over high margin or high-potential fruit to grab others?

SOME GOOD FRUIT WILL BE DROPPED

Customers are always seeking alternatives; we need to be one of them

In our haste to grab as much "good stuff" as we can, occasionally a piece of fruit will be dropped. It's no big deal, we think, because there are plenty more where that one came from. Besides, in the time it takes us to go back and pick it up, we could pull in two or three other low hanging peaches.

In sales, this is when we let the difficult or troublesome account go away because they require too many resources from us. Frankly, they're not worth the bother.

Again, we're leaving it behind for the competition or we are allowing the opportunity to spoil. A spoiled, lost opportunity is never good for an industry and it is not good for a company.

New businesses have sprouted up and been very successful by catering to the fruit that was dropped. For instance, when some manufacturers began ignoring small hardware stores and letting them drop off because of their low volume, the store owners got together and formed a co-op. Today they compete strongly against the big-box stores under the Ace Hardware name.

VERTICAL GROWTH IS IGNORED

Sometimes it's called leaving money on the table

This is the greatest danger. While running down the low hanging fruit, salespeople ignore the less accessible sales and this usually comes back to haunt them. In the orchard, the other fruit is usually higher in the tree; in business, the other fruit is usually higher in the organization. It takes more time and more effort, but picking all of the fruit from a single source not only helps fill the basket now, it prevents the loss of future sales.

When we hear people talk about leaving money on the table, this is usually what we're talking about. They grabbed the quick and easy and left the more difficult sales for "later". In the real world, later rarely comes and even when it does, the salesperson finds that the competition has beat them to it. Remember, the competition follows behind the low hanging fruit picker.

In sales, the equivalence of going higher in the tree is vertical growth. Vertical growth is almost always more profitable than horizontal growth. Once we are in an account, it is easier to penetrate the account by leveraging our existing relationships and our knowledge of the customer's business. The reduced time and other resources needed to penetrate and, ultimately, saturate the account makes subsequent sales even more profitable. The true cost of sales declines as we grow existing accounts.

Vertical growth is usually more profitable

Once we stop and close a sale with a client, it is in everyone's best interest that we gather <u>all</u> of their potential business.

- Our cost of sales and time-to-close on subsequent sales is lower
- Profitability of subsequent sales is higher
- There is a greater likelihood that we will become Sole Provider thus locking out the competition
- The customer enjoys the benefits derived from single sourcing

COMPETITORS WILL BE FOLLOWING BEHIND

Like you, your competitors need fruit. While being first to market may mean that you reap an initial lion's share of the business, your competitors will not sit back and let you have as much business as you want. They will compete just as you would if the situation were reversed.

Can your competitors build a good business on the fruit you leave behind? What would you want to help build a good competitor?

Initially, they will go after the remaining opportunities – the ones you left behind or dropped. These will be slower and more difficult sales. It will require them to use more professional selling skills like positioning, solution selling, consultative selling, etc. They will begin with a thorough needs analysis and they may build more relationships and better relationships inside some of your existing accounts.

As a result, your competitors will focus on moving from Alternative Provider to Preferred Provider, the position you initially attained with your customers. In other words, the game is yours to lose.

Grabbing the low hanging fruit and then running to the next opportunity can leave you vulnerable to the activities of the competition who follow behind you.

Remember, at one point IBM had a 95% market share. After it dropped to 5% they made some changes in their sales system which had been the best in the world.

The Swiss had 95% of the world's watch market until they decided to leave behind the battery-powered timepieces. They were toys, fakes and only a fad, they thought. Their market share also dropped to 5%.

SALESPEOPLE AND SALES LEADERS DEVELOP BAD HABITS

This is the most expensive result of building a business on low hanging fruit.

Habits are hard to change. When a hotel chain takes over a competing property, they tend to keep all employees except one: the person answering the phone.

Because sales seem to come easier, salespeople develop the habit of reaping. They are less likely to be planting new seeds for the future. They do not see the need for honing their skills since they are making their quotas fairly easily without using many of them.

What happens when the low hanging fruit runs out? The sales team is ill-equipped and unprepared to revert to professional value-added selling.

What the CEO or sales leader usually tells someone like me is, "We have created a bunch of farmers, now we need hunters." In fact, they have not created farmers, they have created pickers. Yes, they need hunters now. However, some farmers can be taught to hunt; few pickers can.

Salespeople and sales leaders develop bad habits during boom times. It is human nature. Once you recognize that the low hanging fruit is running low, you need to make some tough decisions.

Hard decisions now may become difficult, wrenching decisions later

- Which players (pickers) on our team can be taught to hunt?
- Can we make the tough decisions if they involve changing out some of our "best" people?
- How do we need to restructure the sales force?
- What will our new sales approach be?
- How do we change both the compensation plan and the incentive plan to drive the results we want?

THE SOLUTION

Make hay while the sun shines includes planning for the new business model – the one that will supersede the current one.

You have a contingency plan for everything else – why not one for preserving revenues?

After all, you're more likely to see a decline in sales than you are a fire in your building.

During the boom, the corporate culture can be one of invulnerability, excitement, fun, benefits and consecutive wins. However, when the growth rate tapers – and it will – there needs to be a plan in place to address all aspects of the business, including the personal impact on the employees. This plan needs to be so well developed that it can literally be pulled out of a drawer and implemented right away. Any delay caused by the need to stop and develop a plan will only take the organization further down the slippery slope.

- How will you immediately modify your sales process methodology (SPM) to address the changed sales environment?
- What financial changes can you make immediately to preserve cash?
  - Cuts in perks (the fancy cars go first)
  - Reduced personnel (toughest for most)
- Sell smarter – use technology more effectively
- Sell smarter – grow existing accounts
- Sell smarter – use sales analytics to address the most viable and most profitable opportunities

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APPENDIX

What If You Think You're Guilty of Harvesting Low Hanging Fruit?

If you think you may be guilty of building your sales on low hanging fruit, it's probably too late for you. Once an organization realizes that the easy sales are dwindling and a new sales approach is needed, they are often on a precipitous slide that is very difficult to reverse. Here is why this happens.

Top Line

Different people in the company tend to view sales projections differently. Some see the revenue growth continuing to rise unabated from now on. Others think there will be some slowing of the growth rate but that growth in actual dollars will continue. (Remember the "dot com boom"?) Seasoned veterans know that no sales model lasts forever.

Bottom Line

Since no company can accurately compute their real cost of sales (there are too many variables), the actual profitability of past sales is usually lower than the numbers would suggest. By the time the slide in sales is recognized, the leaders of the organization find themselves in unfamiliar financial territory. They cannot fund pet projects, budgets – assuming there are budgets – have to be reigned in. The company may actually have to borrow money. Investing in sales training and development seems to be something they need but cannot afford.

Prevention

The ounce of prevention is to begin looking out to the future on day one. Develop a Plan B and a Plan C. If/when sales begin to decline, what will you do differently? If/when the competition comes up with a better mousetrap, story or differentiation – which they will – how will you respond? During the boom times, what are you doing to help your sales professionals hone their skills, especially the ones they are not using because they think they don't have to?

The Ah-Ha

Prevention is one of the roles of the CSO. High growth companies typically do not have a CSO because they cannot see the need. CSOs think strategically, they think into the future. They are the sales visionary. From day one they recognize the short term value of low hanging fruit and they immediately begin planning a way to prevent the downturn.

Inc. Magazine develops their annual **Inc**. **500** list where they profile the 500 fastest growing companies. These are organizations that are enjoying phenomenal, enviable growth rates. Few winners reappear because growth rates naturally taper as markets are saturated.

Inc. also looks back at previous winners from time to time.

One memorable story is a rocking chair company founded by three recent college graduates, one of whom had written a paper on the concept after finding the drawings of a popular 19th century rocker. Their sales grew exponentially for several years. Then, when the inevitable decline in the rate of growth happened, they realized they had sold every chair at a loss. The high volume had masked the negative numbers. Within months they were out of business.