

# Selling in a Recession

## Sales Force and Sales Management Strategies for Building Business in a Tough Economy

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*These are tough times in the selling business. Customers are ordering less, postponing sold business, trimming the number of suppliers, and reducing budgets. Many companies have restructured, resulting in fewer people with more to do. It is taking longer to close a sale. Buying decisions are more closely scrutinized, and customers are more risk-averse. In addition, travel restrictions and concerns have reduced the opportunities for face-to-face sales calls. Even when a buyer wants to talk business, negotiations focus on price. To make matters worse, this new landscape has made the marketplace even more competitive, as salespeople fight for pieces of a smaller pie. Competitors are resorting to “buying the business.”*

When plummeting sales eat away at commissions or pose the threat of layoffs, salespeople increase their activity, using selling practices that are most comfortable, but not always the most effective. A host of easy mistakes can make matters even worse. In this selling environment, it is easy to lose focus on target customers, marketplace trends, and what differentiates your offerings from those of your competitors. The pressure to “just sell something” is intense. Even seasoned sales professionals can become obsessed with their own plight, trying only for the big sale or chasing from one small, unpromising lead to another. It’s tempting to simply drop price to build volume. Overpromising to customers is a frequent trap that salespeople fall into, gaining the sale in the short term but creating havoc downstream. The blame game can rear its ugly head: the organization blames the sales force for reduced volume and the sales force blames the internal organization for not meeting customer expectations. The outcome is predictable. Customer trust is eroded, business that should have been won is lost, and entire account relationships are jeopardized exactly when you need them most.

This does not mean that the basic principles of effective selling don’t apply just because times are bad. Generating interest with customers, understanding needs, orchestrating resources, and impeccable follow-up are still fundamentally important components of the sales process. But they are not enough. The sales organizations that will survive and even thrive in these difficult times are employing recession-fighting strategies that are geared to hold the line, take share, and position them to blast out ahead of the

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## The Three Driving Principles for Selling in a Recession

There are three driving principles that should guide the salesperson's behavior in a recession. These attitudes and beliefs should be applied throughout the sales process to build credibility and trust with customers, and make a positive impact on results.

- 1. Be a true business consultant for your customer.** *Talk business strategy* with your customers. Show how your offering advances their strategy. Create solutions that solve your customers' problems. Customers expect solutions that support and drive their central business strategies. *Talk results with customers.* Show how your offering can positively affect customers' key performance metrics. Identify the appropriate metrics and create a compelling case for your solution. *Be innovative.* Increase credibility as a trusted advisor by bringing to the table innovative, highly differentiated solutions that respond to customers' unique business challenges. Customers value new ideas and insights from your experience with issues like theirs.
- 2. Do your homework.** Know more, be more connected than your customer—and turn that knowledge into value. More than ever before, customers want insight. Salespeople must invest time and energy in researching their customers' own customers, markets, competitors, employees, and challenges. Go beyond asking good questions about the customer's situation. In a recession, when competition is at its fiercest, salespeople need to know much more before the call, so they can prepare insights to share with the customer during the call—insights that turn into meaningful actions after the call. Before getting in front of the customer, salespeople must know the answers to questions (or at least have formed opinions) about the customer's vision, own customers, competitors, strengths, and weaknesses. So much information is available in the public domain that asking the customer to explain it to you is a waste of his or her time.
- 3. Focus on results and relationship.** In these tough economic times your customer is focused on results. You and your organization are focused on results. It is important to enhance both the customer relationship and results. "Beating" your customer in the short term may provide short-term results, but it is destructive in the client retention and growth game. "Losing" to your customer is one of the quickest ways to get sales management's attention. Those that balance beating and losing do so by persisting in seeking a solution that involves their customer in a search for innovative answers to tough questions, converting opposition to mutual understanding, and—in extremely tough situations—asserting their own needs and encouraging the customer to do the same.

competition as the economic pendulum swings in the direction of recovery and growth. These strategies are sensibly focused on the three drivers of sales performance: retaining existing customers, growing existing customer relationships, and acquiring new customers.

## Strategies for Success: What Must Sales Organizations Do Differently?

### Retain existing customers during a recession

In tough times, it is even more important to listen to your existing customers, understand their problems, offer them insightful support, and do everything you can to help them survive. There is a payoff for retaining customers: it is less costly than acquiring new customers. It costs six times more to acquire a new customer than it does to keep an existing customer.

- **Stop calling on your account list indiscriminately.** Determine those strategic accounts that warrant the most focus, attention, and resources. Develop this short list based on both technical factors (size, volume, growth, profitability, competition, product fit) and personal factors (referral potential, rewards, quickness in advancing the sale, ease in working with the account) to prioritize activity in order to maximize results.
- **Understand your customer's strategy and decision process.** The typical sales process begins when the customer is sourcing and selecting a supplier. Look to be engaged much further upstream in the customer's process—at the business-unit planning and business-enterprise planning phases—in order to create bigger and longer-lasting opportunities.
- **Invest for retention.** Show commitment to your customer by adding value, especially when money is not coming in. Conduct periodic account reviews to summarize the value you are providing and to understand areas for improvement. Create customer advisory boards, and look to involve customers in research, pilots, public relations, and advertising.
- **Steward your results.** Demonstrate the longevity of your company's strategy by stewarding the results you have achieved for your customer and for other customers who have similar business challenges.
- **Go to school on your competitors.** Know your competitors—they have never been more aggressive or more vulnerable. Develop defensive strategies and points of view. Help your customers develop strategies for dealing with their business environment. Be proactive in providing advice and insight.

## Grow existing customer relationships

The most leveraged and least costly way to achieve growth is to grow existing accounts. During a recession, customers, like you, are feeling even more pressure to get more done with less. This often means that they are more open to consolidating their supplier relationships. Focusing on the most strategic customers:

- **View each customer's company as a market.** Focus efforts on segmenting and capturing share of this market. Leverage successes and relationships.
- **Explore creative pricing options.** Provide financial incentives that cover the totality of your business with a customer. For example, explore retention pricing options that help customers save more as they spend more. Results contracts can reduce customer risk and increase customer commitment to partnership.
- **Leverage partners in helping customers achieve business results.** You provide more value to your customers in situations in which your organization may not be funding new products and services. At the same time, this added value increases switching costs for your customers.

## Acquire new customers during a recession

Acquiring new customers is an obvious source of growth. If not done strategically, this can be a costly drain on time, resources, and results. A new approach is critical.

- **Stop calling on your prospect list indiscriminately.** It is mandatory to determine those strategic prospects that warrant the most focus, attention, and resources. Develop this short list based on both potential technical and personal factors to prioritize activity in order to maximize results.
- **Forget the 2 percent rule.** In direct mail, a two percent response rate is considered good. In strategic prospecting for new customers, it has to be 20 to 30 percent: fewer cold calls, higher hit rates. How do you achieve this? In-depth research drives the increase by ensuring that you are calling on the right people, in the right targeted accounts, and with the right hooks.
- **Don't wait for marketing.** Total advertising spending is estimated to fall 6.6 percent in 2001—the first significant downturn in advertising spending since 1942.<sup>1</sup> The salesperson is the advertisement. Focus on the critical accounts and develop tailored marketing campaigns based on customers' unique challenges and opportunities.
- **Be bold—offer innovative ideas and immediate insight.** In a recession, many prospects are reluctant to change suppliers, or are so busy fighting their own recession-related fires, they don't have time to discuss tired ideas. What have you learned from other customers with similar issues that can relieve your present customer's pain

immediately? Packaging these insights creatively is key to getting your foot in the door.

- **Use referrals, results stories, and references as your trump cards.** Referrals from current customers can virtually eliminate cold calling. Results stories and references supply the firepower you need to build credibility and trust with prospects and earn you the right to further explore how you can provide similar outcomes for them.
- **Performance pricing is a powerful tool.** Overcome risk aversion by proactively offering to share accountability for hard results. You are demonstrating that you are confident you can tangibly help your customer achieve success and that you are willing to share the risk financially.

## Driving Change and Success: The Role of the Sales Manager

Sales managers have their own bag of tricks when it comes to making mistakes in a down economy. A common mistake is to jump in and take over in a critical sales situation, confusing the customer and eroding the credibility and confidence of the salesperson. Coaching and developing the sales force flies out the window. The emphasis is on exerting pressure to work harder, not necessarily smarter. Many rally around the battle cry of “getting back to basics”—when the basics are nothing more than the price of admission to the selling game. Instead, new strategies and tactics are needed to win in today's environment.

Sales managers lead the way in navigating the sales force through the troubled waters of a recessionary economy. Without their strategic focus, coaching, support, and modeling of key behaviors, the selling strategies mentioned above will meet with limited success.

So what do the best sales managers do? Simply stated, they manage their sales force in the same way that good salespeople manage their customers. They focus on acquiring, retaining, and growing their *salespeople*:

- Sales managers look to acquire talented salespeople who have the attitudes and skills necessary to differentiate themselves with customers and achieve results. To raise the quality of the sales force, managers must spend more money to attract better, more experienced salespeople.
- Retention of salespeople is equally important. In a recent survey, 76 percent of respondents from large companies indicated that retaining high-performing salespeople was the biggest management issue they will face in the next one to three years.<sup>2</sup> It means biting the bullet. This is the time to outboard low performers and invest in those that remain.

- Sales managers must reward behaviors as well as results and ensure that compensation is aligned with desired behaviors and results. While a study of strategic account manager compensation showed that sales revenue is still one of the primary elements of a sales compensation program, other measures were also shown to impact compensation: profit, sales milestones, customer satisfaction, account retention, and persistence.<sup>3</sup> This is the time to ensure that compensation drives desired results.
- The same strategies that are successful for retaining customers—providing insight, challenging the status quo, uncovering problems, and finding innovative solutions—are successful for coaching salespeople.
- Top-performing sales managers understand that nothing is more important than the continuous growth and development of the sales force. They lead learning to grow the capability of their salespeople. They view sales force development as an everyday activity, not as a two-hour motivational speech at the annual sales meeting.
- The sales manager has three critical roles to play in a down economy. In this situation, playing these roles becomes a critical, not optional, requirement for success:
  - **Leader by example:** The sales manager sends a loud and clear message to his or her salespeople when he or she models the skills that the salespeople are expected to exhibit with their customers. Credibility can be lost rapidly when salespeople witness a “do as I say, not as I do” approach.
  - **Coach and motivator:** High-performing sales managers make time for coaching every day. They exhibit strong communication and people skills, and have the ability to assess sales skills and take action based on their assessments. Forum’s research has found that, although this ability has been crucial to the role for quite some time, the distractions of achieving business results in a recession can now cause managers to become immersed in closing business at the expense of developing salespeople. Managers who develop their salespeople have a decided advantage, most notably as the economy comes out of recession.
- **Crafter of strategy:** The ability to translate the organizational strategy into a sales force strategy, and then into what each salesperson should be doing differently on a daily basis, is critical to survival. Sales managers must create alignment within the sales force by:
  - Developing a sales force strategy, gaining organizational support for it, and communicating it to the sales team in order to win the right kind of business with the right customers.
  - Aligning their sales team toward common strategic and financial goals through skilled and focused leadership.
  - Using sales meetings focused on pipeline/funnel issues to speed the closing of business and resolution of problems, as well as training and development clinics to increase the speed of sales force development. Managers use these meetings as an invaluable tool to successfully involve and develop their team.

## Summary

Be a true business consultant to your customer. Do your homework. Focus on both results and the relationship. New conditions demand new strategies. Increase your success in retaining and growing current customers and finding new prospects by focusing your efforts on calling on the right people in the right accounts with innovative and competitively unique ideas. In the short term, sales organizations that can see through the haze of recession and stay focused on the needs of customers are less likely to be unseated by special deals offered by competitors. In the long term, they will be rewarded with increased customer loyalty and repeat sales.

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### Endnotes:

<sup>1</sup>George Hager and Thomas A. Fogarty, “Recession Conditions Sink Several Sectors,” *USA Today*, November 6, 2001.

<sup>2</sup>Business Wire, Inc., “Sales Management and Compensation Evolve in Competitive Marketplace,” Hewitt Study.

<sup>3</sup>*Velocity*. Q3 2001. “Strategic Account Manager Compensation: Getting It Right Is More Important Than Ever,” by Elliot M. Scott, Senior Manager, The Alexander Group, Inc.

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