



## Growing Revenues Through Commercial Excellence

Companies engage in a battle every day to create value. L.E.K. Consulting helps companies succeed in this battle by focusing on the key levers of value creation: strategic direction, management and organization, assets optimization, revenue growth and total cost alignment. Whether you're a newly purchased portfolio company of a private equity firm, a division of a larger company, or a standalone company, these levers can be used to rethink and/or improve your path to ongoing value creation.

In this *Executive Insights*, we take direct aim at reinvigorating your business' revenue growth through what we call Commercial Excellence. Commercial Excellence is a series of steps that you can take to organize how you deliver the right value propositions to the right customers, and to support those efforts with excellent sales and marketing execution.

In L.E.K. Consulting's decades of work with large and small clients across industries and geographies, we have seen a variety of difficult situations where the root problem was a lack of Commercial Excellence. Clients have described their issues in different ways, including:

- "Our company is losing market share"
- "We have invested in broadening the product/service offering, but the sales and marketing organization is not up to the challenge of cross-selling"
- "Our salespeople spend too much time on administration and customer support"
- "Our salespeople are too focused on high-volume but low-margin sources of revenue"
- "Our company's sales and marketing organization is not proactive"

However the issue of stalled sales growth manifests itself, many firms find that they may need to engineer some form of "commercial engine tune-up" to reverse the trend.

Every company has specific needs that determine how to best address Commercial Excellence gaps and bring about accretive changes to the organization (see "Red Flags" on page 4 for key indicators of issues within an organization). We typically view Commercial Excellence across the following three components:

- 1. Customer prioritization.** Ensures that the company is focused on the right (or all the attractive) customer segments and the right value proposition is being offered to each

*Commercial Excellence: Unlocking Value in Your Portfolio Company* was written by **Chris Kenney** and **Peter Walter**, managing directors, and **Dan Horsley**, a principal, at L.E.K. Consulting. Chris and Dan are based in Chicago and Peter is based in New York.

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- 2. Go-to-market model.** Ensures that the right resources are aligned to consistently deliver the value proposition to the attractive customer segments
- 3. Sales and marketing effectiveness.** Ensures that sales and marketing support functions are individually excellent and collectively organized to achieve optimal results

Now, let's examine each of these in further detail.

**Customer Prioritization.** Many companies struggle with how to best understand, segment and prioritize customers. Key issues that we observe include:

- A "one size fits all" approach for allocating resources to each customer segment
- A poor understanding of the unique needs of different customer segments
- An inability of the organization to tailor its message to unique customer segments
- Equal weighting and prioritization given to every call point (e.g., purchasing, engineering, production)

We address these deficiencies by first determining the appropriate customer segments a company should pursue. This involves analyzing historical sales data, as well as conducting external research to inform customer groupings. The specific needs of each segment are identified using direct voice-of-customer feedback and insights from the sales team. The company's value proposition to each segment is then overlaid on these segments' needs. Once we have analyzed the potential value of each segment, as well as the cost and difficulty of serving each segment, we can then prioritize the various customer segments to target.

**Go-to-Market Model.** Even when a robust customer segmentation has been identified, companies can face difficult choices for structuring a sales approach for each segment, involving questions such as:

- What capabilities are needed to deliver my value proposition to each customer segment?
- How can I align these services across my organization?
- When should I use inside sales teams versus outside sales teams?
- Should I use external reps or distributors to target key customer segments?

Developing the optimal commercial organization requires the alignment of different functions to deliver the value proposition to attractive customer segments. Options across sales reps

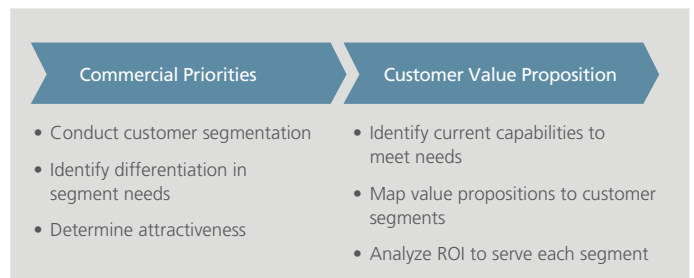
## Case Study 1: Segmenting and prioritizing kitchen equipment customers

**Situation.** L.E.K. Consulting recently worked with a manufacturer of commercial kitchen equipment to optimize how it invested its resources to sell products to specific customers. While the company had a market-leading position, it used a simplistic "one size fits all" approach for aligning sales resources to its customers, which did not take into account size, value or need.

**Commercial Excellence improvement steps.** Using the process outlined in Figure 1, our first steps were to analyze historical sales data, work with the sales team, and conduct independent research to redefine the customer's segments and clearly identify their needs. Once the customer segments were defined, a value proposition was articulated for each segment. The value each customer group represented (both near term and long term) and the relative cost to deliver each value proposition were analyzed, and each group was prioritized for resource allocation accordingly to maximize long-term growth potential.

**Outcome.** Our client was able to quickly adjust its existing sales organization to focus on the new segmentation approach. Accounts were reassigned based on salesperson capabilities, and costly engineering resources were reallocated to focus only on the highest-value accounts. This segmentation also created a career progression pathway that allowed a new generation of junior sales reps to build and grow a set of customers. Almost immediately, the company realized productivity gains from its sales team and experienced positive feedback from the market regarding the clarity of the new approach.

Figure 1  
Customer Prioritization



Source: L.E.K. analysis

(inside and outside sales), distributors, partners and others must be evaluated to determine how to maximize value in every customer engagement. A deep understanding of the optimal

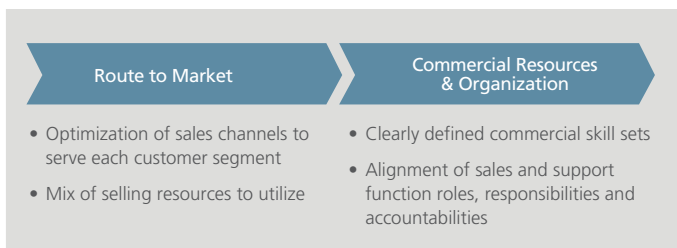
## Case Study 2: Developing a go-to-market plan for a manufacturer of audio equipment

**Situation.** L.E.K. Consulting's client was a company built through acquisitions in the AV space, with each acquired company continuing to go to market individually. While working to help the client develop its business strategy, it became clear that customers wanted a single point of contact to represent all the company's products. We overhauled the client's go-to-market strategy by shifting its entire operation from a business unit focus (loudspeakers, lighting, etc.) to a customer segment focus (stadiums, theaters, studios, etc.).

**Commercial Excellence improvement steps.** Helping our client optimize its sales approach required using the steps outlined in Figure 2 to enact a complete retooling of the commercial sales organization. First, we worked with leaders across each division to profile each customer segment they served. These profiles then served as building blocks to develop a common go-to-market structure in which the full range of the company's products and services was brought to customers as solutions rather than products.

**Outcome.** The result was a significant improvement in the company's ability to cross-sell products according to the needs of individual customer segments. The new sales model incorporated outside sales representatives well-versed in selling the range of company products, inside sales representatives available to field inbound inquiries and "upsell" customers on additional services, key distributors targeted at delivering specific products to specific customer segments, and a sales support organization that could coordinate the delivery of a comprehensive solution once the sale had been made. We also developed the marketing and support efforts needed to effectively accommodate customers' needs.

Figure 2  
Go-to-Market Model



Source: L.E.K. analysis

## Case Study 3: Creating an effective commercial organization

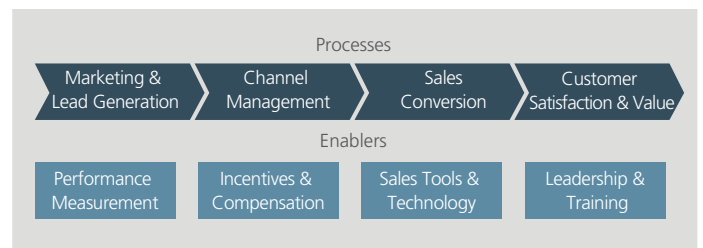
**Situation.** L.E.K. recently worked with an outsourced business service client that had underinvested in sales and marketing and believed that it was dramatically underperforming in the marketplace as a result. Key issues they faced included:

- Account managers reported to operations with little incentive to expand customer share of wallet
- Global sales organizations were managed at the country level with very little ability to share and implement best global practices or pursue global clients
- There were too few "hunters" who were charged with developing new relationships
- An inconsistent response to very large RFP opportunities
- No organizational focus on the unique needs of key customer segments

**Commercial Excellence improvement steps.** Using a systematic process for evaluating sales and marketing effectiveness, we worked with the client to develop a brand-new global sales organization, moving account managers to report into a new account structure. We also developed a process for deploying an "RFP SWAT team" to quickly respond to big opportunities. Finally, we developed an approach for a "vertical sales" organization to focus on the key vertical customer segments, with tools and incentives realigned to support their efforts.

**Outcome.** As a result of the re-engineered commercial organization, the target company enjoyed a 40%+ revenue pipeline increase within three months of implementing our recommendations.

Figure 3  
Sales and Marketing Effectiveness



Source: L.E.K. analysis

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## Red Flags: Does your commercial engine need a “tune-up”?

How do you as a company owner identify potential issues? Below is a partial list of common challenges that could indicate more extensive problems that need to be addressed.

Lack of clarity around commercial strategies:

- Failure to articulate target customers or prioritization
- Insufficient knowledge of market landscape and dynamics
- Ill-defined customer segment growth and profitability drivers
- “One size fits all” value proposition for all customers

Misaligned route to market:

- Insufficient understanding of the cost to serve targeted customer segments
- Persistent issues/conflicts with channel partners
- Lack of agility in channel landscape (international channels, ecommerce, etc.)
- Disconnect between commercial priorities, customer value and resource deployment across customer segments
- Inability to prioritize “hunting” and “farming” sales efforts

Inconsistent pursuit of target customer opportunities:

- Difficulty clearly articulating value proposition to various customer segment targets
- Inability to differentiate between unknown costs and value of lead generation
- Ad hoc or nonstandardized approach to allocating accounts or sales leads
- Ineffective cross-selling of products and/or services across various geographies

Inefficient sales organization, processes and/or enablers:

- “One size fits all” sales process for both strategic and standard opportunities
- Lack of clarity in sales roles (inside sales versus outside sales, role of sales operations, support from marketing, etc.)
- Lack of distinction between sales and operations/fulfillment
- Lackluster account planning and/or missed opportunities to cross-sell
- Missed performance targets that suggest misaligned performance metrics and value drivers
- Ineffective and/or inconsistent onboarding and training

sales and delivery cycle, including the account management process and the specific skills, expertise, communication and delivery capabilities needed, is required to adjust these processes to maximize value. Then the commercial capabilities required to succeed with each customer segment can be codified, and the roles and responsibilities can be determined to ensure effective management of the entire sales process.

**Sales and Marketing Effectiveness.** Once the optimal go-to-market plan is established, the next step of ensuring that the right processes and systems are in place to maximize the team’s effectiveness is crucial for ongoing success (see Figure 3). Some of the key questions typically asked at this stage are:

- How will the team prospect for new accounts and work to convert those prospects to customers?
- How will marketing support the efforts of the sales team?
- Who will have the authority to make pricing decisions?

- How will the team be incentivized?
- What type of training, education and onboarding do we need?
- What tools can we use to track sales and team performance?

Evaluating key processes is the first stage of establishing strong sales and marketing support, and this includes mapping commercial processes to determine where specific interactions occur between different teams to find, engage, close, and support new and existing customers. This understanding will also help solidify job requirements for various team positions. Sales enablers must also be refined to ensure that the sales team has the best support possible. This can include the compensation scheme for the team, key performance indicators to monitor success, systems and tools to facilitate the customer management process, and HR support for recruiting, hiring, onboarding and continuous training.

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## Conclusion

While no two organizations are completely alike, a thorough yet flexible approach to driving Commercial Excellence can certainly add significant value to your company.

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## About the Authors



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## About L.E.K. Consulting

L.E.K. Consulting is a global management consulting firm that uses deep industry expertise and rigorous analysis to help business leaders achieve practical results with real impact. We are uncompromising in our approach to helping clients consistently make better decisions, deliver improved business performance and create greater shareholder returns. The firm advises and supports global companies that are leaders in their industries — including the largest private and public sector organizations, private equity firms and emerging entrepreneurial businesses. Founded more than 30 years ago, L.E.K. employs more than 1,200 professionals across the Americas, Asia-Pacific and Europe. For more information, go to [www.lek.com](http://www.lek.com).

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