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Distribution & Pricing Techniques

## THE EXECUTIVE SUMMARY

### How Is Your Business Doing...Really?

It's an easy question to ask, but a hard one to answer. The answer depends upon your goals and expectations. This begs another question; how are they set and are they realistic.

Your financial goals and objectives while expressed in quantifiable terms are really extremely relative. For example, if you run a social media company and your revenue is increasing 10% a year, you are losing share to your competitors and you may need to sell or risk going bankrupt. That's because the market is growing by 30% annually so your share is actually diminishing.

Conversely, if your sales of equipment and supplies to the mining industry are down by 6% worldwide, you are likely doing great and gaining market share because equipment demand from the mining industry was down 15% to 20% in 2013.

This means that your goals have to be relative to total demand or at minimum the sales growth of your competitors. Don't fall into the trap of setting your goals based upon:

- Last year's sales
- Last quarter's sales
- The GDP of the country in which you operate
- Industry growth in employees
- Industry growth in dollars
- The rate of inflation

These metrics provide no meaningful guidance.

The goal of your business should be to profitably increase your market share either in units or in dollars ex-price increases and currency translation. The metric you need to do this should be your goal.

Does this mean you need to know the size of your market? No. While some industries report total production, sales, or market demand to a government agency or industry trade organization, most do not. Accurate market size is difficult to obtain and of questionable accuracy anyway.

The key metric you need is the sales growth of your competitors or of their most competitive product lines

in specific vertical or geographic markets. This means employing competitive intelligence, channel research, or both. Anecdotal evidence is not a substitute.

First decide what is most meaningful. The sales growth of your largest competitors? Yes, but specifically that of their largest and newest product categories.

There are two questions then; how to obtain the metrics and who should obtain them.

The answer to the first question of how is through primary research that is triangulated (three sources) for each competitor. Many more sources are needed if channel research is the informational vehicle.

Regarding the second question, an independent, outside research/competitive intelligence organization should be employed. The reason is that internal bias is inescapable and always favors confirming/reaffirming previous estimates. There are a number of research/intelligence gathering organizations most of which operate under the ethical guidelines of SCIP (The Society of Competitive Intelligence Professionals). They can provide you with fairly accurate metrics at a reasonable price.

The primary vehicle they use is telephone interviews during which the interviewer reveals the organization they work for and that they are conducting a market size and/or growth study on a specific industry, product line, or vertical/geographic market.

They ask the competitors for their estimate of market growth, their sales growth, and that of the other competitors. Consistency of the estimates validates the methodology and the knowledge of the interviewees.

**The Point:** The humorist and baseball player Yogi Berra once said, "If you don't know where you're going, you might end up somewhere else."

Remember setting goals is serious business. The fate of companies and of executives often rests upon their accuracy and as such the activity should be treated accordingly.



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