February 2009
Volume III
Distribution & Pricing Techniques
THE EXECUTIVE SUMMARY

B-to-B Marketing…In A Recession
Reducing B-to-B "Go to Market" Costs

This is the third in a series of four *Executive Summaries* designed to help manufacturers of B-to-B products successfully navigate the recession.

The first two addressed *"Selecting and Managing the Right Team" and "Focusing Sales and Marketing Resources on Profitable Growth."*

This one offers suggestions for reducing "go to market" costs, those directly related to the sales and distribution of B-to-B products in North America.

Remember, substantial changes in market share occur during recessionary periods, not during times of prosperity. This means your decisions must be both tactical and also strategic if you are to survive the recession as well as the period of prosperity that follows.

First, people costs. Usually the largest and most difficult line item in a sales and marketing budget is "people costs." The problem is usually not the number of people or their quality (we assume you've already weeded out non-performers and those with poor attitudes), but what they have been assigned to. The old 80/20 rule applies. Eighty percent of your sales and/or growth will come from 20% of your accounts and territories, and that's where your people must be assigned.

Specifically,

- ***Reassign salespeople*** and double coverage in the territories and accounts with the greatest potential even if you have to leave some territories and accounts uncovered.
- ***Place some of your better, more experienced salespeople on the telephone.*** An effective inside sales program is the key to covering small and rural accounts and distributors. These accounts usually provide the highest profit margins.
- ***Reduce salaries and bonuses equally*** across the board and announce that the reductions are temporary and intended to preserve jobs. This will build teamwork. The goal is to increase productivity which in turn proportionately reduces sales costs.

Second, discretionary spending. This typically consists of marcom (advertising, public relations, direct mail, trade exhibitions, etc.) and travel budgets. We recommend:

- ***Focusing on why your people are traveling,*** not their travel expenses. Saving 50% on the airfare on an unnecessary trip isn't really saving at all.
- ***Shifting marcom spending from advertising to direct mail.*** The goal is to increase the contact frequency with your best customers and generate leads. Mail lists are inexpensive and increasingly accurate.
- ***Canceling trade show activities.*** Yes your competitors will start rumors; however, studies have conclusively proven that after exhibiting at a show for years you can miss/skip a show and most attendees will claim to have seen your exhibit.
- ***Advertising in the least expensive vehicles,*** in-box advertising, for example. Make sure every package contains a message.
- ***Revisiting email*** (not spam). Remember it needs to be highly targeted and contain both a meaningful value proposition and a "call to action."

Last, channel compensation. B-to-B manufacturers often compensate their channel partners for the costs they incur when operating their business model. Channel compensation is an effective management tool. It should motivate and direct your channel partners to profitably increase your sales and compensate them "for performing only those activities that your end customers value and are willing to pay for."

There are five models for compensating channel partners. Review marketing texts as this is likely to be one of the most fertile areas in which to increase profitability.

The Point: Focus your people, your travel, your marcom money, and especially the activities of your channel partners on the things that really matter.