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Go-to-Market Advantage: The New Battlefield for Consumer Companies

In a recent survey of managers in leading consumer-goods companies around the world, The Boston Consulting Group found that 82 percent considered go-to-market activities (the downstream processes that contribute to a product's sale) to be a corporate priority—more important than supply chain management, manufacturing and operations, mergers and acquisitions, and overhead cost reduction. Go-to-market activities encompass pricing, trade spending, marketing, advertising, and sales. They are a critical piece of a consumer company's value chain and represent a huge portion of its costs: as much as 40 percent of total costs and 67 percent of indirect costs. To excel in this environment, the whole organization needs to think of itself as a single marketing-and-sales team focused on the services it offers customers as well as its own bottom line.

It's not surprising that managers are paying more attention to go-to-market activities. Most of today's market pressures—consumer fragmentation, declining media effectiveness, new sales channels, and the tendency of consumers to trade up and down—complicate marketing and sales. At the same time, low-cost manufacturing, shorter product cycles, and deconstructed value chains have reduced the size and durability of upstream competitive advantages. (Witness the fact that many companies outsource manufacturing, yet few would give control of the customer/consumer interface to an outsider.) The rise of new distribution and communication channels and companies' ability to rapidly access comprehensive data on consumer behavior have further heightened the need for a strategic focus on go-to-market activities.

A New Mandate for Marketing and Sales

Gone are the days when a sales representative could ride in on a smile and a shoeshine, toting a sample pack and a price list. No longer a passive pipeline through which to push products, the new selling elite is expected to provide solid evidence of brand value. That might entail an analysis of store conditions based on local demographics, recommendations for pricing derived from an understanding of elasticity, or a new store display that conveys information and promotes excitement. The expertise to accomplish those tasks comes from marketing and sales working together.

Marketing has undergone a similar transformation. Its role in delivering compelling messages to consumers used to be pretty simple. Because the only media were the mass media, which touch everyone, market segmentation was uncomplicated. Metrics for assessing returns were minimal because the obvious long-term benefits of brand building made it unnecessary to measure short-term results—a difficult exercise anyway. As a result, marketers were free to focus on their highest-value capabilities: creating attention-getting ads and negotiating deals with networks and other mass-media providers. The message was king. The returns were compelling.

Today, as spending on creative, production, and media services approaches billions of dollars, marketers are rethinking how they develop and execute campaigns. The old excuse for big marketing budgets—"I know that half my advertis-

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ing is wasted, but I don't know which half"—has lost its credibility as new technology for assessing the effectiveness of marketing makes this function as accountable as any other. (No wonder the average tenure for chief marketing executives has dropped precipitously in recent years.)

Marketing is shifting from right-brain to left-brain thinking, from grand visions and escalating budgets to explicit metrics, clear ROI requirements, disciplined follow-up, and zero-based budgeting. To compete in this new environment, companies need the right *enablers*—that is, the right information systems and tools—and cross-functional organizational processes.

Assessing a Company's Go-to-Market Activities

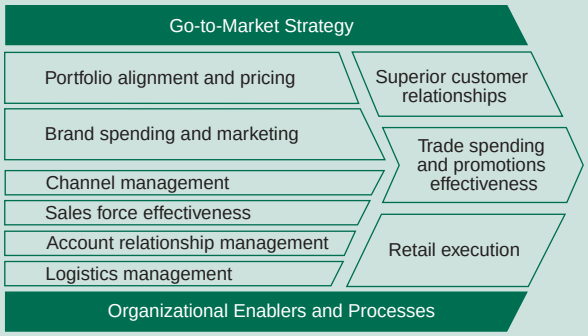
Although more than half the managers we surveyed stated that they have measures in place to evaluate their go-to-market responses to various external pressures, less than 20 percent were comfortable with the performance of those measures. Given these results, it isn't surprising that managers have lots of questions: How are they to make the necessary changes to their go-to-market activities? And where—given the many functions and processes involved—should they start?

Few companies are capable of realizing all their go-to-market aspirations at once—and it would be foolhardy to try. The first task is simply to determine which areas need immediate attention. Most organizations—and their go-to-market processes—have grown so complex that no single manager or team can get a clear picture of performance merely by asking for reports or walking around. We've found that the best way to begin is with a *health check*—a focused effort to evaluate the effectiveness of current go-to-market activities and identify areas for improvement.

Our health check focuses on key levers. (See Exhibit 1.) The first issue is how well each lever is aligned with the company's go-to-market strategy. For example, how do portfolio alignment, pricing, brand spending, and marketing enhance interactions with customers? How do marketing, brand spending, and channel management optimize trade spending and promotions? And how do sales force effectiveness, the management of account relationships, and logistics management work together (or not) at the retail interface? The second issue is how well the company's enablers and organizational processes support its go-to-market strategy.

One of the greatest benefits of a health check is that it reveals how separate parts of a company interact. That perspective often provides a "burning platform" to convince the organization that the status quo can't continue. This is how a marketing director at one consumer-goods company described his experience with the approach:

Exhibit 1. Align the Levers for a Successful Go-to-Market Strategy



SOURCE: BCG analysis.

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> Breaking down go-to-market activities into components gave us a quick scan of our performance and a direction to focus on. First we realized that although we had different priorities for customers, we had a one-size-fits-all approach to distribution. The second and more critical finding related to the working relationship between sales and marketing. We were struggling with who actually "owns" pricing in the company. A cross-functional and coordinated approach has been critical to our success.

This executive's discovery of a disconnect between marketing and sales echoes our experience in working with hundreds of consumer companies. Too often, swords are turned inward rather than outward. To fend off competitors, marketing and sales must work together seamlessly instead of digging themselves into functional trenches. Information and decision making should run horizontally across sales, trade marketing, consumer marketing, logistics, and financial functions, as well as through the departments within each function and between the center and the field (particularly challenging when the sales force is geographically dispersed). In fact, the surest road to advantage today lies in mobilizing all parts of the organization to operate as one team.

Looking at Enablers and Organizational Processes

Achieving a go-to-market advantage depends on information systems and tools that drive performance. These enablers might include customer and brand profit-and-loss statements to create transparency and control, as well as metrics to monitor results.

But securing information is only half the job. Advantage comes not from raw data but from data that have been transformed into information that can be used strategically. To put information to strategic use—that is, to turn "soft stuff" into "hard stuff"—a company must be adaptive and responsive. It must also learn to coordinate across such key processes as offer-to-order and order-to-delivery. And it must be able to de-average its go-to-market activities to meet the needs of individual customer segments.

Consider the following comments from an executive at a leading consumer-durables company about the benefits of committing to improvements in go-to-market processes:

> A few years ago we were in a no-win situation. The key to our transformation has been the reorganization of our business units around distinct teams that serve our various customer segments. Each team is cross-functional and has full P&L responsibility. Going from functional responsibilities to business responsibilities hasn't been easy, but for us it has meant the difference between failure and success.

Similarly, a senior executive at a global packaged-goods company had this to say:

> Getting cross-functional coordination right has been our biggest go-to-market objective. We managed around key processes rather than having a point person for each go-to-market lever. Then we embedded those processes into our organization's culture. We also established common brand and customer P&Ls to ensure visibility and responsibility on both the sales and marketing ends. Rather than marketing sending out a product and sales selling according to volume metrics, all our incentives

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are aligned around one strategic plan. My takeaway: when you work in silos, it's tough to be nimble. You need to build your organization around core processes rather than core functions.

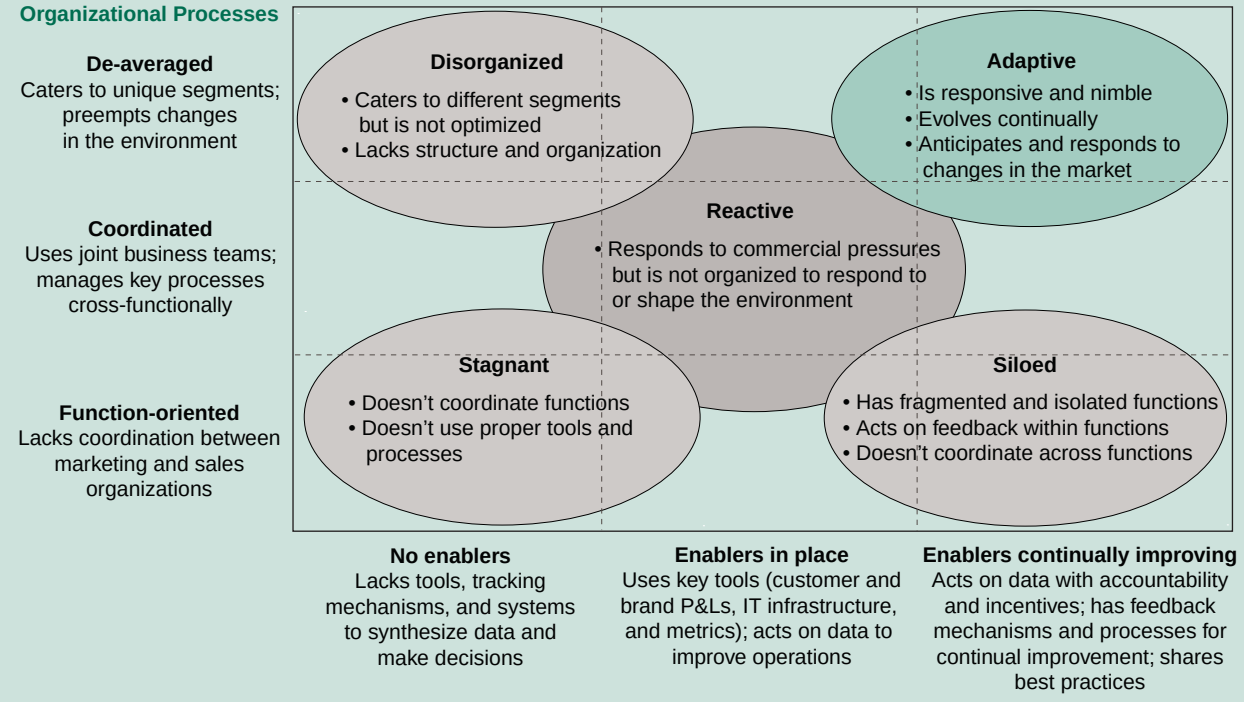
To compete today, it is critical for companies to align their go-to-market activities. Those that do have a tremendous competitive advantage.

Charting a Course

We have developed a "map" that companies can use to assess their ability to adapt to market pressures. (See Exhibit 2.) The vertical axis locates companies on a spectrum of organizational processes. At the bottom are function-oriented companies with little coordination between sales and marketing. In the middle are organizations with coordinated processes such as cross-functional business teams. At the top are organizations whose de-averaged processes allow them to adapt their go-to-market activities quickly to external changes. The horizontal axis locates companies according to their enablers—whether they lack the necessary information systems and tools, have key enablers in place, or are continually improving their data-gathering capabilities. Where a company falls on the map indicates the degree to which it is a stagnant, disorganized, reactive, or siloed organization or a highly responsive, adaptive one.

We suggest that you peruse this map and then ask the following questions about your organization:

Exhibit 2. Enablers and Processes Determine a Company's Ability to Succeed in the Marketplace



SOURCE: BCG Go-to-Market Client Survey, 2006.

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- Where are we on the map? What factors affect our current position? Where do we aspire to be on the map and by when? How can we best accomplish our agenda for change?

- How can we become a more adaptive organization? Do we have key enablers in place? How can we better synthesize and act on information? Can we de-average our go-to-market approach in order to serve specific customers better? How can we achieve greater cross-functional coordination to do this?

* * *

As more and more consumer companies make better products at lower cost, it becomes harder to differentiate among the various players. Manufacturing scale has given way to flexible value chains; long product cycles and limited variety are being replaced with a constant stream of innovations. As a result, competitive advantage has shifted from supply-side capabilities to demand-side strategies, from upstream processes to downstream customer transactions. To succeed on this new battlefield, consumer goods companies need to help marketing and sales work together, in alignment with their common commercial strategy and enabled by information systems and cross-functional processes.

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