

Business Process Improvement: Go-to-Market Model

Is your business model fit for purpose?

- Create a systematic process for finding and converting new business potential
- Create and regularly monitor a sales pipeline which includes individual opportunities
- Establish a systematic approach to weighting the probability for each opportunity
- Establish the key ratios of business development relevant to your business and market
- Use the key ratios to provide leading indicators as to the future trading position for your business

By “*business model*” we mean; all of the methods, processes and procedures that you use to conduct your business on a day-to-day basis. In particular, we are asking this question at this time of economic turmoil about the business model that you use to find new customers and new business opportunities, to manage your existing customer relationships, and to secure sufficient new and add-on business to achieve your wider business goals. We refer to this part of your business model as *your go-to-market model*.

So, our question about being fit for purpose, relates specifically to your go-to-market model. To answer such a question it is necessary to have an agreed definition of, in this case, what “*fit for purpose*” means. Once such a definition is established, it will provide a foundation for establishing where you are right now, a basis for planning how to get to where you want to be and a mechanism for regularly measuring your progress towards your wider business goals.

We recommend to all of our customers that they define a go-to-market model which includes both strategic and tactical plans and activities which combine to achieve specific goals and objectives for their business. Your go-to-market model will be specific to your business but will typically include elements such as; defining your proposition and using this to select your target market, a systematic process of prospecting, rules for qualifying prospects and quantifying opportunities, the selling methods that you will use and processes for; customer engagement and opportunity pursuit.

The go-to-market model should be like a production line with enough raw material going in at one end to produce enough finished product at the other. This needs to be a

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predictable and sustainable process giving you a high degree of control over the progress and development of your business. The finished product is quite simple and can be expressed as enough revenue at the right level of profit to meet your business goals. The raw material is effectively all sources of potential opportunities to sell what you do including:

- Established customers who will buy more of what you do or make
- Established customers who may be interested in new things that you can do for them
- Potential and prospective new customers
- Suspects who, given some selling effort by you, could be converted into customers
- Channel partners such as re-sellers and agents or for a wholesaler, your retailers

While not an exhaustive list the above points identify the main sources of potential business for most companies. Ensuring that there is sufficient raw material continuously entering the system and that you have rigorous processes to convert it into finished product is an essential ingredient for a successful business.

To understand how much raw material you need you must understand the key ratios of your business development function. You need such key ratios for each category of raw material identified above. By way of a simple example let us consider the following:

- Our sample business gains 60% of its revenue from the two categories relating to “established customers”
- The business does not work with channel partners
- So, to achieve this years’ target then the business needs to gain the additional 40% from directing selling effort to suspects and prospects.

We find it helps to maintain a complete picture by creating a sales pipeline where you can record all suspects and prospects. You should assign a monetary value to the opportunities plus a weighted probability - your chance of winning the deal. If our sample business is targeted to achieve revenue of £1.0m and £600k will come from established customers leaving £400k to come from suspects and prospects. An example:

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- The sales pipeline contains £200k worth of prospects at an average weighted probability of 60% so this should produce £120k of new business
- The sales pipeline also contains £800k worth of suspects at an average weighted probability of 30% which should produce £240k of new business
- Total potential new business is £360k (£120k + £240k)

The business from established customers, suspects and prospects taken together will provide revenue of £960k which is a £40k short-fall. This might not seem like a lot but imagine that this is a business that makes a bottom line profit of less than 4%, this scenario will produce a trading loss for the year.

If you have a rigorous pipeline reporting process and it shows you the above position you have an opportunity to take an action to deal with the problem. Once you know where you stand, you could increase your selling efforts to generate more suspects, you could put in extra effort to convert more of the prospects or, if you think none of this will work, you can act early to reduce costs to protect your profit position for the trading year.

For the above process to work, you need to understand the key ratios of your go-to-market model. Let us consider a simple example where a business gets work through three sources; in-bound traffic to its website, outbound direct selling activities and leads generated from networking. Each of these activities will have a different rate of success which can be measured in terms of the conversion rate from initial lead through to business won and this can be used to create leading indicators of how your business is going to perform. For example:

- Our sample business gets 10 enquiries per week through the web and it turns 1 in 50 into revenue at an average value of £5k which will produce £50k of new business.
- Outbound direct selling generates 4 opportunities per month at an average value of £10k and the business converts one in every three which produces 16 deals and £160k of revenue.

The first two processes produce £210k of new business which means in the original example we will need an additional £190k to come from networking to achieve our annual target of £1.0m of revenue. As networking is the least predictable method of

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generating new business, this looks like a risky position. So we have leading indicators which suggest we will not achieve our target. As discussed earlier, if we know this at an early stage in the business year, we can take various remedial actions either to gain more business or to reduce costs.

The more systematic and rigorous you are in your go-to-market planning and execution the more predictable will be the outcome.

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