Selling into micromarkets (by Manish Goyal, Maryanne Q. Hancock and Homayoun Hatami, Harvard Business Review, July-August 2012)

Summarized by Sander Lietaert and Deva Rangarajan, Vlerick Sales Centre

How to use big data to uncover lucrative new hot spots

B2B sales organizations have only recently begun to use big data to both inform overall strategy and tailor sales pitches for specific customers in real time. In-depth conversations suggest that micromarket strategy is perhaps the most potent new application of big data analytics in B2B sales.

Discovering and exploiting new-growth hot spots involves three steps: defining your micromarkets and determining their growth potential; using these findings to distribute resources and guide the sales force, and incorporating the big data mind-set into operations and organizational culture.

Define your micromarkets and determine their growth potential

The first step in pursuing a micromarket strategy is to create an opportunity map of potentially lucrative hot spots.

Define micromarket size
Start by determining the optimal size for your micromarkets. Identify the points at which market dynamics shift – for example, at the limits of a competitor’s region or the boundary where customer density changes. Finally, determine whether the sales force will be able to execute effectively.

Determine growth potential
To gauge each micromarket’s growth potential, determine what drives your customers’ (and potential customers’) purchases. Build a list of 15 to 20 drivers using industry knowledge, interviews with customers and representatives, and informed hypotheses. Determine to what degree each driver influences customer purchases.

Gauge market share
Using sales data, determine market share for each micromarket. The key data are revenues and margins across lines of business. Next, calculate sales trends in each micromarket for the previous two or three quarters (two or three years for seasonal businesses) and compare them with data from your opportunity map.

Identify the causes of differences in market share
Determine what accounts for the variations in your share across micromarkets. Collect internal and external data on the marketing and sales activities that could impact market share. The key is to understand how both your sales strategy and competitive factors affect market share in each micromarket.

Prioritize growth pockets
Senior management develops top-down guidelines for the approach. To ensure buy-in from the field, it’s important that sales managers have the flexibility to maneuver at a local level in deciding how many representatives and which ones will move from a low-priority area to a hot spot.
Guide the sales force

Companies should identify groups of micromarkets (peer groups) that share certain characteristics. They usually find that a set of four to ten peer groups is a manageable number. For each peer group, marketing managers develop the strategy, the best way to sell into that set of customers or market. This encompasses guidance on the offer, pricing, and communications and many include tailored collateral materials.

For a micromarket to succeed, the sales training has to be experiential. Salespeople should engage with the opportunity maps that reveal hot (and cool) micromarkets in a given geography and test their intuition against hard data.

In addition to interactive training, representatives will need direct coaching on specific pitches

Incorporate the big data mind-set

It is ultimately needed to put marketing and sales in the same boat, where they learn to function as a team.

To tailor offers, communications, and pricing, companies must seek data on potential customers’ specific characteristics, such as purchase history and service experience, satisfaction with offerings, and actual use patterns.

The sales teams set out to collect and combine large data sets from partners about the ordering patterns of individuals and groups of customers and their geographies and then develop hypotheses about purchasing behavior for each peer group.

Use either IP address or mobile phone location data and match with internal data to place the people at specific companies. Send those links to the representatives with a simplified set of sales insights related to specific question posted on social media.

Conclusion

Big data affects every aspect of a business, requiring a change in mindset from leadership down to the front lines. Micromarket strategies are demanding, but they consistently give sales a competitive edge.