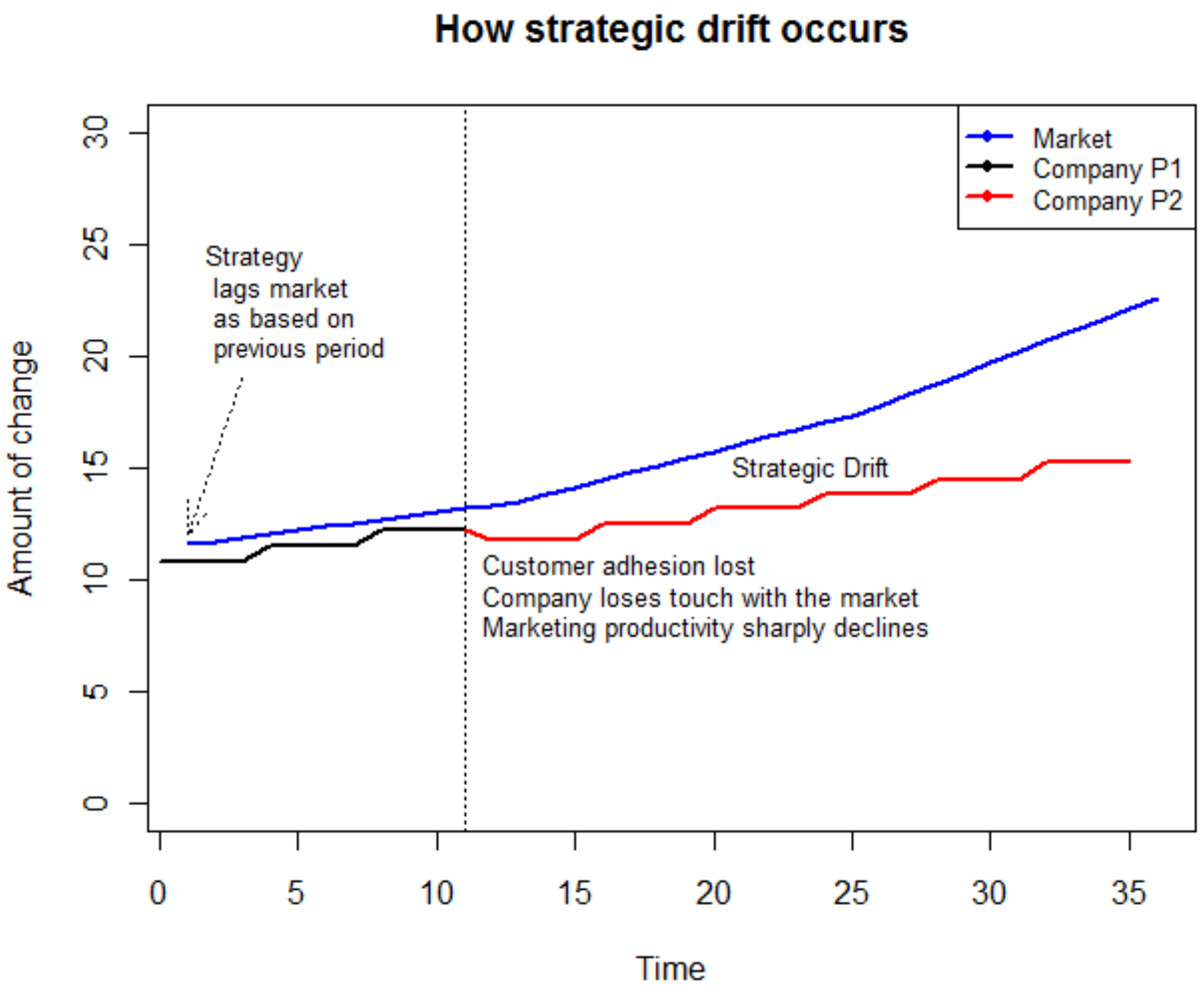
Dangers of Strategic Drift - what it is and how to avoid it.



Last year did you use the previous year's budget as the template for this year's plan? Many companies fall into this trap, which is one of the biggest causes of declining sales productivity and marketing wastage.

Let's think for a second about the implications of this common marketing planning default.

Firstly, we are assuming that nothing has changed in the market this year - everything has remained the same and our previous marketing investments are still valid and effective. That's a big assumption - it's like saying that every time we step into our local stream or river the water flowing past is exactly the same water as last time. Our environment, our competitors, our customers, ourselves, everything remained the same.

Yet didn't we use the previous year's budget last year, the year before that and ... ? Well it's a very common assumption. Secondly, we tend to leave our marketing investments in precisely the same proportions. We simply up-weighted or down-weighted our total sales and marketing spend in line with this year's budget.

What this means is that we are still running with the same inherent inefficiencies as last year. If, on average, between 30 and 40% of our promotional investment is wasted (a figure quoted by several of the larger consultancies and supported by previous research) then we are, in effect, burning a third of our budget before we achieve anything. Through not zero budgeting - holding a mirror up against our marketing spend after each promotional period - we allow ourselves to drift in the market, losing market position, a critical reason for marketing failure and ever decreasing productivity.

The implications of strategic drift are greater than marketing failure and decreasing productivity

Firstly, by funding ineffective activities we clutter our market with promotion. This makes our message even more difficult to see, while some promotional activities actively confound what we are trying to achieve. Are e-details actually advancing our cause or acting against us? Aside from the opportunity cost of what we could actually achieve with that money we are, in effect, actively working against ourselves.

Secondly, if we examine our customer priorities we find that although marketing might have clear priorities in mind these rarely transmit through to our sales force. A swift examination of your CRM system will invariably reveal a large number of duplicates. The starting point is to have clarity of who your customers are, the total list not just a selected subset. Next we need to set which customers are a) relevant, b) important potential users, c) strongly influential on product use. These represent your defined customer group. From within these you then choose your "must see" customers, your targets.

How many of our target customers do we actually see? In reality we probably see a third of them. A further problem emerges when we compare coverage this year with coverage in previous years. What we are likely to find is that at least half of our defined customers have not been seen in any year, perhaps never!

Finally, examine how these customer priorities are *actually* reflected across your sales territories. Across territories the range of customer types seen will be much wider, which means that the coverage of our important defined customers will be further diluted.

The result of this lack of consistency in customer priorities is that we lose customer adhesion; in short we are failing to keep contact with our key customers and the influence network, leaving our market wide open to our competitors!

So how do we remedy strategic drift and regain control of our market?

There are four essential steps.

Firstly, measure the effect of each of your marketing investments. How does the proportional effect of each of your budgeted components relate to sales? i.e. if you spend 25% on group meetings do group meetings relate to 25% of incremental sales?

Doing this allows you to zero budget and align your marketing investments to your market. (in the military they call this re-zeroing their weapons), which means that you keep in step with your market and arrest strategic drift.

Secondly, review your CRM customer list. Remove duplicates, clean your list and from your clean customer list identify and delineate your defined customer group. With customer clarity you can now understand your coverage patterns and identify your iceberg of lost customers. A critical success factor is to actively address all of your important customers, not a meagre third of them.

Thirdly, measure which of your customers actually drive sales rather than those which you *think* drive sales. This process has the benefit that it builds strong customer adhesion, ensuring that corporate activity from top to bottom is aligned to addressing the *right* customers and focusing on *true* market potential.

Finally, measure which of your activities drive sales growth. Questions such as *"what is the right mix of face-to-face calls and group meetings?"* are paramount here. Do you know, for example, how the effectiveness of a REACH call compares to a standard face to face call or whether only a select group of GPs actively respond to e-details?

Conclusion

In conclusion, strategic drift is probably the most common cause of declining sales and marketing productivity. It is a direct cause of loss of market position, loss of customer adhesion, loss of competitive advantage and lost sales opportunities.

The remedy is straightforward: zero budget your promotional spend, and allocate resources to investments that actually work; effectively interrogate your CRM system to eradicate duplicates; work from a complete and comprehensive customer list to assign your priorities and finally, formally review sales and marketing activities at least annually using an effective and proven system of ROI measurement.

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