6 Strategies for Sustainable Sales Growth

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The Keys to Sustainable Sales Growth

Every organisation is looking to sell more and to sell better. Yours and mine included!

In this short presentation we'll take a look at the 3 retention strategies that help us to maximise our sales to existing customers.

We'll also check out 3 expansion strategies that guide new customer acquisition.

Read on to find out how Netflix, Sky, Amazon, Appliances Online, Lego and L'Oréal have successfully used these 6 strategies to grow their sales.

1. Regain revenue by winning back lapsed/lost customers

Purchase Rates

Current customers	60-70%
Lapsed customers	20-40%
New Prospects	5-20%

*Source: Marketing Metrics

Old customers make hot prospects!

Provided you find out why they stopped buying and have a well thought out re-engagement plan that might include for example:

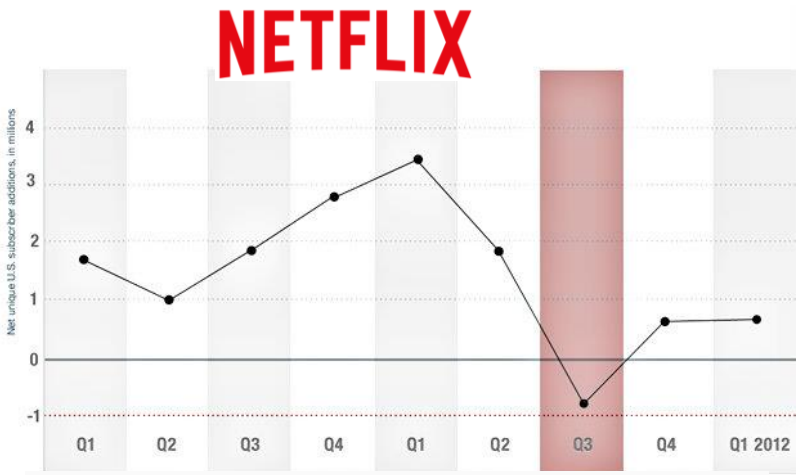
- A service enhancement
- A new product offering
- A welcome back offer
- An apology if you made a mistake

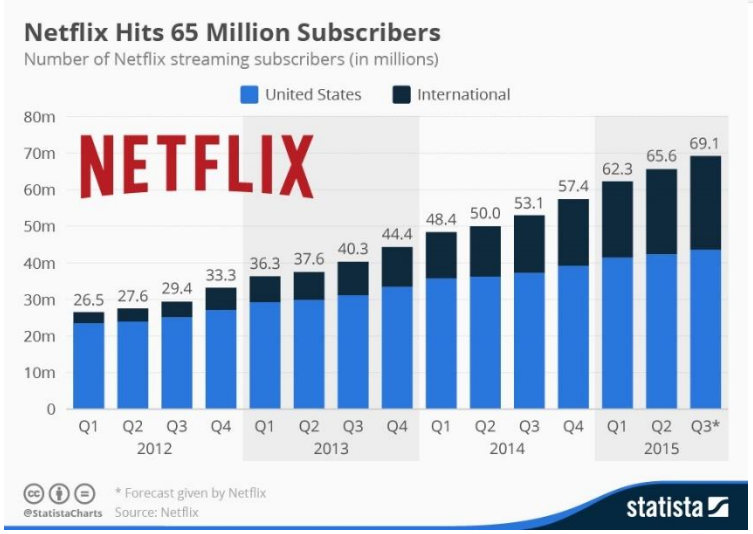
When following a win-back strategy make sure that :

- **You are not pursuing customers you have previously dumped as not profitable, non-core or slow paying**
- **The win-back costs are not higher than the profit from the revived business relationship**

***A recent HBR study into a major US telecoms provider has shown that won back customers are the most profitable customers on the CLV measure and often become advocates**

How Netflix won back lost subscribers





In 2011 Netflix changed the way it delivered its services and started to haemorrhage subscribers (see chart to the left).

Its share price plummeted as a result from $300 down to $65.

It publically apologised and subsequently scrapped the unpopular and expensive Qwikster service.

It then set about making the Netflix content even better by releasing epics such as *House of Cards*..

Subscriber numbers recovered in 2012 and have since continued their inexorable rise.

"Your unhappiest customers are your greatest source of learning"

Bill Gates

2. Retain revenues by holding on to customers for longer

It costs 6 to 7 times more to acquire a new customer than to retain an existing one

*Source: Bain and Company

ecommerce spending for new customers is on average $24.50, compared to $52.50 for repeat customers

*Source: McKinsey

A 5% reduction in the customer defection rate can increase profits by 5 – 95%

*Source: Bain and Company

Repeat business from existing customers is more profitable than new business from new customers

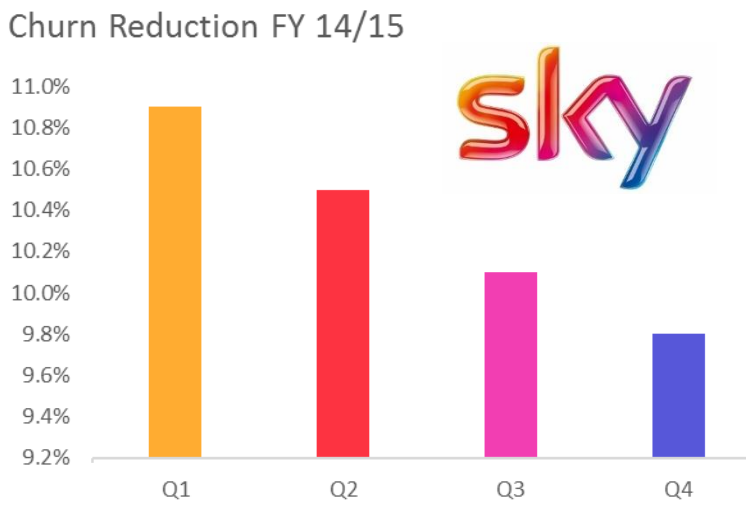
And yet the majority of companies are still naturally biased towards short term customer acquisition rather than long term customer retention

A sales strategy focused on retention requires:

- Proactive CRM
- Responsiveness to competitor activity
- Improvements to overall customer experience
- Loyalty programmes

*** Bain and Company has carried out research into customer retention. Whilst sales teams often relate that a customer is lost on price grounds, a customer is 4 times more likely to defect to a competitor if the problem is service-related rather than price or product related.**

How Sky reduced its rate of churn



Pay TV:
complaints per 100,000

Ofcom

Most complaints	
BT	15
TalkTalk	14
industry average = 4	
Virgin Media	3
Sky	1
Fewest complaints	

At a time of increasing competition in the home media space, Sky managed to post impressive revenue and profit figures by acquiring new customers and crucially holding on to more of its existing customers.

The graph on the left shows that Sky held on to over 130,000 more customers than in the previous year boosting revenues by an estimated £62 million (*Average UK pay TV fee of £39 per month – FreeSat survey 2015)

Sky achieved its best ever customer retention rates by investing in:

- **Connected services such as Sky+, NOW TV and Sky Go**
- **Original quality broadcast content**
- **Improvements to customer service (as the panel on the left shows Sky outperforms its rivals)**

3. Revalue by up and cross selling at every opportunity

10 – 30% of ecommerce revenues result from up and cross selling

*Source: Forrester

Cross selling or Up selling?

- **Up selling** encourages a customer to buy a more expensive model from the same product family or to enhance the original model with added features
- **Cross selling** entices a customer to supplement his/her original purchase with products that complement it

Every purchasing moment is an opportunity to increase value

In the case of **up selling** success depends on customers valuing the extra benefits of an upgrade more highly than the higher purchase price.

For **cross selling** the complementary product needs to fit well with the primary product and either be a convenience buy or more cost effective than buying the 2 items separately if bundled.

Consider what makes sense to offer your customers at which point in the purchase lifecycle. Examples might include:

- Add-on products and services at initial buying stage
- Upgrades mid-way through the life cycle
- Trade-ins at the end of contract or product life stage

How Amazon increases its share of wallet

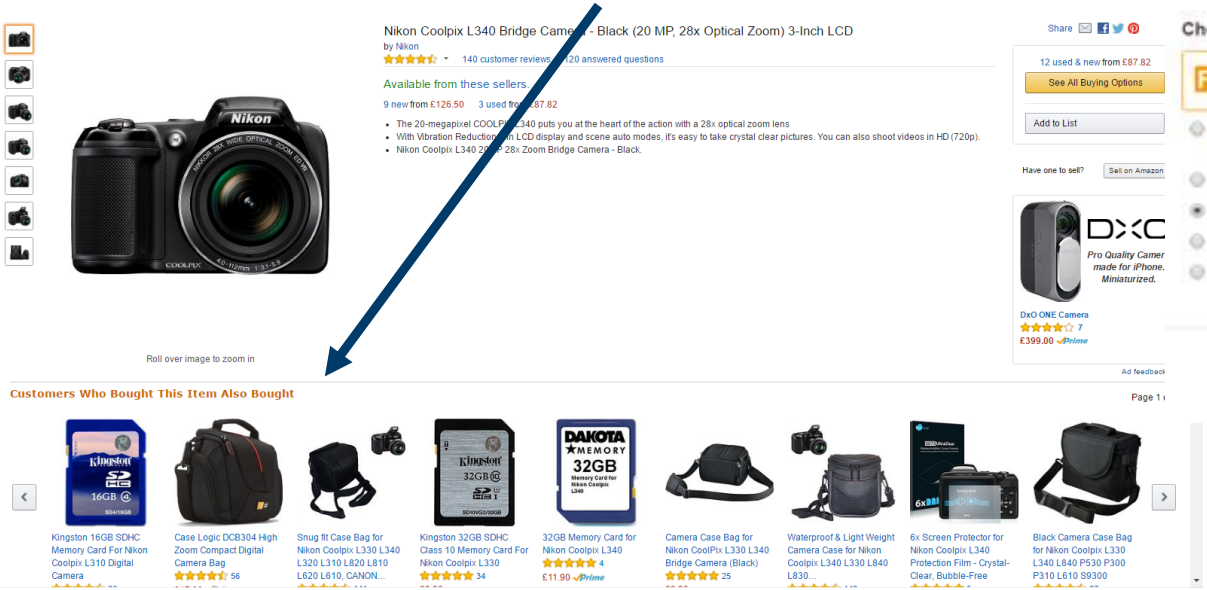
As early as 2006, Amazon reported that 35% of its revenues came from up and cross selling

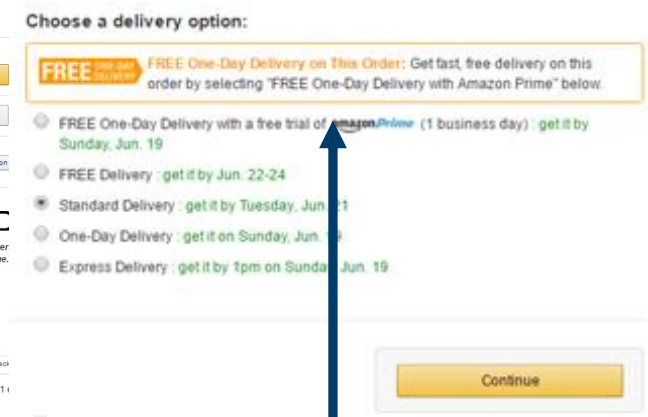
*Source: Amazon

Amazon is very good at using social proof to cross-sell products, using phrases such as **'customers who bought this item also bought'**

Other ways of increasing spend include:

- Amazon Prime
- 1-Click
- Deals of the day
- Dash button





Amazon's top add-on is its premium delivery services

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4. Expand market share by opening new sales channels

Capturing the highest market share results in the highest profits from that market

***Harvard Business Review**

Are You?

- **Spotting trends ahead of your competitors?**
- **Being responsive to how digital is changing your customer interactions?**
- **Using social influence to generate advocacy and WOM?**
- **Exploiting competitor complacency**

Reach out to customers wherever and however they are looking to buy your products/services

Gaining new customers by taking business away from the competition used to be a war of attrition based around product quality, customer relationships and price.

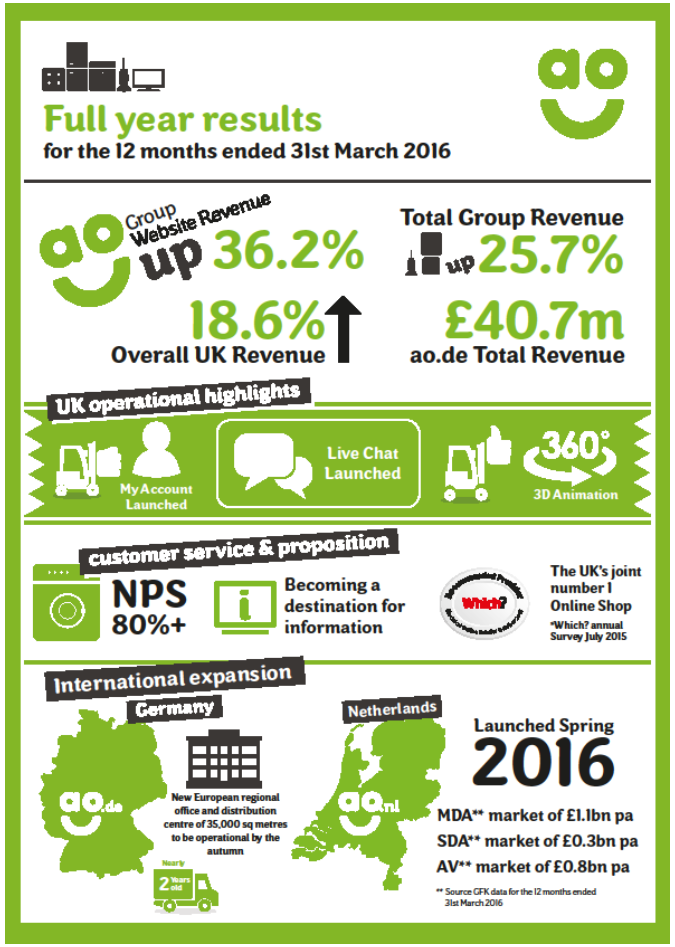
These days markets are more fluid than ever and end customers more quickly and easily reached. Exploit this by:

- Selling directly
- Selling internationally
- Forming strategic alliances with partners
- Exploiting social media channels

What do Uber and Airbnb have in common?

They've combined product innovation and use of technology to create a convenient direct to consumer channel for the services that they sell

How AO broke the mould by going online



It started as a £1 bet that people would use the internet instead of electrical stores to buy their 'white goods'. Today Appliances Online turns over £600 million and continues to grow rapidly

How did ao become so successful?

- Clear and visionary leadership
- Adherence to the founding principle of pure play internet sales
- Developed a best practice ecommerce platform
- Challenged and disrupted a traditional marketplace
- Continually improved the operating model
- Differentiated via a truly customer centric culture
- Unrelenting focus on high quality customer care
- Innovative use of social media to build brand advocacy
- International expansion in carefully selected markets

5. Evolve by introducing new products and services

40% of today's Fortune 500 companies will no longer exist in 10 years

*Source: *M Olin School of Business Washington University*

"If you always do what you always did, you will always get what you always got"
Albert Einstein

61% of new product launches are commercially successful

*Source: *Journal of Product Innovation Management*

The future belongs to the innovators

Markets evolve. Customer needs change. Today's star product is soon yesterday's news.

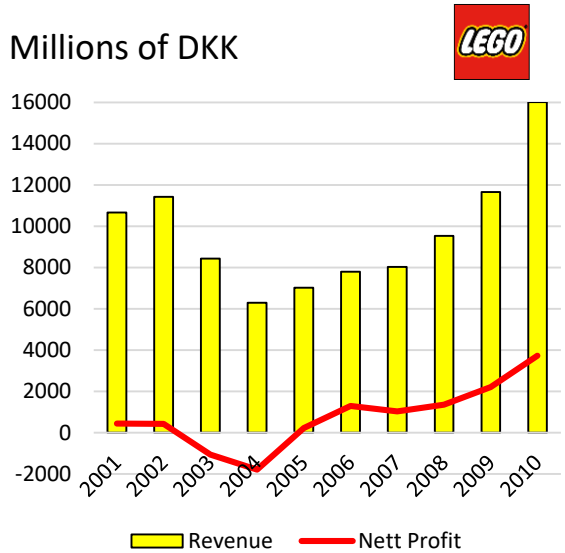
Picking winners is not always easy. Start by:

- Widening your horizon beyond the confines of your industry
- Asking your customers about their future needs
- Keeping a close watch on competitor activity, matching or surpassing their innovations
- Testing and learning, iterating in real market conditions

For product based businesses, adding services is a great way to grow

New products and services must improve the value proposition of your business in existing markets or introduce your company's distinctive capabilities to new markets

How Lego adapted to survive and thrive

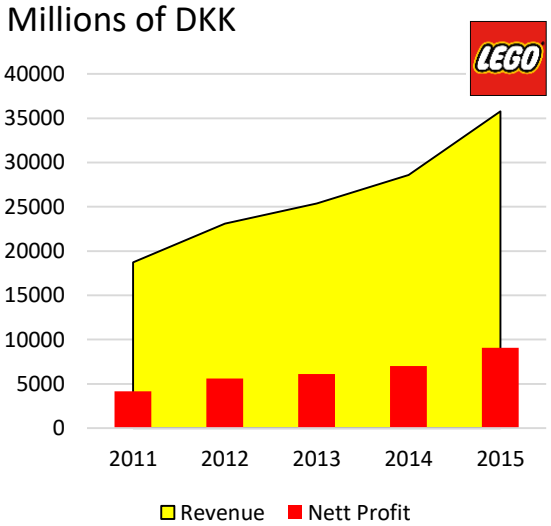


The now famous Lego story is a lesson in how to evolve without losing sight of your core

A decade ago Lego was on the verge of bankruptcy, with the rise of video games and a world of play whose future looked increasingly digital. Attempts to diversify into Disney style theme parks had failed and the giant Danish toy maker looked doomed. Until it went back to its roots and built again!

The Lego building blocks to success:

- **Getting ideas from its customers (Future Lab and Lego Ideas)**
- **Introducing targeted products (e.g. Lego Friends for girls. Lego Architecture for adults)**
- **Adapting its core products to new technologies (Lego Fusion)**
- **Strengthening its brand and widening its following (Lego Movie)**



6. Exclude the competition by buying their business

Mergers and Acquisitions have a failure rate of 65-75%

***McKinsey**

Can You?

- **Remove excess capacity and improve margins?**
- **Gain skills, technologies or customers that you would otherwise find hard to acquire?**
- **Improve the performance of your acquisition target?**

Buying the Competition – The Ultimate Customer Acquisition Strategy!

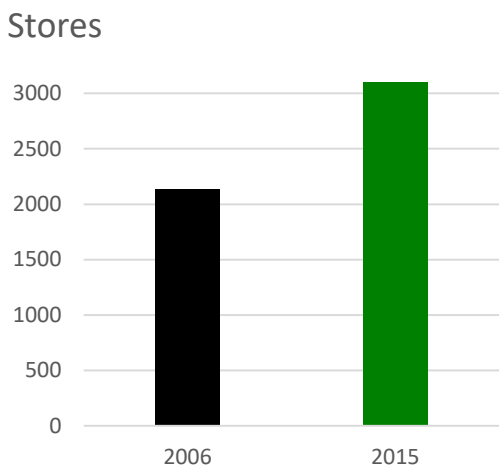
"I liked it so much – I bought the Company" Victor Kiam

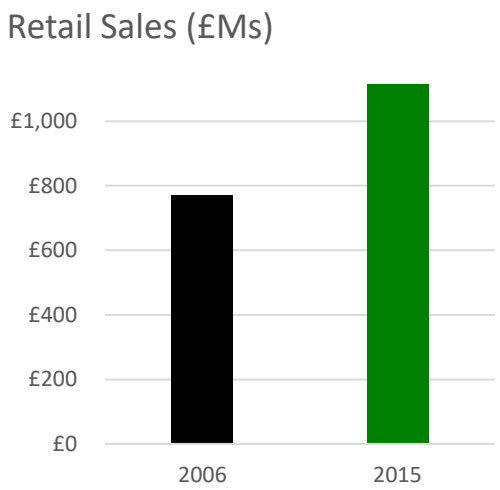
Operating from a position of strength and with value in mind, buying a competitor makes perfect sense.

If you follow this strategy make sure that you have:

- Targeted a competitor compatible with your company's culture
- Have sufficient management resources in place to integrate the competitor without over stretching and losing existing customers
- Understood exactly how the acquisition will fit into your strategy for increasing sales and value over the longer term
- Done your due diligence to ensure that 1 + 1 = >2

How L'Oréal beat the odds with The Body Shop





L'ORÉAL

THE BODY SHOP

Why the Body Shop was worth it for L'Oréal

Eyebrows were raised when French cosmetics giant bought The Body Shop in March 2006 in a move designed to combine L'Oréal's expertise and knowledge of international markets with The Body Shop's distinctive brand and ethical stance on animal testing, fair trade and sustainable development.

L'Oréal retained the Body Shop's successful business model and expanded its trading footprint (see graphs to the left). Others benefits acquired by L'Oréal included:

- Moving up the value chain from manufacturer to retailer
- Gaining downstream experience of direct to consumer sales (retail stores, ecommerce and direct selling)
- Accessing the ethical supply chain (years in advance of EU legislation banning testing of cosmetics on animals)

Further Information

This presentation was originally written in 2016. The companies mentioned have continued to evolve since. However, the basic strategies showcased here continue to be valid in 2020

About the Author

Chris Dunn is passionate about the power of digital transformation and customer experience to create brand value, customer loyalty and competitive advantage.

His career stretches back 35 years during which time he has developed fast growing, profitable businesses serving B2B and B2C markets in the UK and internationally.

His company Chris Dunn Consulting Services Limited provides business coaching and management consultancy to companies to help them drive change management and business development.

Chris is a long-standing mentor on the Cambridge Venture Project run by the Cambridge Judge Business School.

He writes a regular blog to pass on business advice as well as posting handy hints and tips through regular posts on LinkedIn and Facebook.

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