

GOING TO MARKET IN DEVELOPING ECONOMIES

# WINNING BIG BY TARGETING SMALL

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*This article is part of a series on how companies can transform their “go to market” approach in emerging economies. Earlier articles focused on excellence in consumer insight, channel management, and in-store execution.*

**W**ITH OVERALL ECONOMIC ACTIVITY flattening and competition rising, many companies in emerging markets are starting to experience a slowdown in growth. What can they do to revive growth in these markets?

Farsighted companies have started to recognize that their next wave of growth will come by fundamentally transforming their go-to-market activities. Rather than dividing a country such as China or India into a few regions, they are slicing each one into thousands of customer or regional segments in order to unlock local opportunities that would otherwise go unnoticed.

When macroeconomic growth is strong or the market is relatively undeveloped, a

broad plan of attack can work effectively to address the basic needs of most customers. But as growth slows and markets mature, companies need new ways to reignite growth. By catering to much smaller segments, companies can discover hidden pockets of opportunity in these richly diverse markets.

It takes more than just smaller slices of the pie to implement this approach. Companies need to arm their local sales managers and representatives with new geo-analytical tools and the authority to create compelling offerings for customers in these small segments. Sales managers effectively become CEOs of their territories, with the freedom and decision rights to execute strategies that will appeal to local customers. We call this approach *street-smart sales*.

The payoff is considerable. Even in markets where growth is tapering, companies have consistently demonstrated revenue gains of 5 to 8 percent over business as usual by following this approach.

## Why a Targeted Approach Works

The concept of dividing markets into small geographic or customer segments has been around for decades. What's different now is that digital and mobile technologies allow access to and analysis of sales and marketing information at a more microscopic level than ever before. Companies can quickly gather data from the field without an army of IT specialists and data experts or massive expense.

A consumer goods company, for example, hired 4,000 part-timers to input sales and other retail data on their Android phones at hundreds of thousands of retail outlets in Southeast Asia. This level of detail enabled the company to create more than 1,500 segments from what had been two large regions and to see variations in performance that had previously been hidden. Especially in emerging markets, where so much growth is occurring outside the traditional major metropolitan areas, this approach will help companies focus more sharply on retail sales, consumer perception, and the competitive landscape.

To improve performance, an Asian mobile-telecommunications carrier resorted to this approach on the basis of the coverage footprints of cellular towers. Sales growth had shrunk from nearly 50 percent to single digits in just three years because of market and awareness saturation. By slicing up the market, managers were able to modify pricing and service levels according to available capacity. When a coverage area had available capacity, local managers were empowered to offer customers short-term discounts to encourage usage. On the other hand, when an area was nearing capacity, the carrier instituted tiered service levels so that its most profitable customers would not suffer dropped calls or poor call quality. In pilots, the areas that deployed these creative solutions saw faster revenue and subscriber growth than did other comparable areas.

Street-smart sales also make sense in business-to-business markets. An industrial goods company in India relied on this ap-

proach as part of a sales-force-effectiveness campaign in response to increasing competition.

The company's products were sold in several customer segments, but the company's understanding of its performance in those segments was limited, because sales data and industry research were based on product categories. By dividing the vast market into more than 1,000 customer segments, the company could see how end users actually used the products. By talking to local experts—financiers, large customers, and suppliers—the company could ascertain its market presence, competitive profile, and ability to win within each segment; this information had been unavailable or not easy to act upon in larger geographic segments.

These insights allowed the company to tailor its marketing and promotional moves and fine-tune sales and marketing interventions. They also helped it address specific gaps in repair and service availability, the quality and footprint of its sales network, and the competitiveness and brand strength of its products in specific segments. Early pilots suggest that the changes could increase market share by 3 to 5 percentage points.

## How Street-Smart Sales Change Business as Usual

Street-smart sales require companies to work differently. As an initial step, companies need to splinter their regions or segments. The new groupings should be sufficiently specific that they display distinct customer, competitive, and performance profiles.

The creation of new boundaries is simply the start of what is essentially a more comprehensive approach to going to market, which involves five elements.

**Capabilities.** The field staff will have to learn new ways of thinking and working. It will need to combine the art of closing a sale with the science of analyzing market intelligence, sales, market share, and geoanalytical data. This new approach requires training, development, and encouragement. Sales representatives are

sometimes reluctant to take on these broader duties until they see the results.

**Tools.** The field staff will require technologies to capture market knowledge and generate dynamic geoanalytical insights. As the Southeast Asian consumer-goods company discovered, these tools do not have to be industrial grade. Excel spreadsheets, cell phones, and foot soldiers work just fine.

**Governance.** Local managers will have more authority to tweak offerings and even pricing in some cases. The performance metrics of sales managers and field staff will need to be expanded to include their ability to develop insights from geoanalytics and to devise go-to-market plans.

While less involved in top-down direction than in the past, the center will ensure a degree of consistency in pricing, distribution, and marketing segments. One option is for the center to develop a simple playbook that defines the scope of decision making available to the field—for example, the level of discounts or the degree of modification in the offering.

**Organization.** To facilitate the sharing of best practices and ensure that the new way of working is taking hold, organizations should assign managers or small teams to monitor the performance of these new segments and train the sales force. These teams must be viewed as the sales force's allies, not adversaries.

**Processes.** Street-smart sales occur on the ground but should be integrated into business processes such as sales and operating planning, capital budgeting, and—for telecom companies—network planning. The data and inputs generated in the field must be fed back to the center so that the company can adapt to market conditions and spread best practices.

## Getting It Right

Street-smart sales represent a departure from the traditional go-to-market approach, especially the relationship between the center and the sales force. Here are a few com-

mon protests that leaders may encounter in their effort to adopt street-smart sales.

**Our people will resist.** Sales teams are sometimes reluctant to take on more responsibility. They may be uncomfortable moving from a “doing” role to a “doing and thinking” role or they may initially be unwilling to perform work once conducted by the center. More likely, in our experience, the center might be wary of delegating analytical work to line employees. Company leaders can break through this resistance on both sides by visibly supporting the sales teams and providing them with resources such as training, tools, and redrawn decision rights. This approach will give the field staff a new source of insight and power, and the center the confidence that the field staff is prepared for its new duties.

**The required data is too hard to get.** In emerging markets, even reliable high-level data is hard to come by, let alone detailed data. However, a little resourcefulness and optimism can go a long way. Executives at the Indian industrial-goods company achieved a 70 to 80 percent confidence level in their insights by gathering estimates from local market experts, channel partners, and senior sales representatives.

**Street-smart sales require fancy technology.** In mature markets, this approach is often associated with sophisticated CRM software, big data, and heavy-duty analysis. In emerging markets, however, most of the basic tools are well within the reach of most companies. The Indian industrial-goods company started with fairly basic spreadsheet models and tools to monitor performance and suggest sales leads, while the consumer goods company built a simple smartphone application.

**It will be too hard to implement.** If street-smart sales were easy and obvious, the approach would have been adopted a long time ago. This approach works because it forces companies to make hard choices on the basis of their analysis of areas of strength, weakness, and vulnerability, and allows local managers to modify practices to address the differing landscapes.

For street-smart sales to work effectively, not all segments will be treated equally. They will receive different levels of resources and operate under different commission structures. This can be difficult for executives accustomed to equal treatment to accept. In our experience, people will accept the changes if they understand the rationale behind them and trust that they are being implemented fairly on the basis of solid analysis rather than hunches.

ten metropolitan-area segments do not capture the nuances and niches within these dynamic markets.

By breaking their marketing map into small pieces, companies are building a strong foundation for future growth. They will increase sales, strengthen the capabilities of their sales force, and gain an edge over competitors that don't recognize that big things happen when you think small.

**S**TREET-SMART SALES REPRESENT the future of go-to-market activities in emerging economies. Regional, national, and of-

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