



Going Digital - Why the Materials Industry Struggles

By Kendall Justiniano, June, 2022 - Copyright Growth Arc Advisors LLC

Are you preparing your team for the new realities of the global chemical industry?

Our Digital Struggles

When it comes to utilizing digital technology, chemical firms lag their industry counterparts.[1] These firms are doing themselves a great disservice, as well-implemented digitalization allows companies to gain valuable insights for an improved customer experience. Many executives cite corporate culture when examining why digitalization has not brought results.[2] Through our work with chemical firms, we have identified common cultural barriers that impede digital success.

Barrier 1: Getting the Funnel Wrong

Many companies mistakenly believe that their sales funnel is too complex to be systemized and converted into digital tools. Because they get the funnel wrong, they simply convert existing sales tactics into digital ones, e.g., brochures that become PDFs, but this shortcut undermines the potential of new digitalization.

Meaningful sales growth can be achieved by viewing the customer journey as a stepwise progression. This entails quantifying performance through each step of the conversion cycle and then deploying digital tactics to target the low-yield steps.[3] When companies commit to consistent use of digital tactics throughout the buying journey, they can improve their understanding of customer buying factors and therefore, conversion.

Barrier 2: Underpowering Account Strategies

In B2B companies, the sales journey is often divided organizationally, with sales owning new leads which they manage through the close. In theory, this role seems warranted, as sales teams are well-positioned to monitor and adapt their approach to each customer's unique buying journey. In practice, however, this perspective is prone to three behaviors that underpower account plans and stall or impede progress:

- i. Sales teams exert too much control, limiting potential tactics and delaying conversion.
- ii. Other functions engage in excessive permission-seeking for their initiatives, stymieing implementation.
- iii. Sales is slow to share relevant customer insights, perpetuating information imbalance.

In addition, customer buying decisions involve relationships beyond those that sales can develop or manage, which remain untapped opportunities. Relationships of this type include:

- o Regulatory approvals engaging quality control groups.
- o Customer specification approvals involving product & marketing.
- o Product pilots or trials managed by operations.

To overcome this barrier, multiple stakeholders must be involved in designing, testing, and integrating activities into the conversion funnel. That means customer-facing functions must work together to develop activities that increase conversion rates.

Barrier 3: Magnifying the Risk

Many firms in the materials industry have complex product conversion cycles requiring strict adherence to quality standards and safety constraints. As a result, they have developed carefully engineered facilities and precise manufacturing processes. Failure in these initiatives is so costly that firms adopt a range of risk management strategies, creating a performance-based, results-oriented culture.[4] For digital projects, firms decrease their results expectations

and assign narrow timeframes, as they are reluctant to undertake initiatives without the promise of success.

In this case, the blind spot is treating marketing and production risk profiles as identical. This is a magnification of the risks in marketing because the digital realm has its own unique risk profile with high failure rates yet low costs of experimentation. Additionally, the speed of iteration is imperative as excessive oversight is unnecessary and halts progress.[4]

For digitalization to succeed, leaders must set long-term expectations for digital initiatives while viewing tactics and individual attempts as learning opportunities. Digital tactics initiate conversations with immediate customer feedback, making them a valuable commodity to commercial leaders. When companies view digital tactics as points of customer interaction rife with learning potential, they can modify the end goals of their initiatives and institute processes and norms to encourage experimentation, learning, and skill building.

Barrier 4: Overlooking Small Customers

Traditionally, B2B sales processes are complex with long sales cycles, multiple buying influences, and several stages of qualification and evaluation. To effectively manage the sales process, firms have developed organizational structures, sales approaches, and industry relationships. Abiding by Pareto's 80/20 principle, many firms concentrate their sales efforts on the critical minority of customers who generate the bulk of their revenue. They gear their sales efforts toward high-volume customers and segments, while outsourcing the more costly "tail" of lower-volume ones to channel partners.

Implementing this 80/20 approach, however, can create both cultural and structural barriers. First, the choice to avoid complexity can border on a blindly automatic one; and second, companies may have already lost access to certain customers due to prior channel choices.

Digital sales tactics enable firms to cost-effectively expand their sales efforts to a wider audience. Although Pareto's principle is still applicable, the scale of customer profitability is no longer an appropriate sales proxy. As digital tactics significantly reduce the cost of customer engagement, firms must now reevaluate the line between the critical few and the remaining "tail." Effective use of digital sales techniques requires firms to do the following:

- 1. Make an organization-wide commitment to using data analytics to shape sales efforts.** Analyze the customer data gleaned from digital techniques to automate sales and marketing efforts. Automation reduces the cost of customer engagement, thereby allowing firms to connect with more customers.
- 2. Re-evaluate previously outsourced customers or segments.** With the introduction of digital techniques, now is an opportune time to reevaluate relationships with existing channel customers. Some of these customers may become direct, while others will remain channel. Once digital techniques are implemented, firms should negotiate with channel partners for greater access to customer information. Developing new assumptions and norms around channel customer communication will take time. The ability to cast a wider net across customer engagement, however, makes initiating this kind of change a worthwhile endeavor.

Transform to Drive Growth

In this new age of technology, chemical firms face deep-seated cultural barriers that are impeding their sales growth. Overcoming these barriers requires a sustained and proactive approach. *Before* implementing digital tactics, firm leaders must adopt a fresh perspective when it comes to understanding the customer journey, reexamining their organizational structure and lead ownership practices, prioritizing skill-building initiatives, and designing sales activities.

Having clarified these issues, they can drive growth through digitalization by:

- Analyzing the customer journey to identify low-yield steps and then targeting them with specific tactics
- Establishing cross-functional commercial teams at the customer interface to ensure a diverse perspective on sales design
- Adjusting the end goals of initiatives to encourage experimentation
- Leveraging data analytics and revisiting outsourced customers to maximize growth

Are you looking for a more directed approach to digital sales & marketing? Let's talk about ways to assess your organization's design and charter pilots to target growth.

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References

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About Growth Arc Advisors LLC

After a 30 year career as an executive in the chemical industry, founder Kendall Justiniano started Growth Arc Advisors to help chemical business leaders implement the new thinking required for changing fundamentals. We're experienced industry operators who know the old playbooks, their gaps, and the new pages required.



The firm delivers customized engagements for Materials Executives in 3 key areas:

Commercial Effectiveness: increasing growth revenue through proven next-level commercial practices, including digital sales & marketing.

Strategy: helping clients navigate threats generated by sustainability, digital, and global demand shifts.

Innovation: accelerating return on innovation through focused investment.