

Pradeep Anand

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Seven First Steps to Swift Business Growth

About Seeta Resources

Challenge

- All Business Leaders have **performance expectations** from their business units
- However, **not all business units meet expectations**

At Seeta, we:

- **Work with Business Leaders** who want to **fix business units** whose performances do not meet expectations
- Focus on accelerating **growth of revenues and profits**
- Possess **>30 Year Track Record** of successes in various industries
 - High-Tech to No-Tech
 - Oil & Gas, Engineering, Manufacturing, Software, Technology and Services Industries

Focus:

Accelerate Revenue/Margin Growth

- Vice-President, Marketing, Landmark Graphics
- Manager, North American Operations, Baker CAC, Baker Hughes
- Marketing/Business Development Manager, LWD/MWD, NL Sperry-Sun

- Adjunct Faculty, Rice University's MBA Program :Teach "Marketing in the Energy Industry"

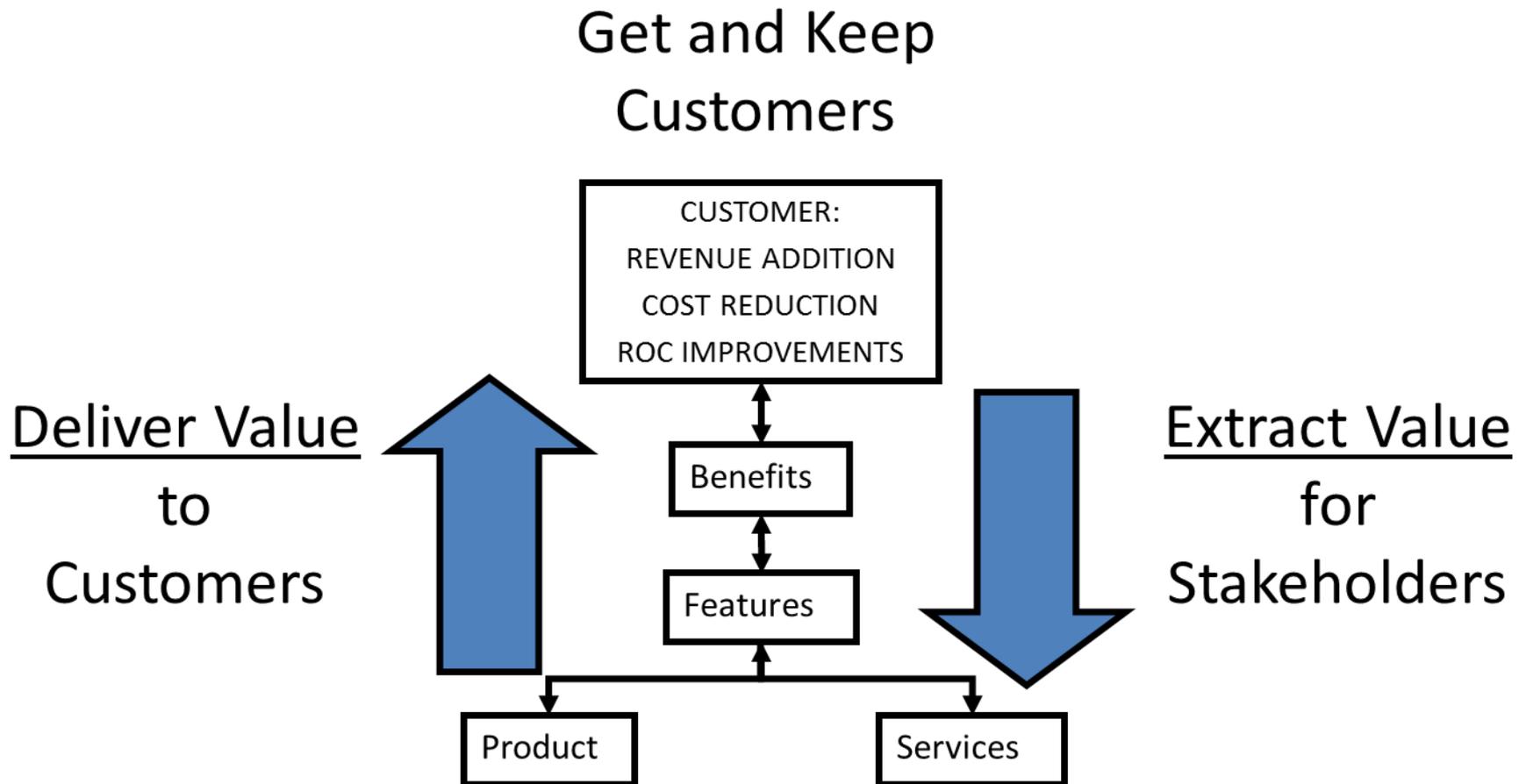
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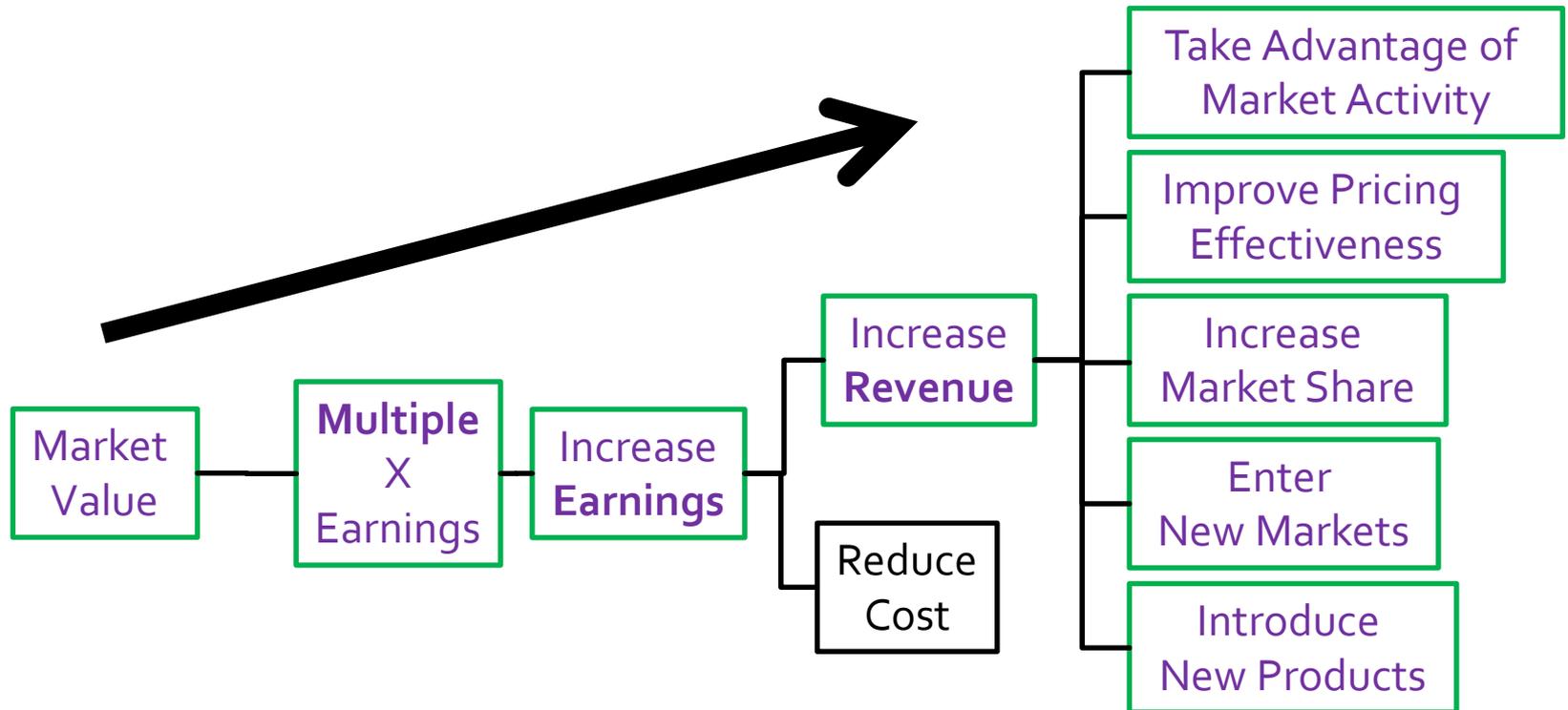
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- **Oil & Gas** – AirXChangers, Baker Hughes, Baroid Corporation, Daniel Industries, Dresser Industries, Dresser Oil Tools, Key Energy, Integrated Exploration Systems (Germany), Landmark Graphics, NL Industries, Numar, OFS Portal, Photon, PGS-Tigress, Praxis, Preng & Associates, Sperry-Sun, Object Reservoir (US Venture Partners), Volumetrix
- **Engineering/Manufacturing** — Aggreko, Astralloy, CompX, Continental Carbon, Excell Minerals, Express Integrated Technologies, Fabsco, Fort Lock, Gundle/SLT Environmental, Harsco Corporation, Harsco Industrial, Harsco Infrastructure, Harsco Metals & Minerals, Harsco Track Technologies, Hendrickson Trailer, IKG Industries, MultiServ, National Cabinet Lock, Nutter Engineering, Ohmstede, OnePoint, Patent Construction Systems, Patterson-Kelley, Reed Minerals, SGB, SteelPhalt, VisionMonitor Aviation Software, Waterloo Furniture Components
- **Technology** — AMD, Sun Microsystems, Syntel, Metasolv, NobleTek, Avalon Imaging, Scicom, Silicus, Laversab, Facet, Zresearch
- **Other** — WNS, Kanaly Trust, Fort Bend Independent School District, American Sleep; Willy, Nanayakkara, Rivera & Goins

Since 1994

Purpose of a Business



Revenue/Margin Growth to Increase Market Value



Why Focus on Revenue/Margin Growth?

Within mature industries, McKinsey's analysis showed that regardless of performance, multiples vary little among true peers

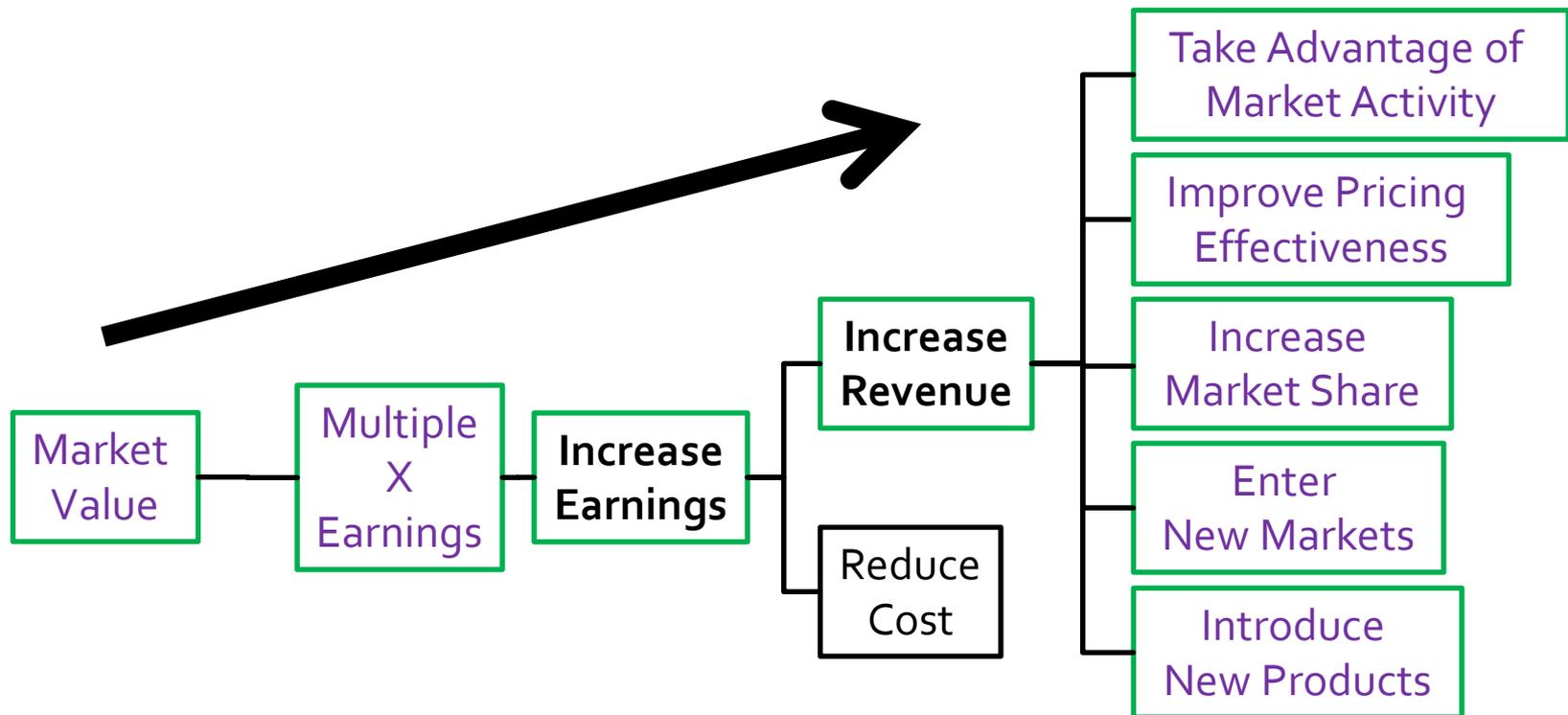
Companies may occasionally outperform their competitors, but industry-wide trends show a convergence of growth and returns that is so striking as to make it difficult for investors, on average, to predict which companies will do so.

As a result, a **company's multiples are largely uncontrollable.**

Managers would be better off focusing instead on growth and return on capital, which they can influence.

Doing so will improve the company's share price, even if it doesn't result in a multiple higher than those of its peers.

Focus: Revenue/Margin Growth to Increase Market Value



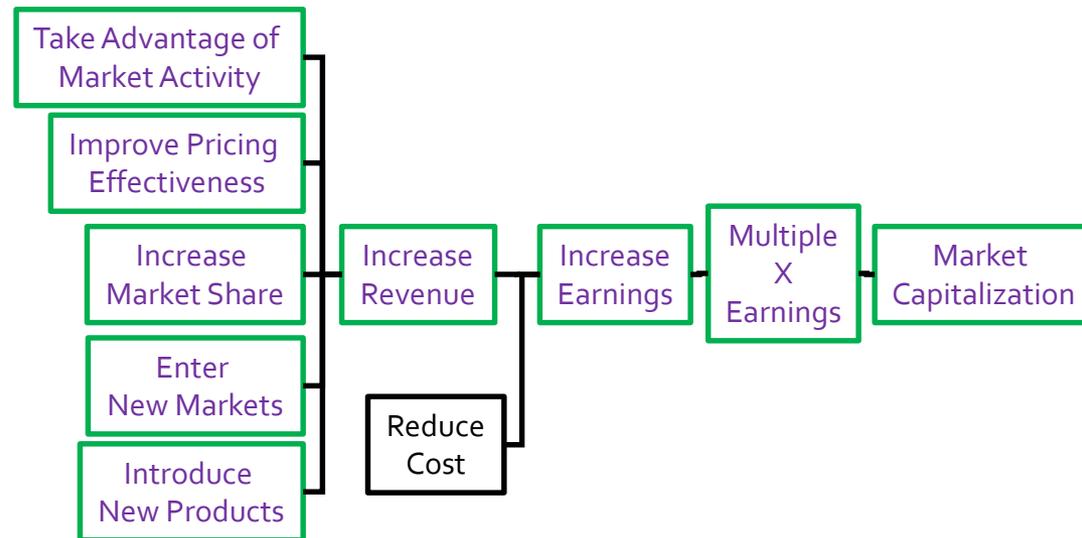
Performance: Skills and Uncertainty/Luck

- Excelling in Poker
 - Figuring out probabilities is relatively easy; entry ticket to playing the game
 - Competitive playing skills must be learned
- Excelling in Business
 - Competitive playing skills are taught, learned or delegated
 - Weakness in determining uncertainties and improving probabilities of success

Process for Improving Performance

Increasing Probability of Success
Reducing Uncertainty

Competitive Playing Skills

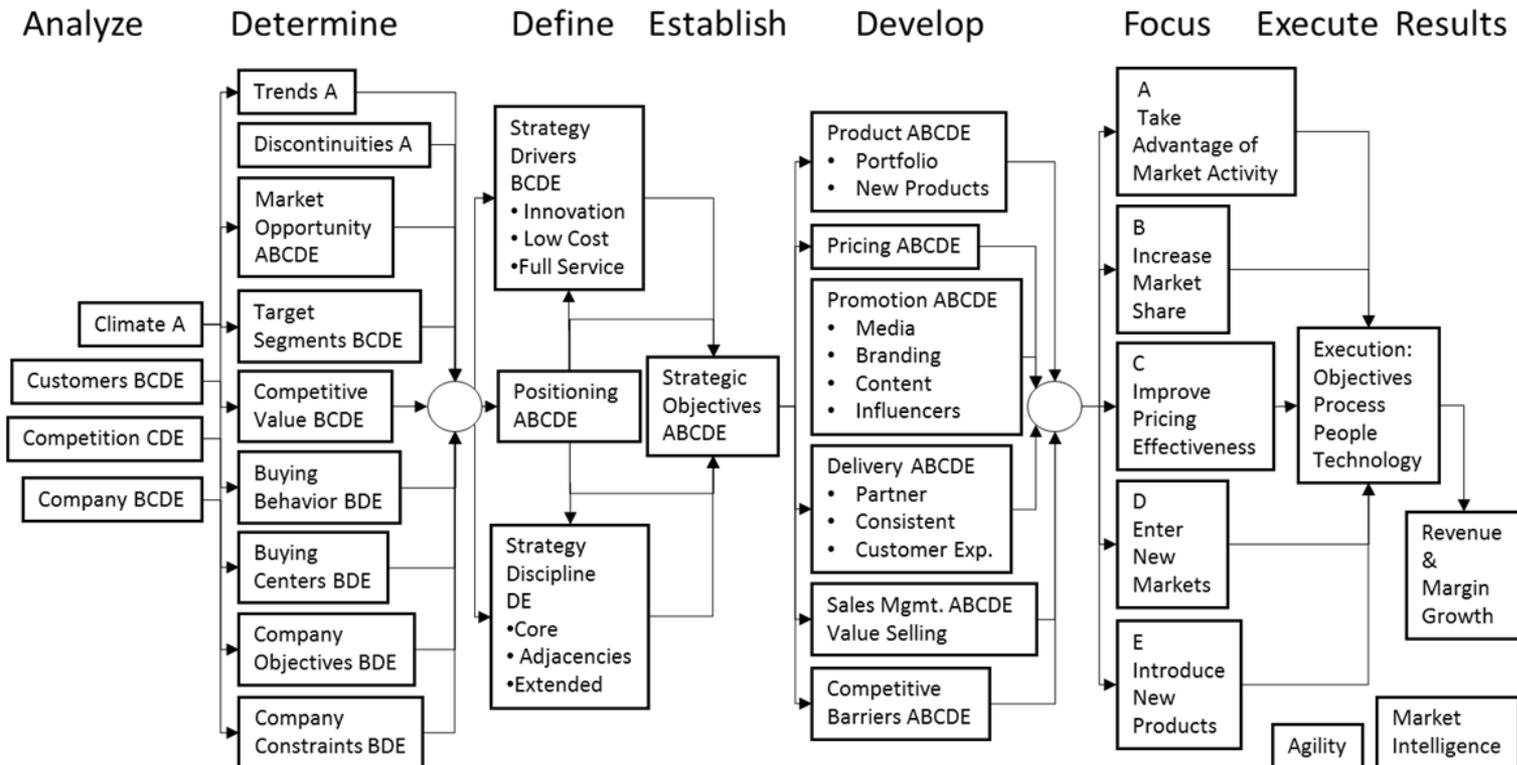


What's going on? Where can/should we go? How do we get there?

Revenue/Margin Growth Process

Increase Probability of Success
Reduce Uncertainty

Competitive Playing Skills



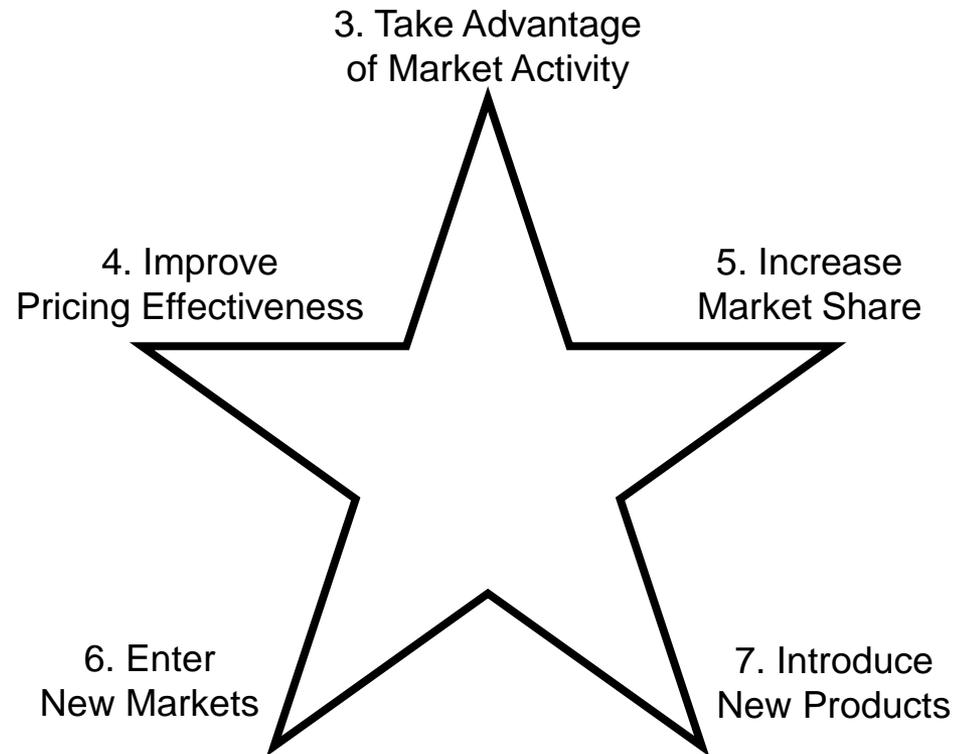
Reanalyze ← Review ← Redefine ← Review ← Feedback ← Feedback ← Review

What's going on? Where can/should we go? How do we get there, successfully?

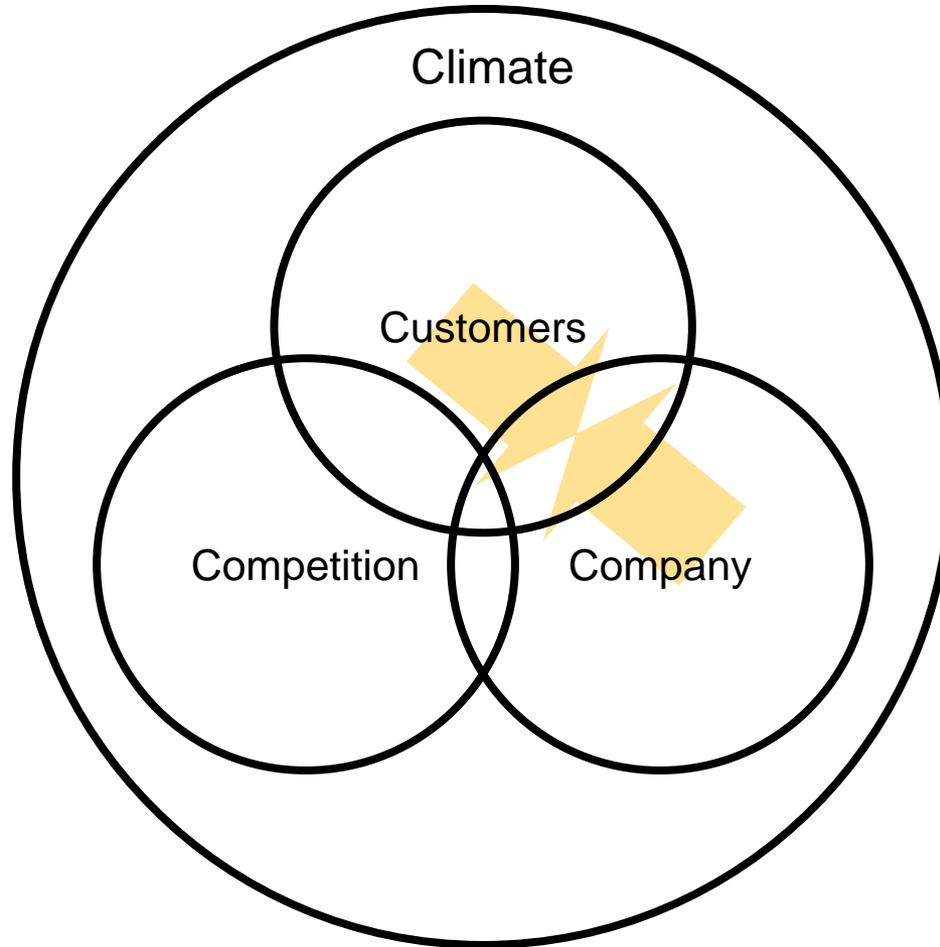
Seven first steps to swift growth (of) quality revenues

1. Where's the money?
 - With your customers
 - With your competition
2. Why do customers buy from you or your competition?
 - A **unique, trusted** source who delivers **value**

Five Star Growth Strategy



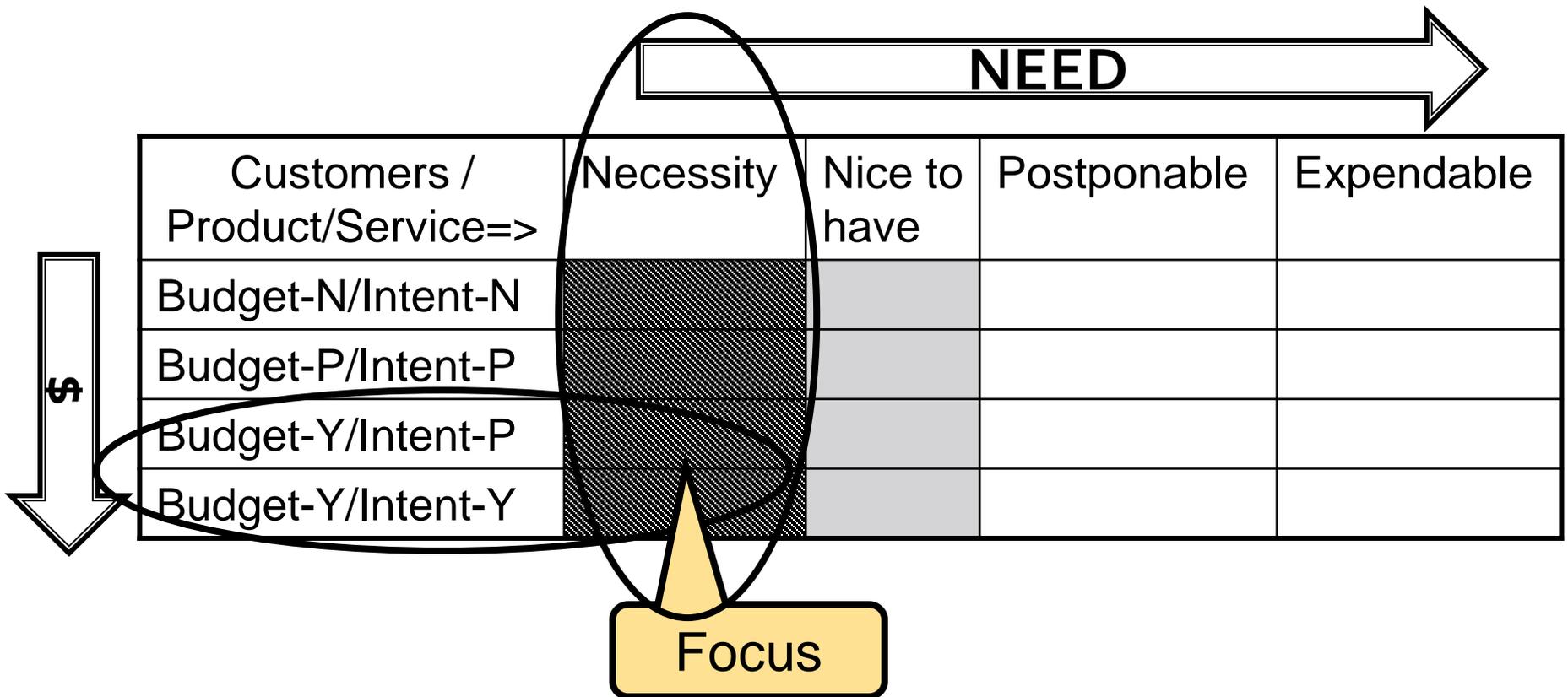
Step 1. Where's the money: With the right customers



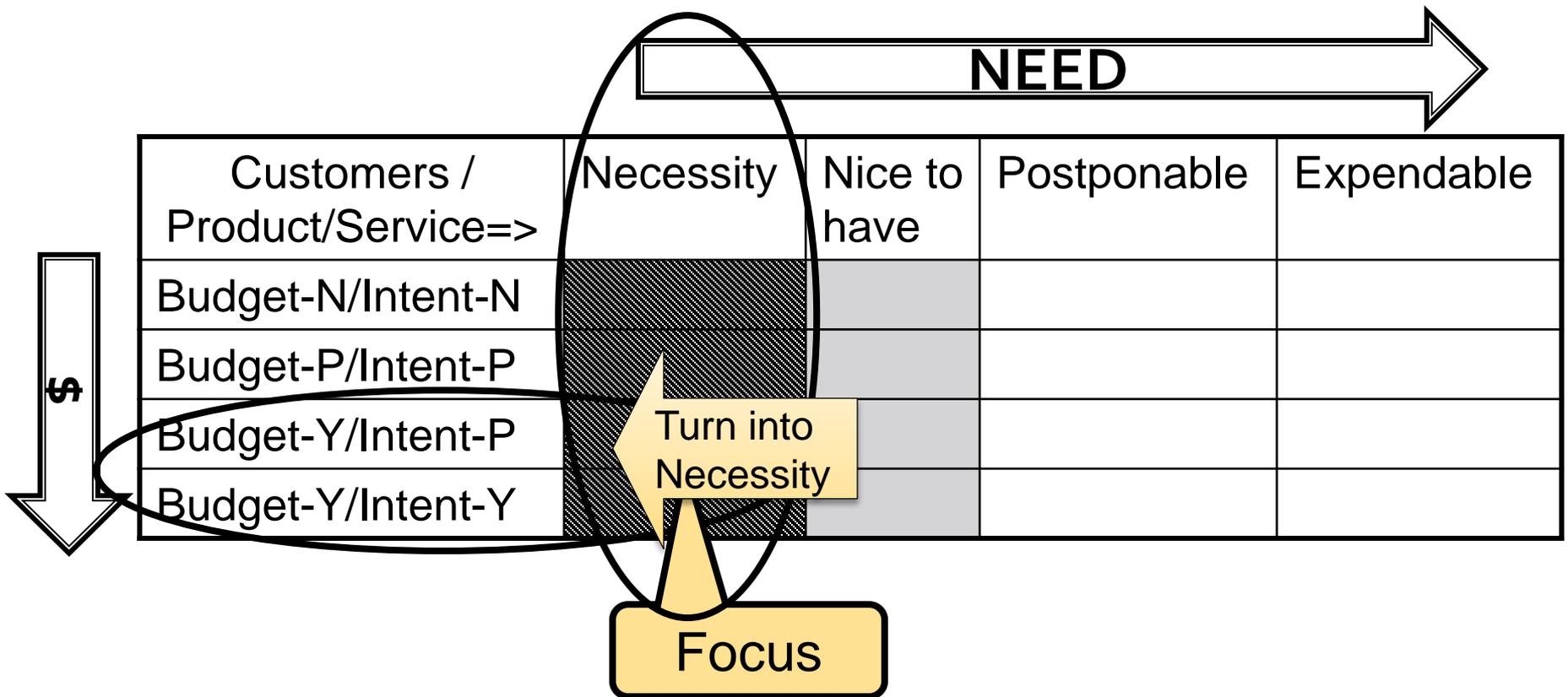
Step 1. Where's the money: With the right customers

	Yes	Perhaps	No
Need			
Budget			
Intent			

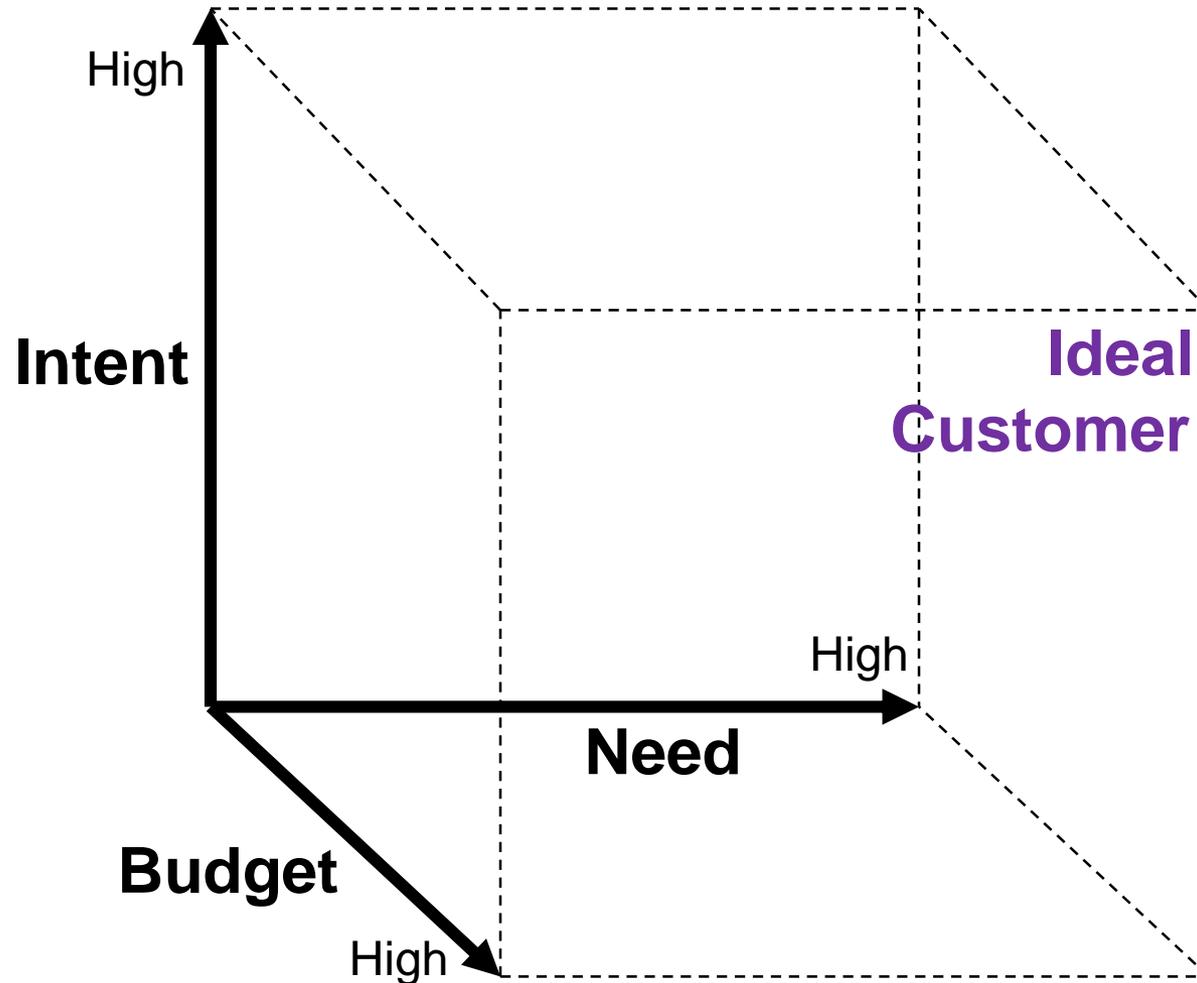
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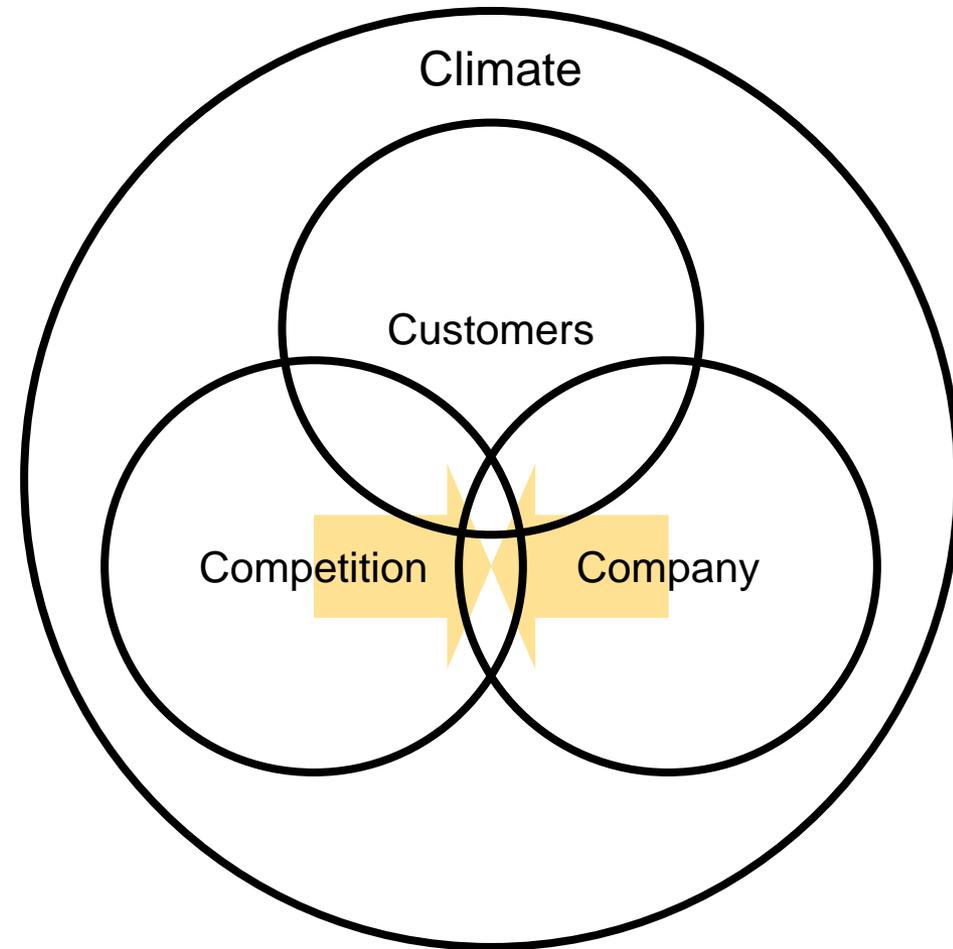


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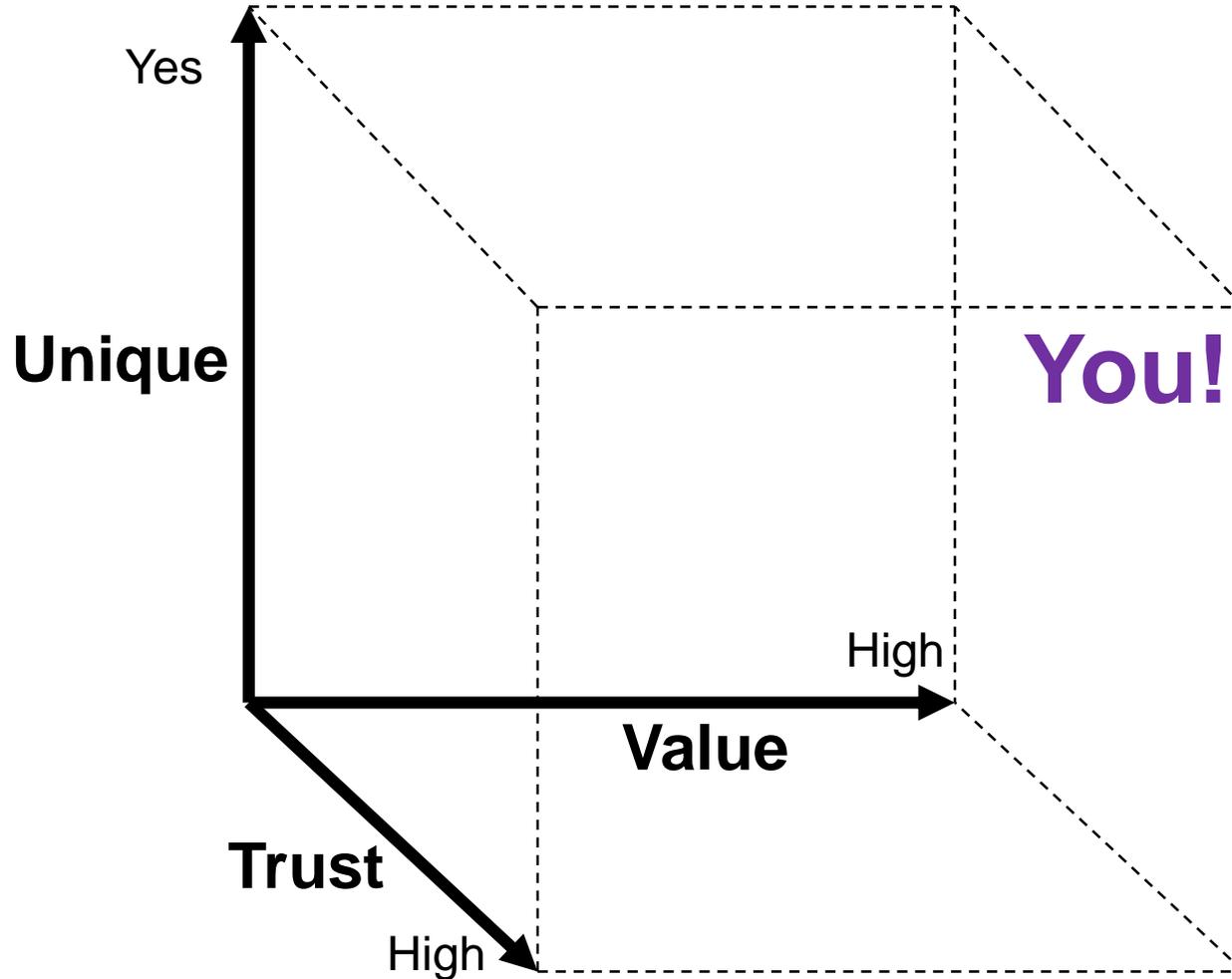


Step 1. Where's the money: With your competition

- Types of competition
 - Direct
 - Indirect
 - Substitution
 - Adjacencies
 - Waste
 - Suppliers
 - Customers
- Each is an **opportunity**



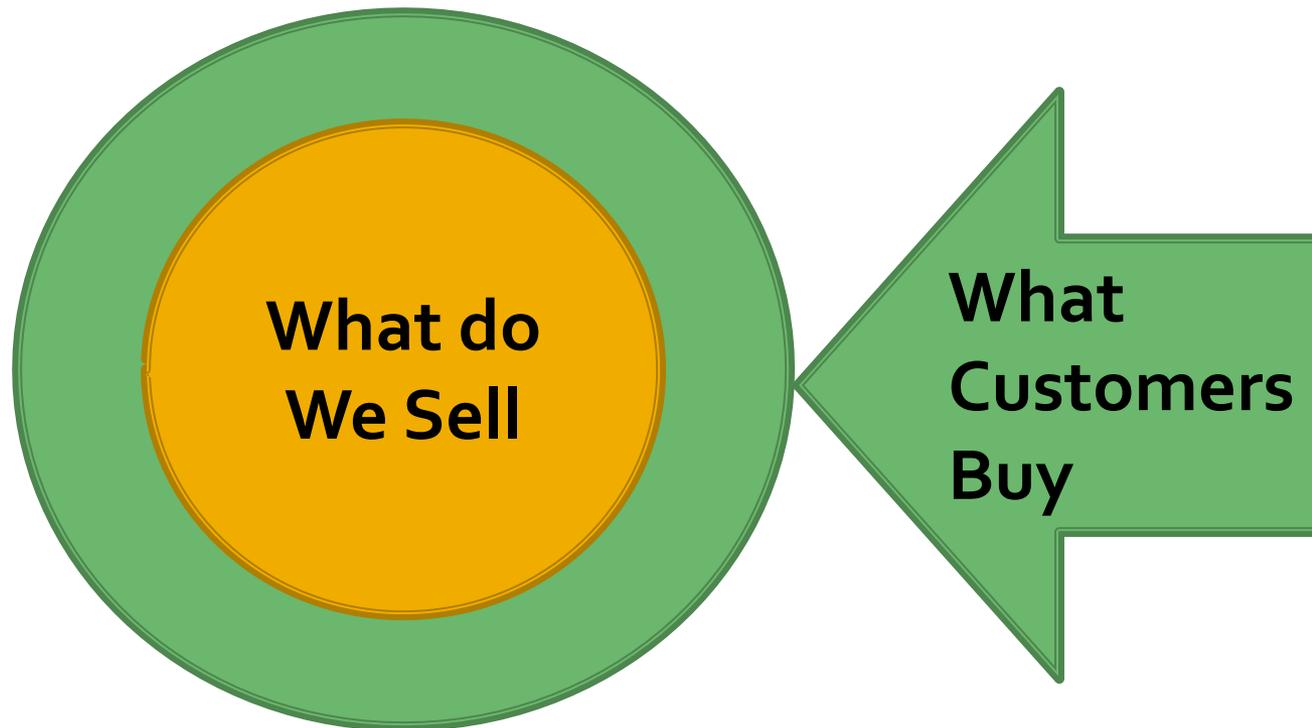
Step 2: Why do customers buy from you?



Step 2: Why do customers buy from you

You are
a **Unique, Trusted** source
who delivers
Value

Step 2: Why do customers buy from you? Product



Step 2: Product: Unique, Distinct



You Must be Different in Important Ways!

Step 2:

Product: Competitive Positioning

- Designing a Company's/Product's *image and value* so that the targeted segment's customers understand what the company stands for with respect to its competition
- It's a Battle for **Distinctive Mindshare**

Step 2:

Product: Competitive Positioning

- For the: (Target Segment)
- Who Needs:
- Firm/Product is a: (Category)
- That provides: (List of compelling reasons to buy)
- **Unlike competition** (Name), the company/product, also provides:
 - List of **key differentiators**
 - Features
 - **Benefits**

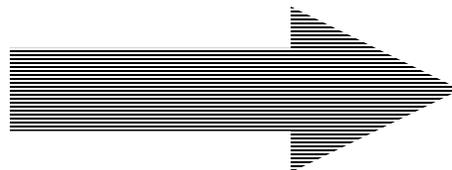
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Value

- Cost Reduction
- Margin Increase
- ROI Improvements

Step 2: Why do customers buy from you? Value

Value = Benefits – Cost



Step 2: Why do customers buy from you? Trust

■ Personal Factors

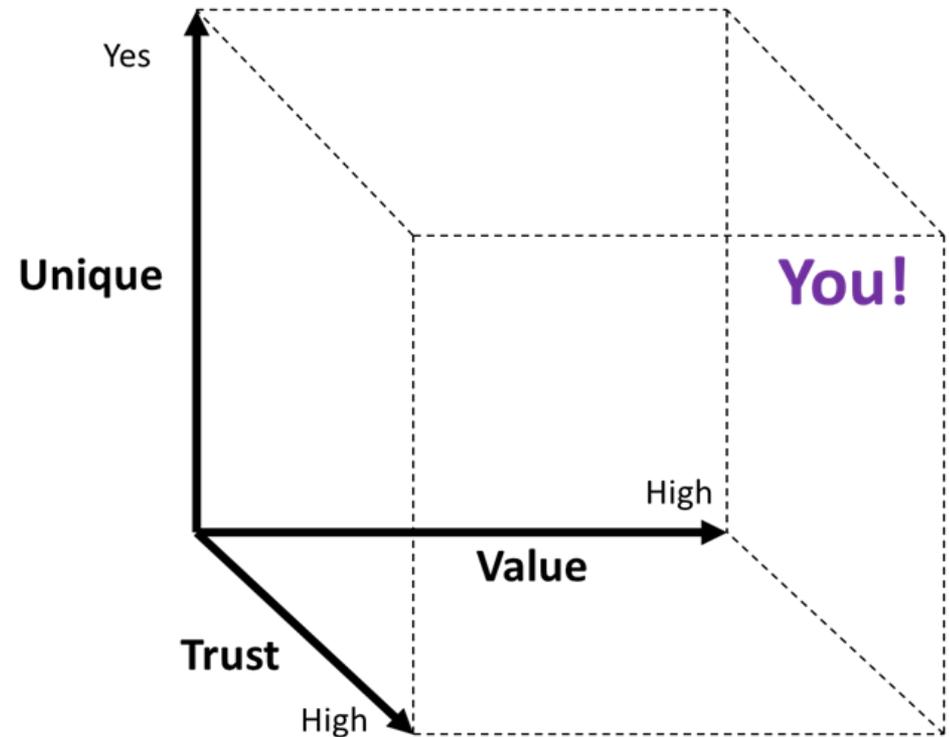
- Risk Tolerance
- Level of Adjustment
- Relative Power

■ Situational Factors

- Security
- Number of Similarities
- Alignment of Interests
- Benevolent Concern
- Capability
- Predictability & Integrity
- Level of Communication

Step 2: Why do customers buy from you?

You must be
a **Unique,**
Trusted source
who delivers
Value



Step 3 through Step 7

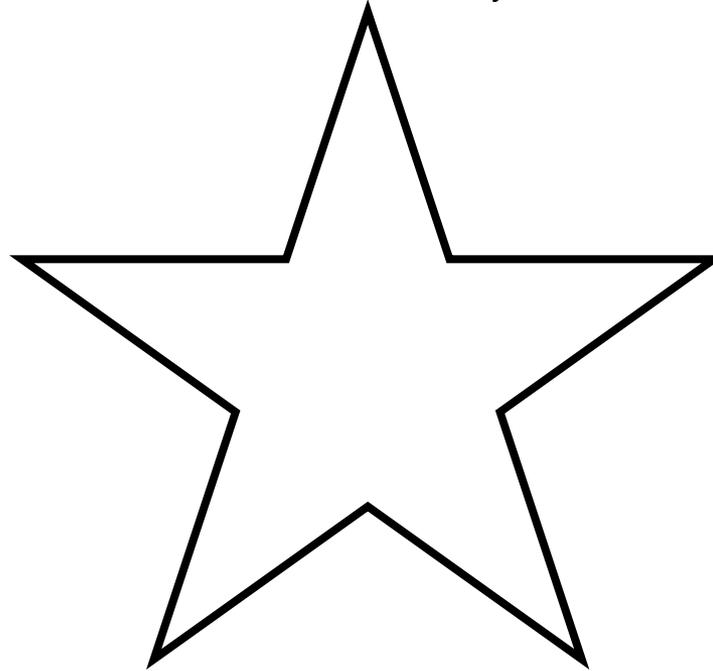
Five Star Growth Strategy



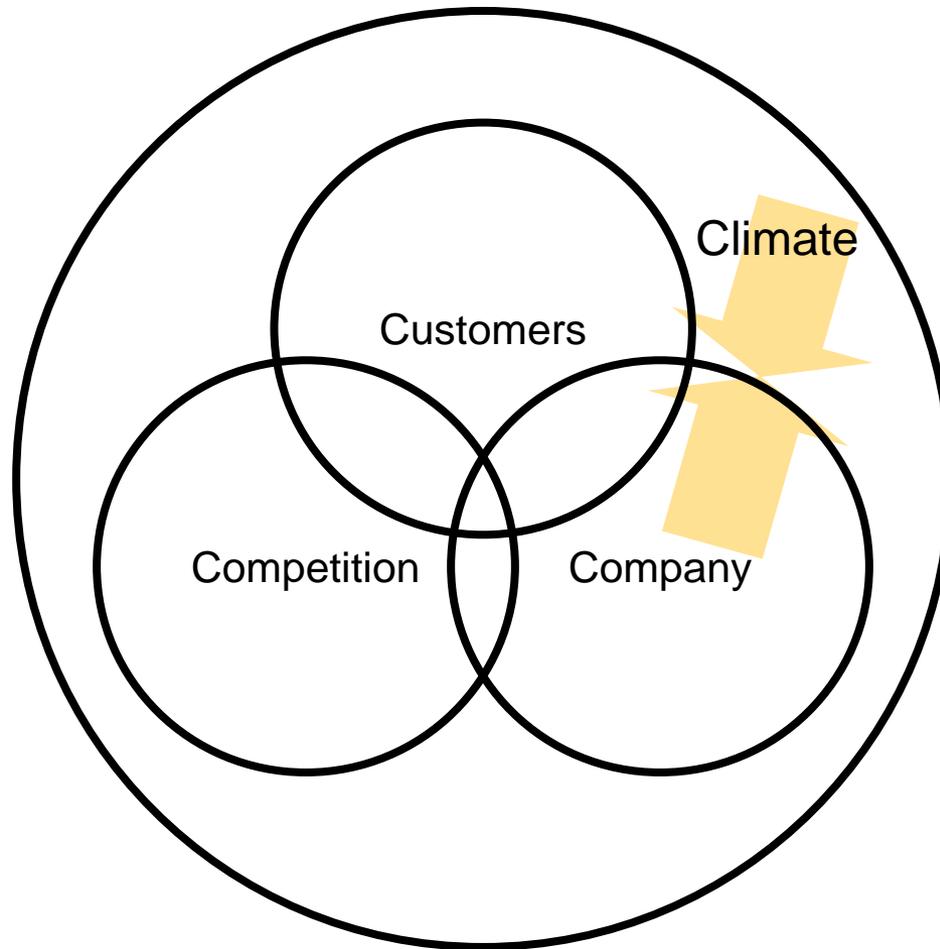
Step 3: Take advantage of market activity

Five Star Growth Strategy

3. Take Advantage
of Market Activity



Step 3: Take advantage of market activity

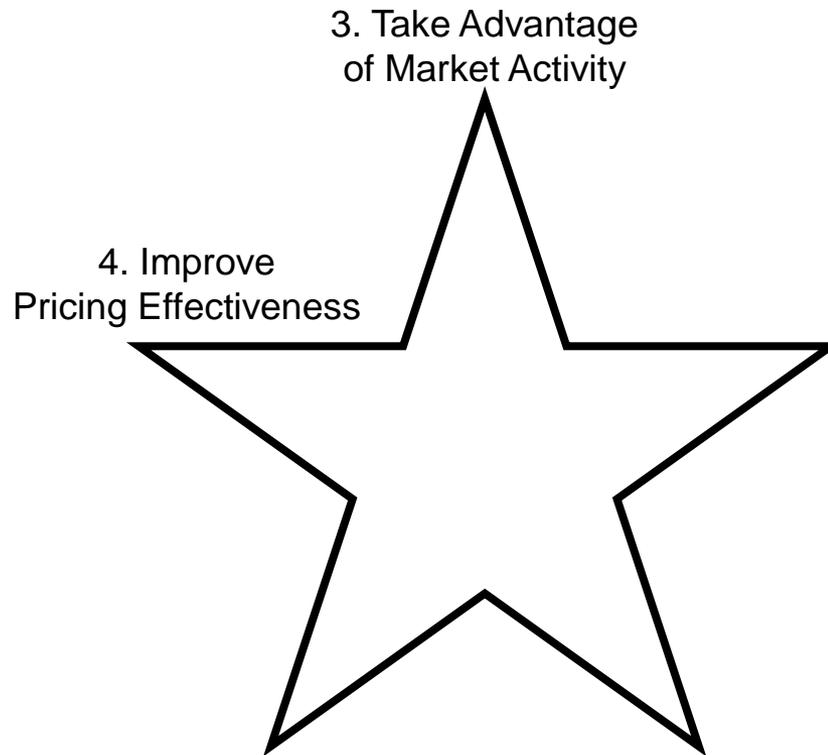


Step 3: Take advantage of market activity

- Every business has drivers that contribute to its growth
 - It is the tide that raises all boats
 - Your boat and your competitions' boats
- Macro activity does not convey the whole picture
 - Both Sperry-Sun and Landmark Graphics were born during recessionary times in the upstream oil industry—VUT/NBI
 - Many early computing companies such as Wang, DEC disappeared during the greatest growth period in the industry—VUT/NBI

Step 4: Improve pricing effectiveness

Five Star Growth Strategy



Step 4: Why improve pricing effectiveness?

- There's not much room left for improving profitability with operational cost controls
- It is the fastest most effective way to increase profits
 - 1% increase in price=8% increase in operating profit at an average S&P 1500 company
 - 50% better than a 1% drop in variable costs
 - 300% better than a 1% increase in volume

Why Focus on Pricing?

Effective Way to Increase Profits

	Base Line	Change 1.0% Price	-1.0% Cost to Serve	1.0% Volume
Units	100	100	100	101
Price	\$1,000	\$1,010	\$1,000	\$1,000
Revenue	\$100,000	\$101,000	\$100,000	\$101,000
Cost to Serve/Unit	\$600	\$600	\$594	\$600
Costs to Serve	\$60,000	\$60,000	\$59,400	\$60,600
SG&A Costs	\$5,000	\$5,000	\$5,000	\$5,000
Gross Margin	\$35,000	\$36,000	\$35,600	\$35,400
GM%	35.0%	35.6%	35.6%	35.0%
Realized Benefit		\$1,000	\$600	\$400
Benefit % of Base Line Revenue:		1.0%	0.6%	0.4%

Increasing price drives as great a benefit as cutting costs and increasing volume

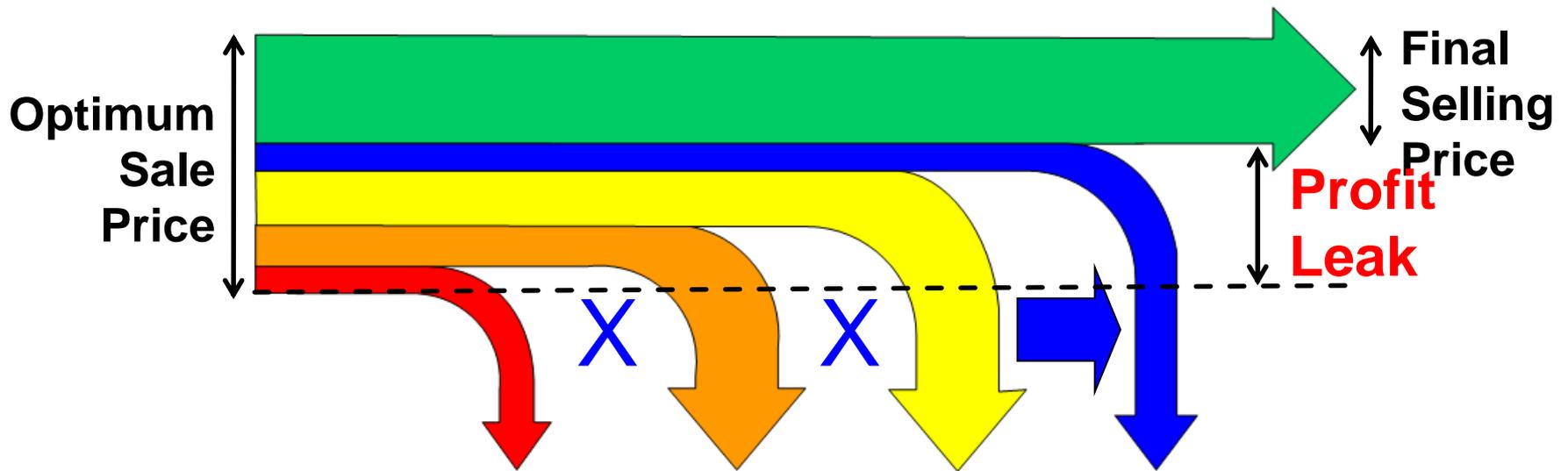
Step 4: Pricing dilemmas

- Customers define a price and vendors enter negotiations without having a reasonable, rational alternative price
 - When we have only one price, salespeople/sellers are drawn to that price
- Determining a price based on value and what the market can bear requires excellence across many interacting domains
 - Technology, Customer/Consumer Behavior, Competition, Economics, Negotiation, Finance

Step 4: Pricing dilemmas

- Participants may possess at least one of these blind spots:
 - Limited comprehension of product's/service's monetary value to customers
 - Limited understanding of competitive positions
 - Limited knowledge of economics
 - Innumeracy (numerical illiteracy)
 - Inadequate training and support in negotiation

Consequence of pricing dilemmas: Profit Leaks

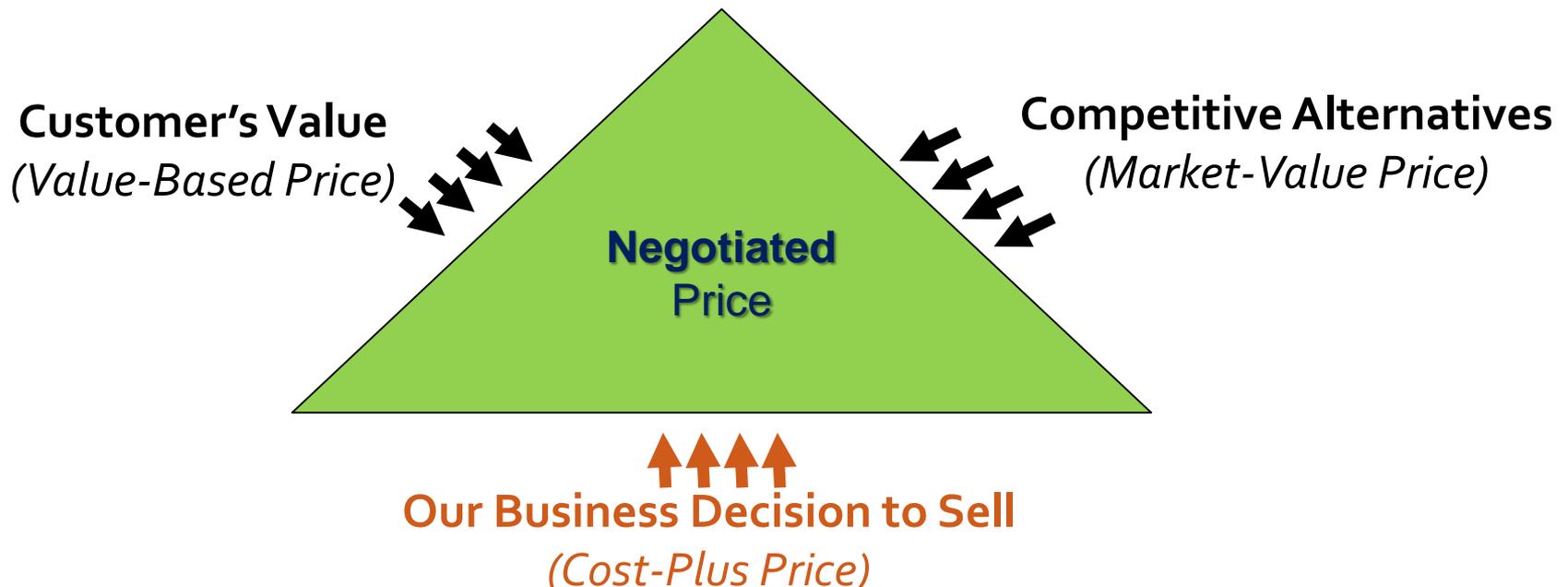


Poor Knowledge of: Competitive Advantages Value to Customer Competitive Pricing = Poor Negotiations

The Pricing Pyramid

The sweet spot of price lies between...

- What a customer values...
- The price they can pay for a “like” solution from a competitor,..



- Making a reasonable profit is purely an internal business concern

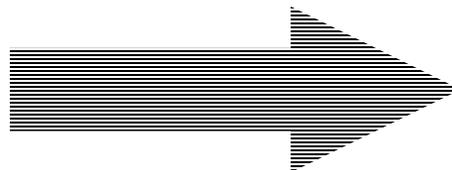
All three must be present to make a sale occur

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Value

- Cost Reduction
- Margin Increase
- ROI Improvements

Step 4: Improve pricing effectiveness

Country	Competitive Price (Local Currency)	Premium (Local Currency)	Improvement %
Belgium	30,000	13,433	45%
Czech Republic	700,000	218,500	31%
Czech Republic	700,000	301,000	43%
France	50,000	88,554	177%
Germany	900,000	740,000	82%
Netherlands	90,000	70,297	78%
Poland	50,000	10,000	20%
Poland	520,000	354,400	68%
Slovenia	35,000	14,464	41%
UK	50,000	81,302	163%
UK	22,500	21,102	94%
USA	30,000	30,260	101%

Step 4: Improve pricing effectiveness

INDUSTRIES

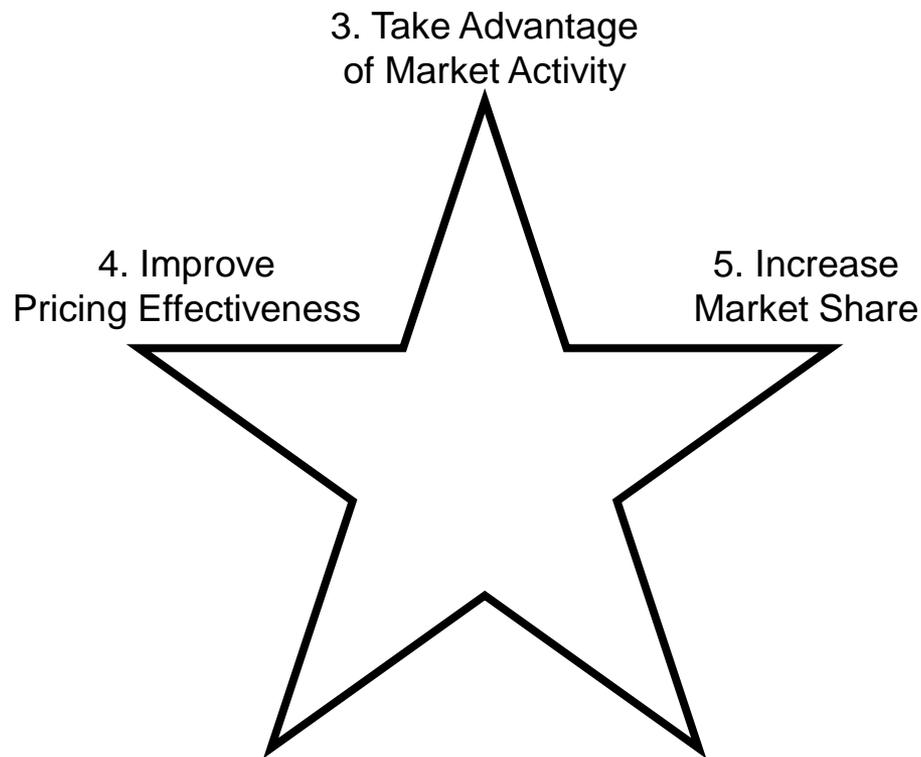
- Oilfield Equipment
- Oilfield Services
- Iron & Steel
- Construction Services
- Power Plant Services
- Petrochemicals
- Software

COUNTRIES

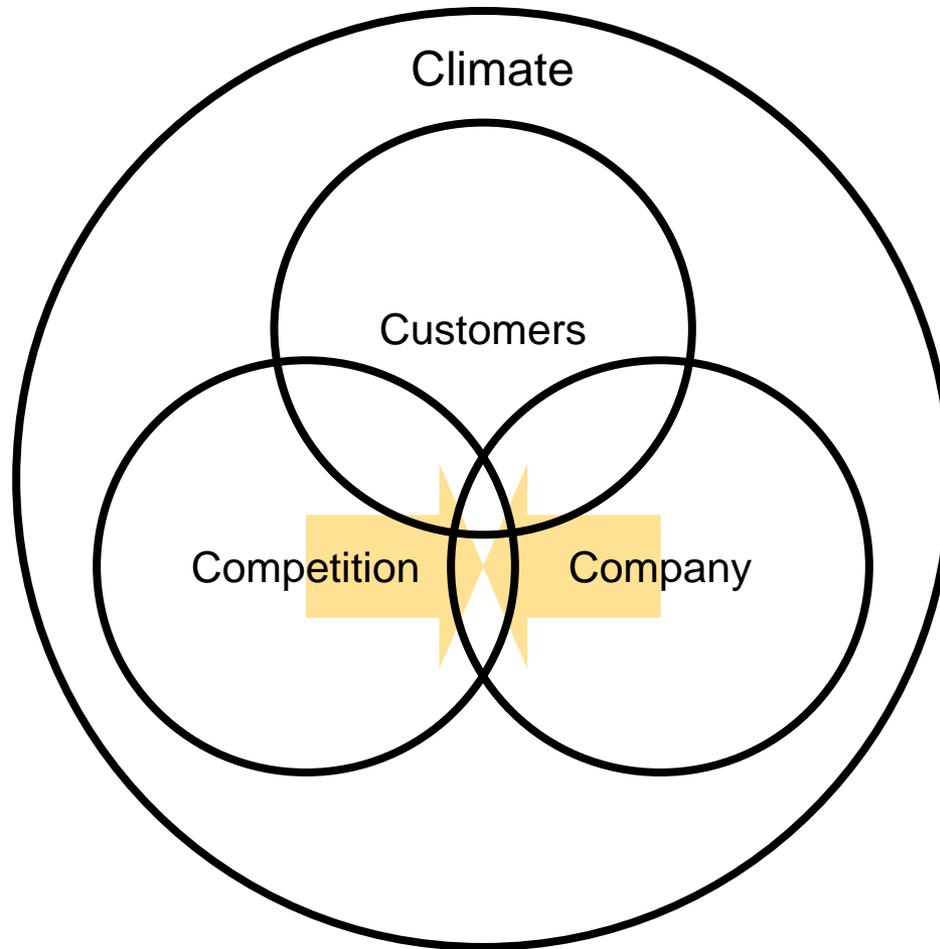
- USA
- Germany
- UK
- Canada
- France
- The Netherlands
- Belgium
- Czech Republic
- Poland

Step 5: Increase market share

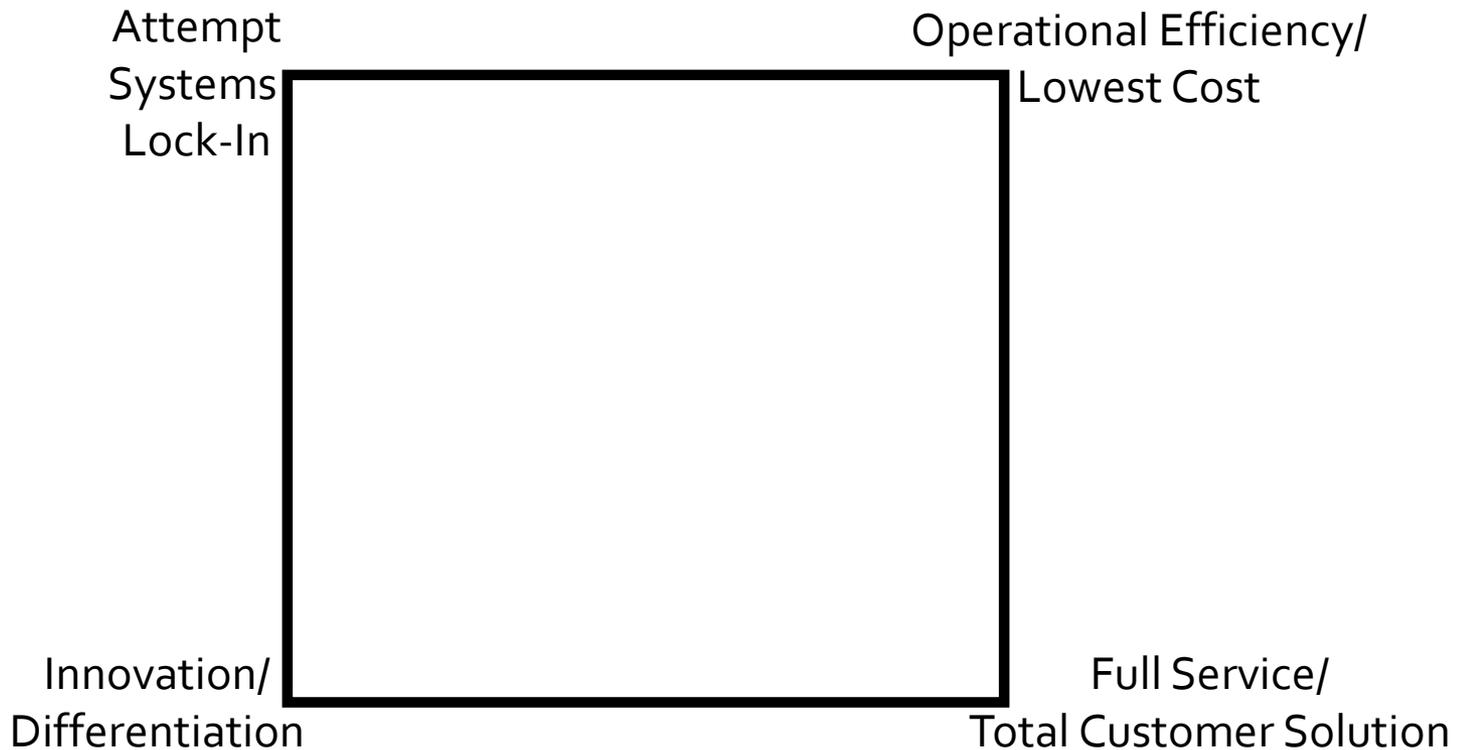
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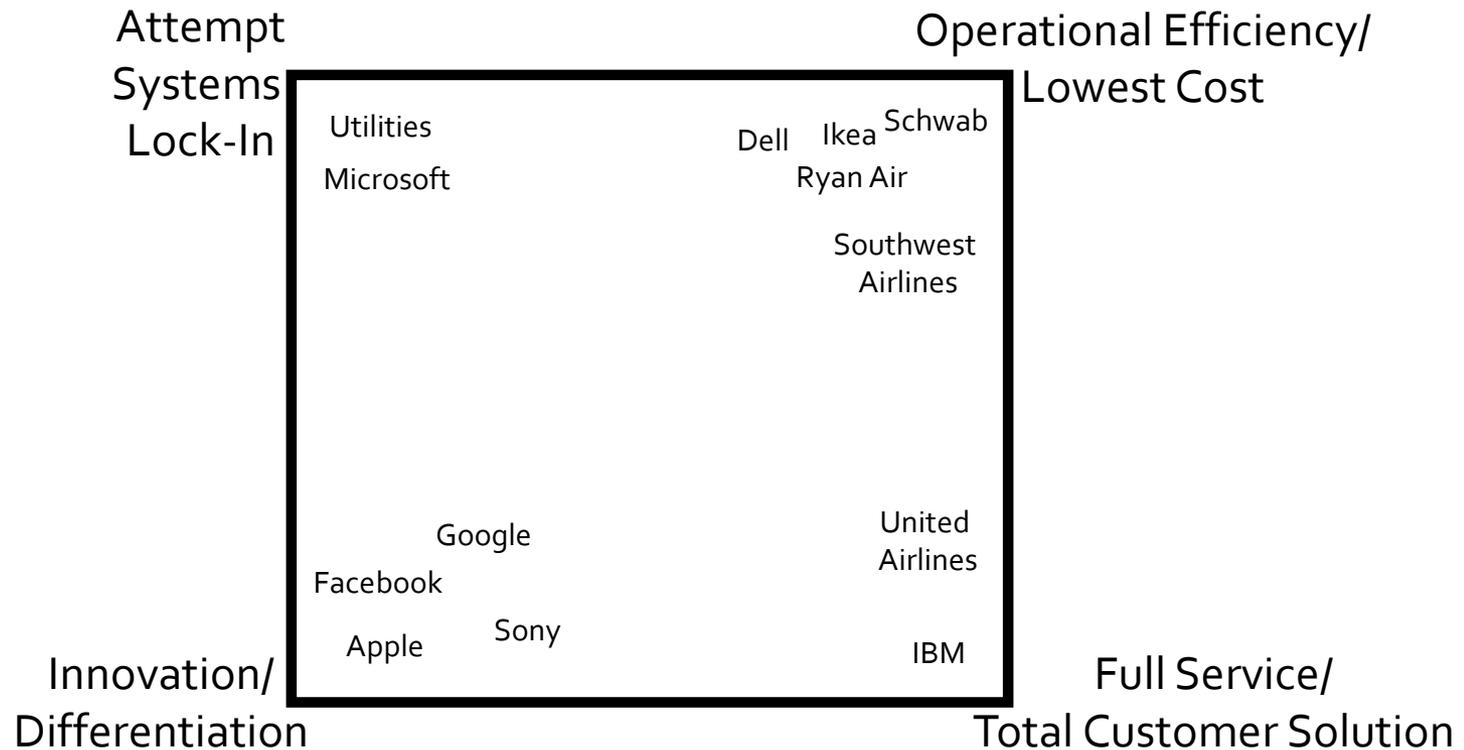
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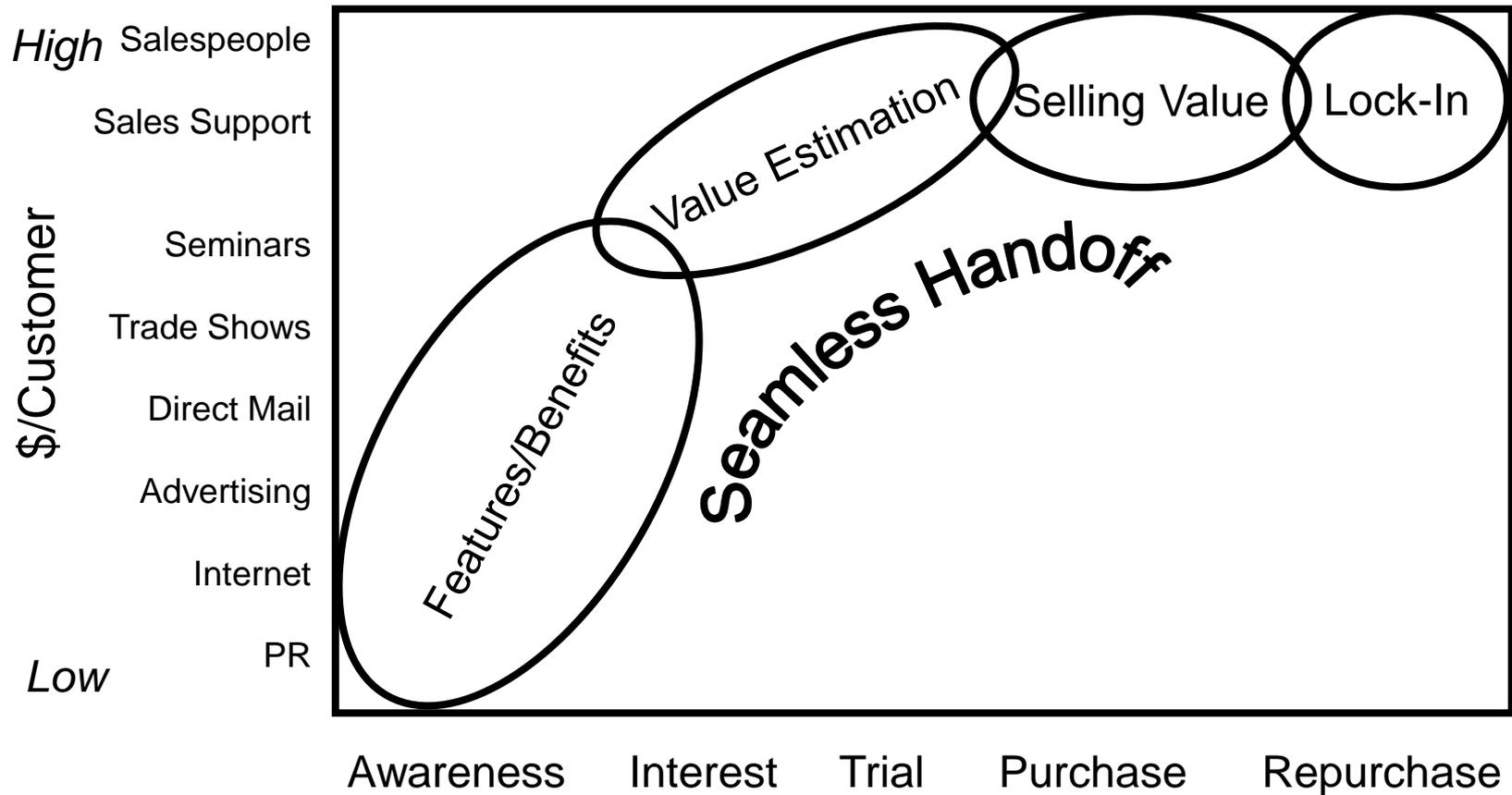
Step 5: Increase market share

Promotion

- Move customers from Unawareness to Buying Action
- Personal selling is the key component in B2B situations
- Content is king
- Process
 - Awareness, Interest, Evaluation, Trial, Adoption, Repurchase
- Stage of product lifecycle
- Changing habits

Step 5: Increase market share

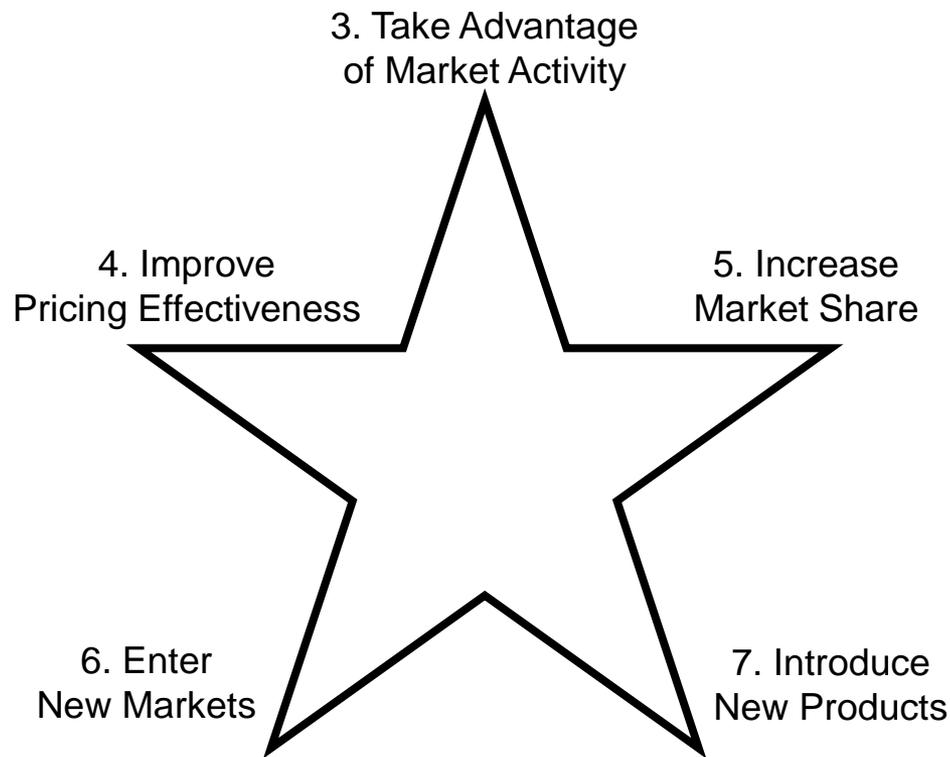
Selling value across sales cycle



Step 6: Enter new markets

Step 7: Introduce new products

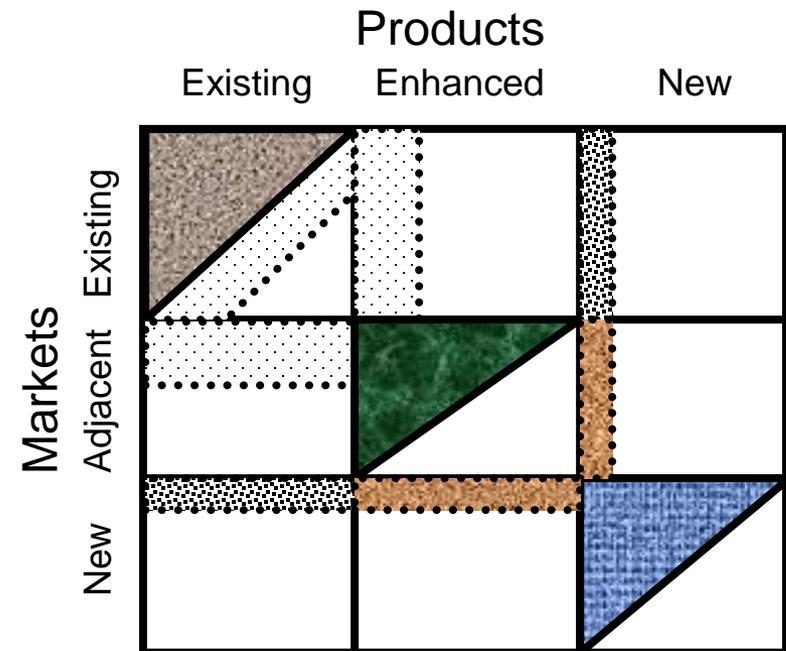
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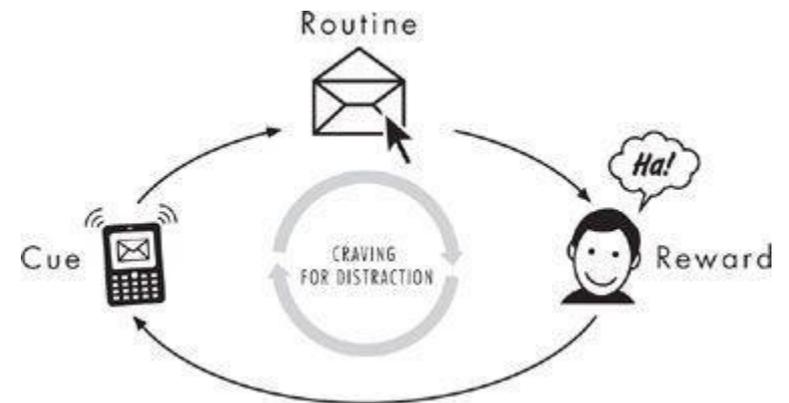
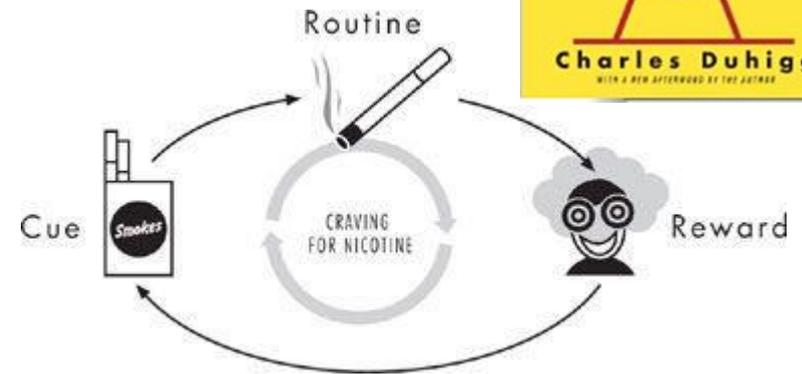
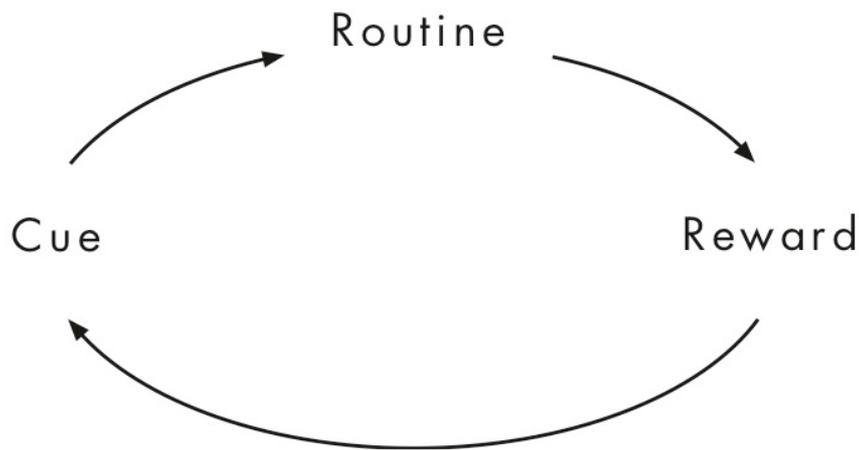
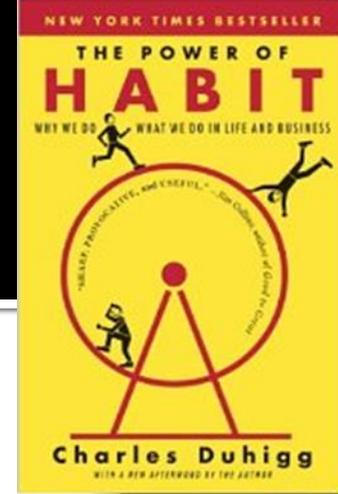
Step 6: Enter new markets

Step 7: Introduce new products

- First Steps
 - Take existing products to adjacent markets
 - Create enhanced products for existing markets
- Secondary Steps
 - Existing products to new markets
 - New products to existing markets
 - Take enhanced products to adjacent markets
- Tertiary steps
 - New Products to New Markets

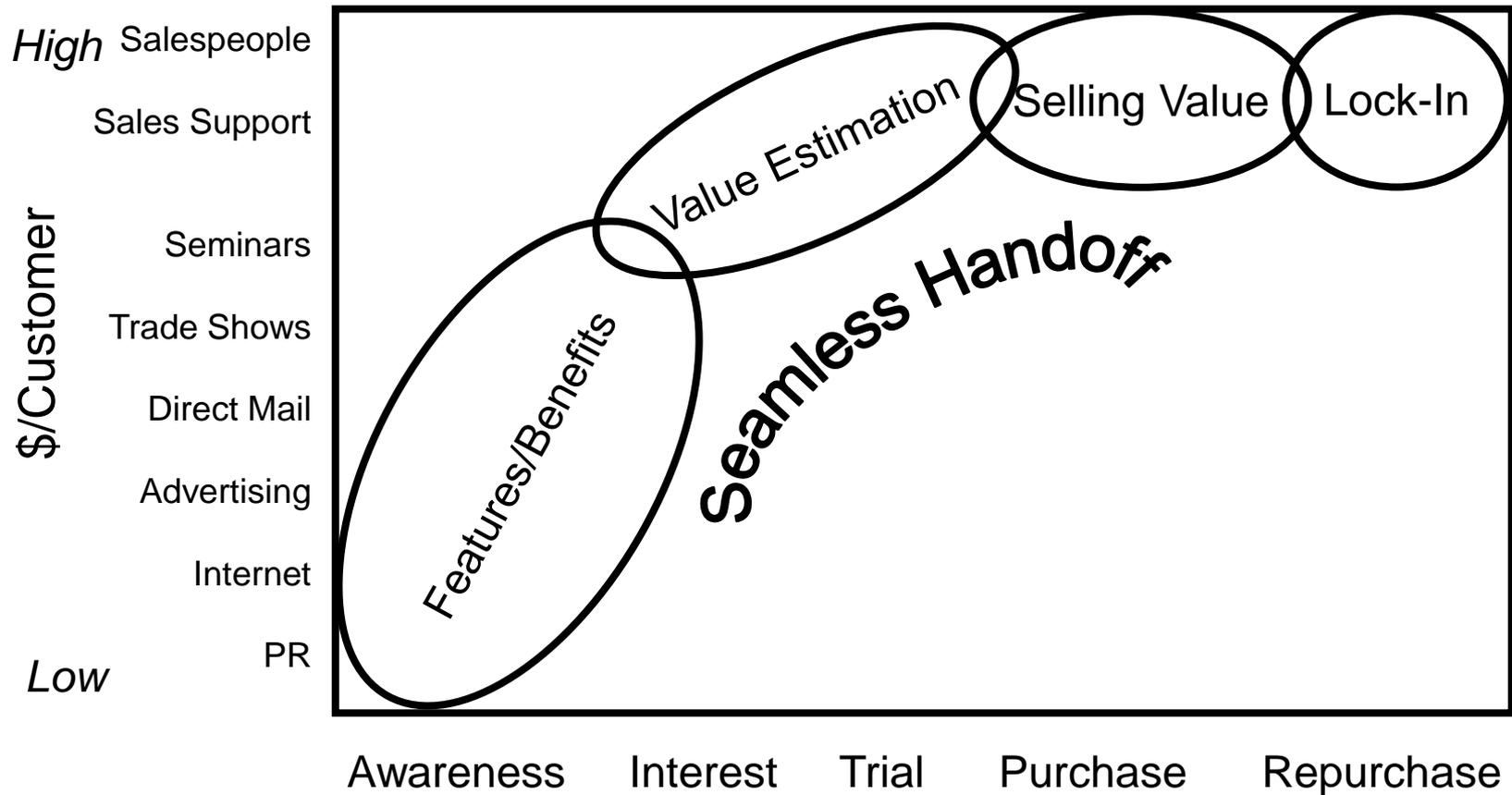


Step 6/7: Change Customers Habits



Step 5: Increase market share

Selling value across sales cycle



Pick Right Customers

ENTHUSIASTS

- Goal: **Technology Innovation**
- Characteristics
 - Appreciate product characteristics and architecture
 - Alpha/beta test a product
 - Want to move technology forward
- Needs
 - Technical truth
 - Access to superior technical resources
 - Inexpensive/free products and first access

VISIONARIES

- Goal: **Fundamental breakthroughs in how business is conducted**
- Characteristics:
 - Least price sensitive
 - Helpful in defining the “whole product”
 - Highly visible references
- Discover strategic applications
 - Relationships with technology enthusiasts
- Needs:
 - Project-oriented, time-sensitive, order-of-magnitude return on investment



PRAGMATISTS

- Goal: **Incremental improvements**
- Characteristics:
 - Unwilling to take high risks
 - Tend to be vertically oriented; products need to fit in!
- Needs
 - References and relationships with trusted/credible others in their market
 - Comfort with reputation, product
 - “Whole product” solutions

FOLLOWERS

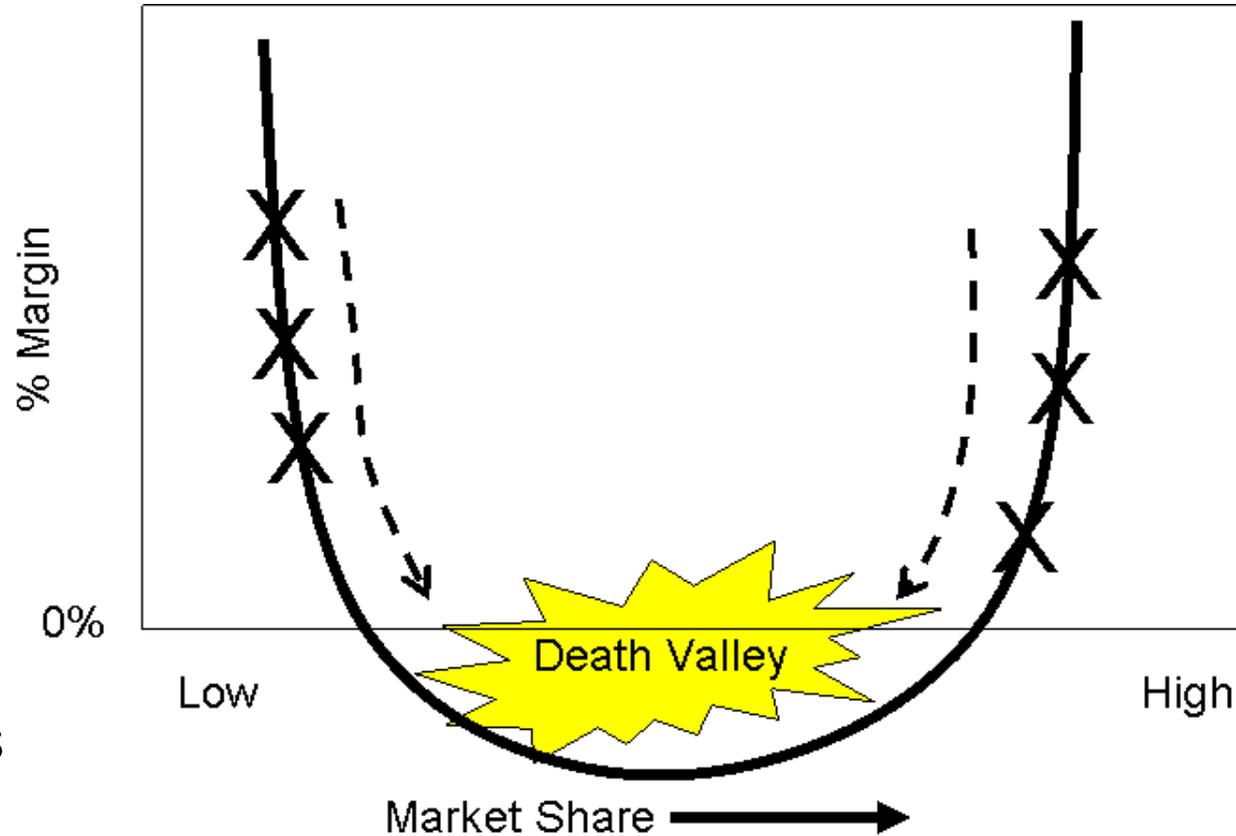
- Goal: **Install proven technologies & products**
- Characteristics:
 - Not risk-takers
 - Slightly afraid of high technology
 - Extend the market for technology products
 - Price sensitive
- Needs:
 - Pre-assembled products at discounted prices
 - Predictable products

RESISTERS

- Goal: **Maintain status quo**
- Characteristics:
 - Skeptical
 - Not risk takers
 - Block purchase of new technology
- Needs:
 - Evidence of value that will be received from product
 - Complete and available whole product

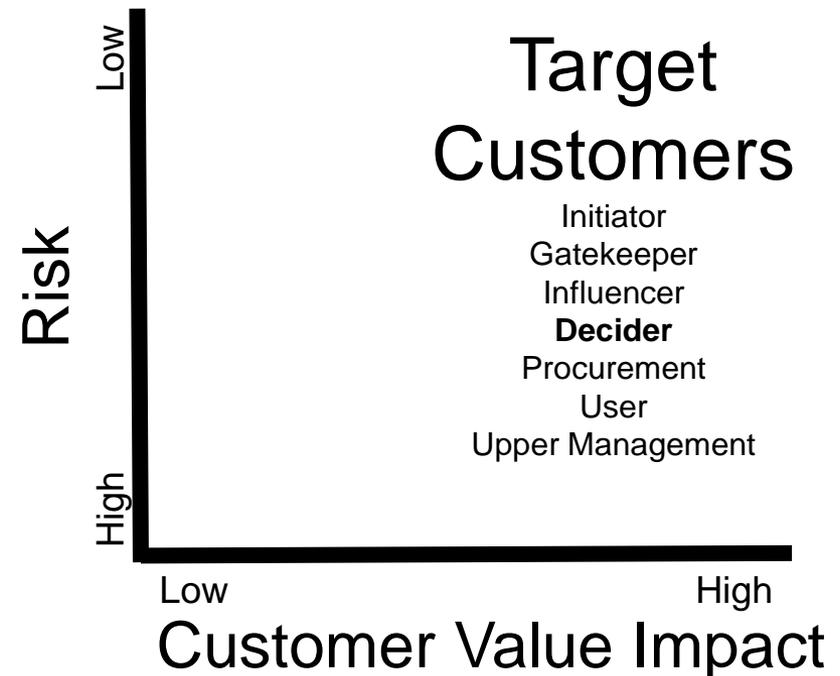
Pick Davids, not Goliaths

- Customers
 - Pick first customers who are closer to death valley
 - Others don't have reasons to change habits
- Competition
 - Don't wake up 800 pound gorillas from their slumber

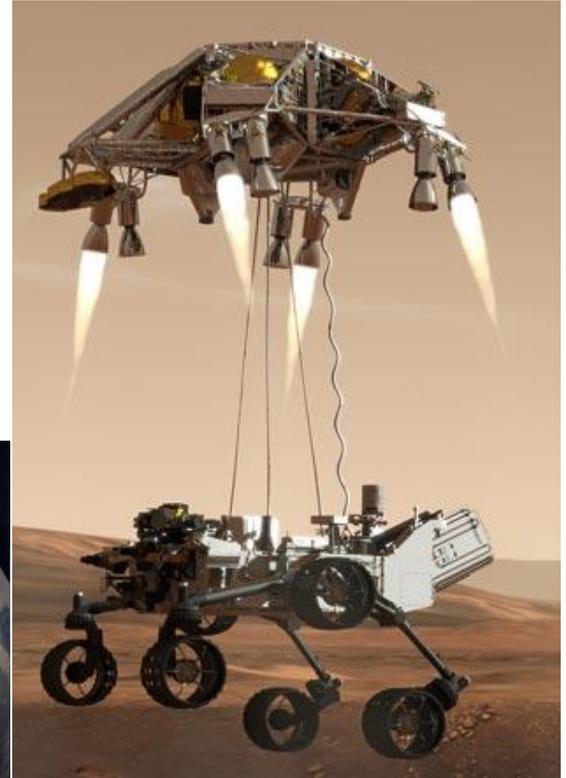
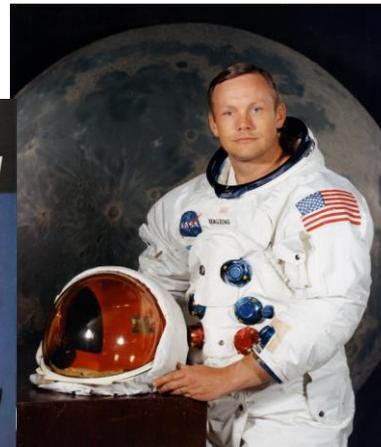


Include All Major Stakeholders in Purchase Decision

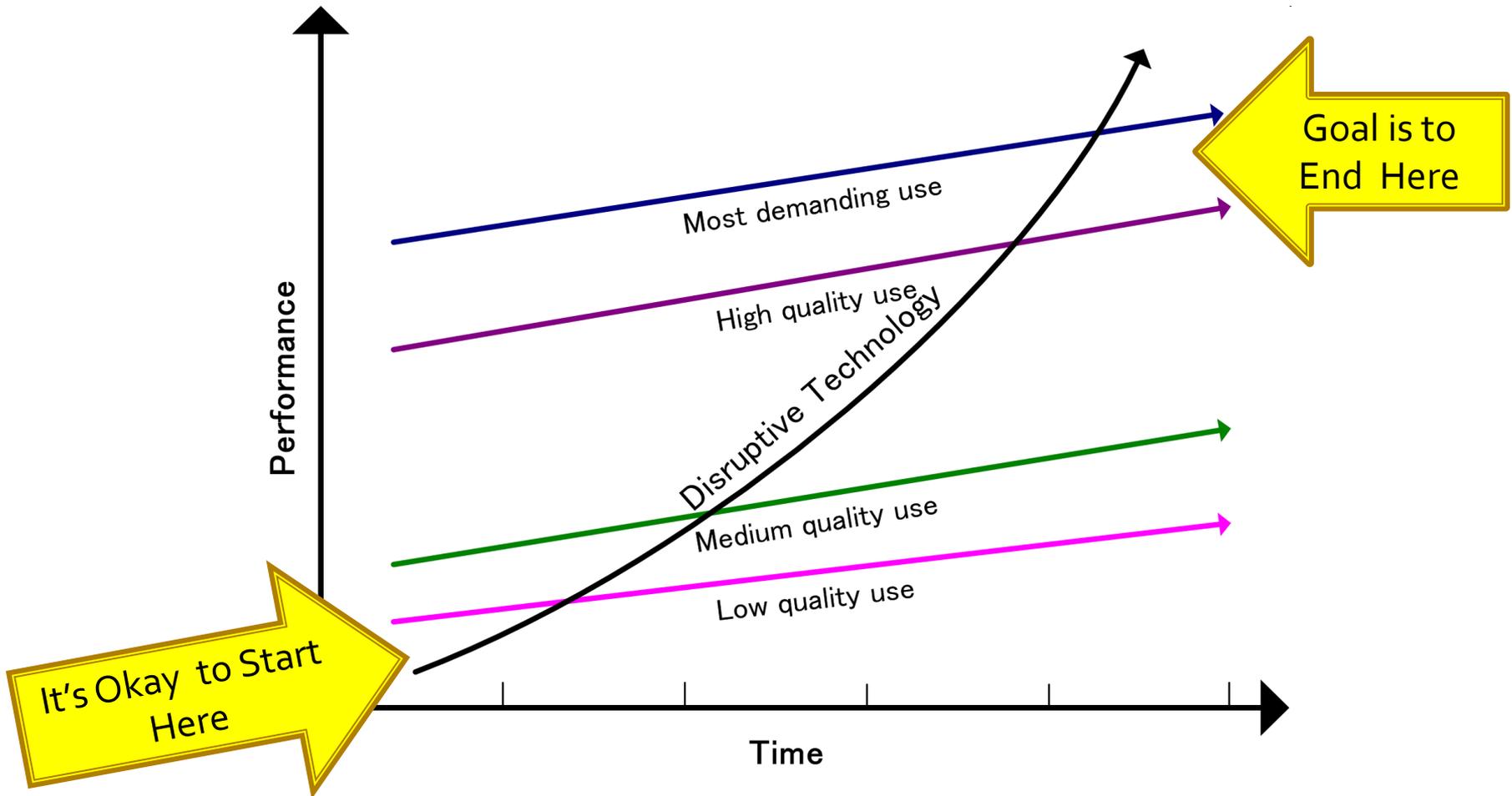
- Individuals/Roles
 - Initiator, Gatekeeper, Influencer, Decider, Procurement, User, Upper Management
 - Each attempts to maximize gain or minimize loss from the “New Buy” situation



From Small Steps to a Giant Leap



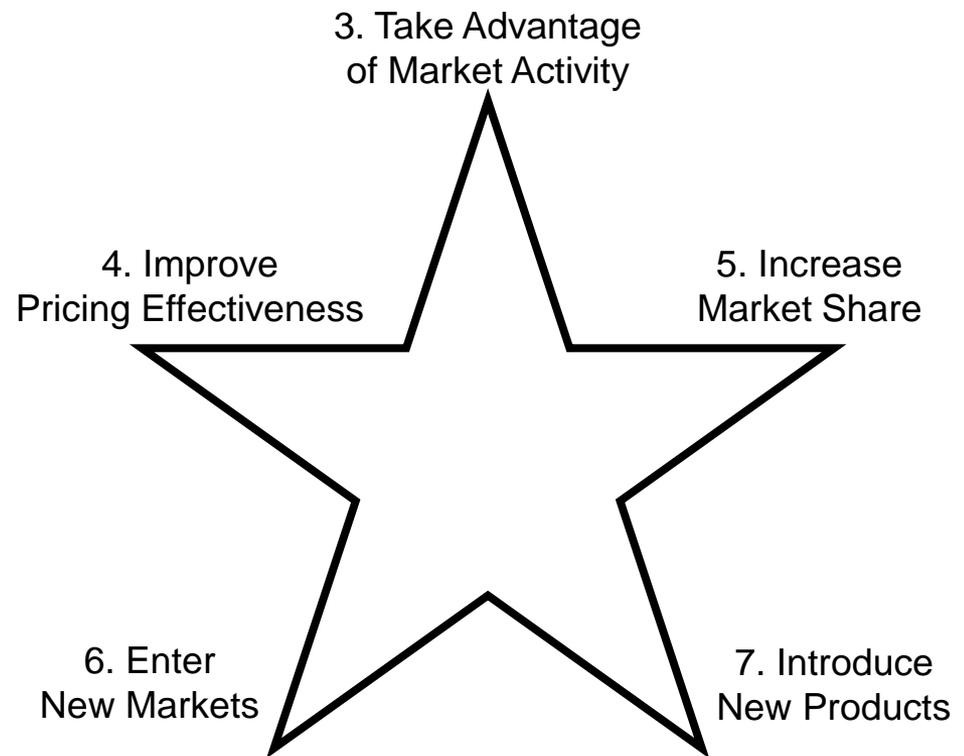
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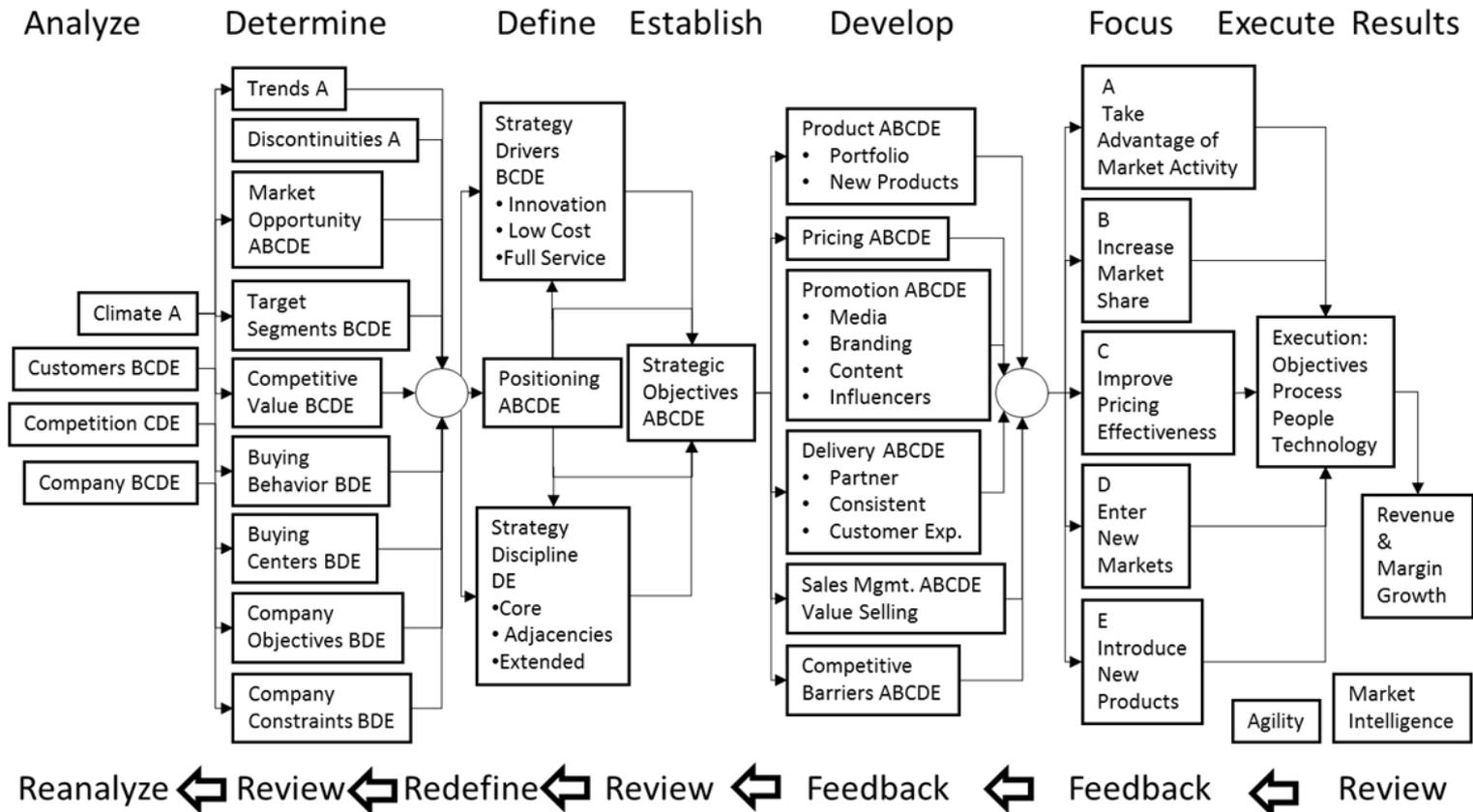
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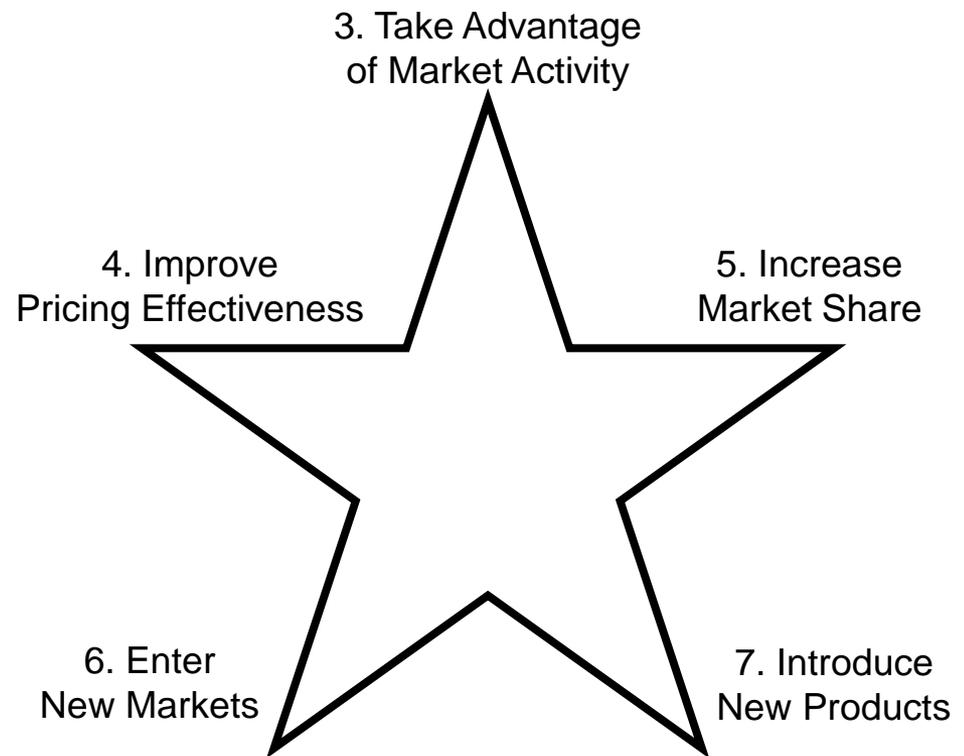


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