

Communiqué



FL&A's PPH® Framework Enables an Objective, Structured and Risk-informed Growth Planning Process

By: Jim Fogarty
jfogarty@franklynn.com

Introduction

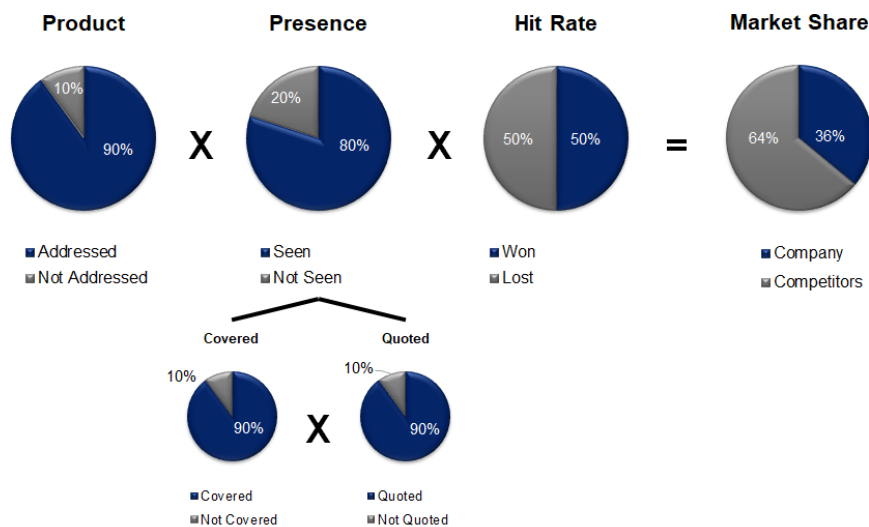
Senior management teams that want their business unit leaders to create practical and appropriately aggressive growth plans can use FL&A's PPH® framework to achieve this outcome. The framework enables business unit leaders to lead growth planning processes that ensure their teams consider all the potential contributors to a firm's growth. It provides the structure and discipline to enable teams to recognize which initiatives improve the effectiveness of the firm's existing activities, resources and investments and which ones require investment in new and inherently more risky ones. Through the analysis, each team can define the specific actions it must take to increase its sales and market share and align its resources to achieve the target results in the desired time frames. Senior management teams that deploy the PPH® framework gain the confidence that each team engages in a structured, systematic, consistent and thorough assessment of the markets they serve and develops a plan that appropriately allocates and invests the firm's resources in the "best bet" growth initiatives.

The PPH® Framework

FL&A's market opportunity and market share diagnostic tool, PPH®, helps companies understand how they derive their market share position and, importantly, what limits it. Using the PPH® framework, a company can identify the actions required to increase sales and market share, assess the risk related to the actions, estimate the value of the actions, identify the stakeholders responsible for them, and gauge the time required to realize results.

The PPH® model posits that a company captures its market share through the interaction of three fundamental variables... Product, Presence and Hit Rate (PPH®) (see Figure 1).

Figure 1—The PPH® Model



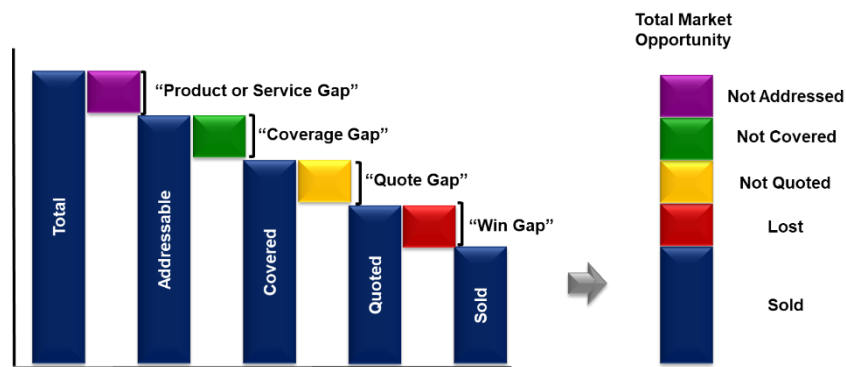
“Product” represents the value of the products and services that end users purchase to satisfy the relevant set of problems that the offering is designed to solve. A company’s “Presence” is the percentage of the addressable market that the company “sees” through its sales resources, and it is a function of two variables:

1. The percentage of the addressable market opportunity the company “covers”; and
2. The percentage of the “covered” market to which it actively offers its products or services for sale (“quotes”)

The final element of the PPH® formula is the company’s “Hit” or win rate. The hit rate estimates the percentage of time the company wins when end users actively consider its products or services for purchase.

To facilitate the growth planning process, the PPH® framework enables companies to monetize the value of each element of the market opportunity waterfall (see Figure 2).

Figure 2—The Market Opportunity Waterfall



The value of the products and/or services end users purchase to satisfy the set of problems that the offering is designed to solve represents the value of the total market opportunity. The difference between the total market opportunity and the percentage of it that the company can satisfy with its existing offering represents the value of its addressable market.

The percentage of the addressable market opportunity that the company “covers” represents the value of the “covered” market. The percentage of the “covered” market to which the company actively offers its products or services for sale or “quotes” represents the value of the “quoted” market. Finally, the percentage of the “quoted” market that the company sells, or wins, represents the value of the “sold” market.

Through this lens, the **market opportunity waterfall enables teams to** identify and value the issues that limit its sales and market share. Each gap is associated with a difference between the various elements of the market opportunity waterfall. Importantly, the sum of what the company sells, what it loses, and what it does not quote, cover or address is equal to the total market opportunity. Beyond what the company sells, each of the other elements limits its sales and market share.

Armed with this information, business unit teams gain the insights they need to create a practical growth plan that can satisfy the business unit’s growth objectives over a multi-period time frame (see Figure 3). Specifically, the PPH® model enables teams to consider the full range of initiatives and actions that can contribute to the business unit’s growth. It enables teams to identify the stakeholders who are responsible for the actions, estimate the time that is reasonably required to realize results from them, and prioritize and sequence the growth initiatives and related actions so the team delivers results in the desired time frames. Given the nature of the model, the team can also estimate the value of each initiative so it can determine the number of initiatives it must pursue to satisfy the business unit’s growth objective and recognize the relative risks associated with each one.

Figure 3—Insights from the PPH® Model



Through the discipline of the PPH® framework, business unit teams gain insight into the mix and value of the issues that limit the company’s sales and market share. This insight informs the requirements for its growth plan and helps the team understand whether it can focus on improving the effectiveness of its existing marketing and sales resources or whether it must invest to expand them as a means to meet the company’s growth aspirations.

If, through the analysis, the team learns that it can improve its hit and quote rates and improvements in these variables will drive meaningful increases in sales and market share, then it can focus on actions that improve the effectiveness of its existing sales resources. For example, it can implement actions to motivate and reward its sales resources to promote and present its products and services to more of their existing prospects. Or, it can help its sales personnel or channel partners win more often by improving their ability to articulate and position the value of the company’s products and services relative to its competitors.

Alternatively, if the team learns that its sales resources have effective quote and win rates, then it can consider longer-term actions to increase the percentage of the addressable opportunity that the business unit covers by augmenting its sales resources, or it can increase the proportion of the total opportunity that the business unit addresses by expanding its product and/or service portfolio. Each of these initiatives require longer-term actions and investments and the team is likely to realize results over a period of years rather than a period of quarters. Each one also typically represents higher degrees of change and risk.

By considering the full range of actions that it can pursue to increase sales and market share, the team is able to craft a practical, risk-informed plan that includes the appropriate mix of initiatives and ensures that it prioritizes and sequences them so that it delivers growth in the time frames that align with the business unit’s expectations.

Using PPH® in the Growth Planning Process

Companies typically engage cross-functional teams when they use the PPH® model to facilitate their growth planning process. By doing so, the companies involve the personnel with the experience and expertise that is required to estimate credible values for each element of the model. Importantly, the members of the cross functional team are also involved in defining the growth initiatives and related actions and they are typically responsible for implementing them. Since they authored it, they understand the rationale for the growth plan and are motivated to make it succeed.

If you would like to discuss the PPH® framework or how FL&A can help your team use it during its growth planning process, then you are welcome to contact Jim Fogarty at jfogarty@franklynn.com.