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A Former Samsung CEO Shares His 3-Step Process for Sizing and Seizing Your Market Space

Steve Sanduski: At many companies, there's a big difference between the size of a market opportunity and the company's ability to actually sell into that market, and in today's show we talk about how to determine the size of your particular market and the different levers that you can pull to expand how much of that market you can actually capture. Hi, everybody. Welcome to the CEO Coaching International Podcast. I'm your host Steve Sanduski. My guest today is Phil Sullivan. Phil and I talked about this idea of how to dramatically grow your business by pulling on some key levers that can expand your reach and coverage of your addressable market.

Phil is a coach here at CEO Coaching International and he has over 30 years of experience establishing international operations and delivering dramatic revenue growth in the medical device and semiconductor industries. Most recently, he was the president, CEO, and board member for Samsung Neurological, which is the healthcare subsidiary for Samsung electronics. In just four years as CEO, Phil grew end-user revenues 500% and increase the overall gross margin by 20%. With that, please enjoy my conversation with CEO Coaching Internationals, Phil Sullivan.

Phil, welcome to the show.

Phil Sullivan: Pleasure to be here. Steve,

Steve Sanduski: Great to have you here. You are a new coach here at CEO Coaching International, so welcome to the company. We've got another great topic lined up here today. Really what we're going to focus on is companies that want to make a significant jump in their revenue. Now obviously, there's a number of different ways that company can grow dramatically, but you've got a particular way that you've used in one of your previous companies, Samsung, that you were running where you added revenue in a very short period of time through this strategy. Why don't you set some context here and just lay out what is this particular growth strategy that you use to grow so dramatically at your previous company?

Phil Sullivan: Well, thank you Steve, for the introduction. Yeah, I'm really excited to be a part of the team at CEO Coaching Internationally. I think it's more about the market and I think many companies play in markets that they don't fully understand and they end up missing enormous opportunities, they deliver unsuccessful products or solutions to the market. I find with a very methodical approach, you can understand that opportunity. When you do, you'll also have data to hold yourself accountable. Listen, accountability without data is pretty impractical and very difficult. The approach that I followed is you really need to, with an open mind, is identify the total market that you're serving. Let's not get too crazy and go too wild, but what is like the total market that you have available to you? But then you need to consider what part of that market is accessible to me.

It's not under a long term contract. You'll find many industries now we're starting to form these GPOs, these group purchasing organizations that kind of a locking up large parts of the market, or there are corporate agreements in place, or maybe you're actually designed into an OEM that it might be four or five years before you have an opportunity to get into that market. You need to look at what is truly accessible to you. Then when you look at what that is, where does your product best fit? You know, that you can win. Maybe you don't have a low cost option or maybe you don't have some compliance and cybersecurity that doesn't fit well in certain parts of the market, so you know that we merely need to understand where your best fit is. Then you should ask yourself about reach and the geography that you cover. And not just to some salesperson out in some remote location, but having the infrastructure to deliver that world-class experience.

Steve Sanduski: Okay. Basically, I think you're saying there's three things that we need to consider here in this particular strategy that you've used to grow dramatically. The first is really getting an understanding of the total size of the market and then your ability to actually access that, so what part of that total market are you able to access. Then the second piece is where does your product fit and how much of your products actually satisfy that potential market. Then the third is what kind of reach or coverage does your organization have. Is that a nice summary of the three pieces that you're talking about here?

Phil Sullivan: Absolutely, Steve. You're absolutely right on. Then once you've done that, then you need to look at it like an ROI of those three opportunities, and then using it like a sensitivity matrix with three axis, try and work out what is the best approach for you. Is it opening up with a GPO strategy? Are you locked out of massive amounts of the market because you don't have corporate agreements or corporate relationships? Is there a couple of features that you could add to your product that would significantly open up some more market? Or could you expand easily into some areas to kind of improve that reach?

With that approach at Samsung, we successfully grew our business by addressing all three of these areas in a very specific, systematic, measurable, and accountable way. As a bonus, it also gave us great market Intel to validate many parts of our business. So does this market has the opportunity to even achieve your desired growth? It also

validates your sales process, your expected sales pipelines, you demo activity for accountability. What's really good is you can quickly see any changes in the market and possible downturns.

Steve Sanduski: Let's go into a little more detail on each of these three pieces here. The first one is really trying to identify the total market that's available to you. Now I know people listening to this, they're in all different industries, but do you have some best practices in terms of how do we identify the size of our particular market? Do you have some general thoughts on what companies should be thinking about in terms of trying to put a number on the size of their market?

Phil Sullivan: Great question. I think a lot of people struggle with this. I would say don't get into analysis paralysis on this, but research your competitors. Also, look at the markets that your customers serve. If you're serving a particular customer, what is the market opportunity that their competition has as well? It starts with look at your competition, look at your customers, talk with your employees, because I'm sure many of the employees previously worked for perhaps your competitors. Attend conferences in your field. Check every source you can for reference. And very, very importantly, publish quarterly updates to your entire team and get them bought into it, especially sales. Because once you determine what this market is and your sales team don't buy into it, it's just not going to work out. It starts with research your competitors, look at your customers and look at the markets that they serve, and then do as much research as you can to try and come up with a true total available market to you.

Steve Sanduski: Then who within the organization is actually going to do that kind of research? Is it someone in the marketing department? What functional area would actually be doing this kind of research to identify the size of the market?

Phil Sullivan: Great question. It depends on the sophistication of your marketing department. It might be the product marketing group. But basically, the head of marketing should be providing this information to you. But as the CEO, my advice is validate it yourself. You need to be able to, with the relationships that you have, you should be able to at least get some validation of the number. Hopefully the marketing team can give you a little bit more accuracy to it, but you should be able to assess yourself as the CEO pretty close to what the number should be.

Steve Sanduski: Well, let's use an example here. We can just make this up. Maybe we talk about the taxi business in a local city or maybe some other example where we could say, "Okay, this is the product and this is the total addressable market either in our geographic region or whatever." Do you have like an idea and example that we could run with here and just really go through these three different pieces here?

Phil Sullivan: Well, I think you said a taxi business, so I think first of all I would start looking at how many people are planning in the space. You know, how many taxi companies are there. I would assume probably the data point you'd want is total cars, total vehicles, right? Total vehicles serving the area. Then you would need to try and find out, hopefully

there's some data on it, on the amount of people using those vehicles so you can come up with a number of passengers per day per vehicle. That would be my instinct.

Now, there's a lot of other markets that could probably come from there such as limousine markets and special things like that. But I would start off with the core, you're saying I think you said a taxi company. I would look for how many vehicles are serving a specific area and how many customers are in that area using that service. Then from there, you can scale it if you went to another city, et cetera. But something else you should also consider is there certain parts of the business that you'll love to out up? Can you get the permitting for instance, to serve that particular region if you're, you know. Is there certain restrictions on the vehicles that you have to have per the town? That's kind of how I would break it down, Steve.

Steve Sanduski: Okay. Then so we basically have an idea, a sense for the size of the taxi market in this particular area. Then part two you said is does your product really satisfy across the whole market? I think you started touching on that, but any further detail on the second step as it relates to this example of the taxi business?

Phil Sullivan: Yeah. Again, I think those of you that use Uber. You have I think three choices of vehicle, Uber black, et cetera. I think you need to decide are you going to serve all those three markets or are you going to specialize in a particular part of the market depending on the resources that you have? I think it goes from there. There are a lot of other opportunities, but to me, what are you good at? What are you trying to run your business around and really focus on that.

Steve Sanduski: Okay. Then I think maybe we've touched on this as well, so really this reach or coverage as you're really trying to identify how much of this market can I actually get with the people, or the products, or resources that I have available to me?

Phil Sullivan: Correct. Yes.

Steve Sanduski: Okay. Then if we want to grow the levers that we can pull here, like in your example with Samsung where you grew the company dramatically in a short period of time, what are examples of some of the levers that people can pull here using this particular type of strategy?

Phil Sullivan: Let's talk about market access, right? Let's talk about that for a moment. Like you said, if you can get access, that is really a significant opportunity to grow. But this is an extremely complex problem and requires a significant amount of study in your particular space. It's incredibly important if your product is designed into a final product for say an OEM, because an OEM may only have a window of say five to seven years that's under strict regulatory where you have an opportunity to get in there. So when you have an entry point every once in five years, you can't miss that opportunity. You can't miss that large market opportunity.

Another example is there a group purchasing organization that we talked about before that you have to get qualified, you have to get on the list. Are you interested in selling to

the government, for instance? There's a very distinct process that you have to follow. There may be a lucrative opportunity as you said, by pulling that lever that allows you to get access to the government. Do your competitors have large amounts of the market locked up with longterm corporate relationship agreement?

I think the market access piece, I think a lot of companies have not really invested or understood the complexities of some of that. But also if you're supplying to an OEM, it's so critical that when that OEM is in a purchasing decision, you know about it. I used to always talk about this at Samsung about if somebody is in a room talking about a purchase decision for products similar to yours and you don't get invited to that meeting, you're never going to win. If you get invited to the meeting, you get to present, you'll be able to sell the story about your product or your service and you don't win the business, I can probably live with that. But never being able to tell the story is the key to that.

I think moving onto the product or services that you have, do you need a low cost option, but you've got to be careful you don't sabotage other parts of your business by doing that. Is there a certain feature that you're missing, like a cyber security thing or a certification that you can simply add to your product line that would open up the market? Also, sometimes customers are looking for an enterprise solution. What that means is they want to do one-stop shopping, and maybe there's a hole in your product lineup that is stopping them from purchasing that enterprise solution.

Obviously, the next steps and we talked about is reach. You Is not about just adding a sales person. You need to think about what type of coverage do you need to deliver, as I said before, that world-class customer experience. Are you going to go direct or are you going to leverage partners, distributors, or agents? Are you thinking about a hybrid approach where you perhaps you sell directly to large customers, you demand that direct relationship, and let channel partners handle more of the local regional customers. All of these decisions are made in a specific industry, but I would always say you need to default to can you deliver that world-class customer experience. I think a lot of levers there, but I think it's a systematic approach going through all of those different areas.

Steve Sanduski: Well as I hear you describe this, it seems like this is a great application in the sales area in terms of setting annual quotas, and of course that's a big issue that CEOs and sales leaders have to deal with all the time is how do I set a quota? How do I come up with a number that is a stretch, yet still backed by some data that as the sales leader or CEO, I can justify that this is a quota that makes sense and that the salesperson can say, "Yeah, I get it. It's doable. You've shown me the numbers here." Is there an application here as it relates to the sales function?

Phil Sullivan: Absolutely. I mean, Steve, there's so much emotion that can happen in a sales organization when decisions are being made without data. I don't know if you'd like to do this, but let's do a little role play. I'm the sales manager and you're the sales rep. Is that okay, Steve?

Steve Sanduski: Sounds good.

Phil Sullivan: Okay. Steve, what do you think you can do this year?

Steve Sanduski: Well, let's see. I think I did about a three million last year, so maybe bump that up 20%

Phil Sullivan: Well, we all got together and we've decided that your quota is five million, so good luck.

Steve Sanduski: Oh, thanks.

Phil Sullivan: Right? A lot of emotion, right? Because it's one of those things where people are like, "Well, where did that come from?" I think again, moving forward to today. So Hey Steve, did you enjoy the annual planning session?

Steve Sanduski: Yeah, it was great. Really learned a lot and I think we came up with a good strategy here.

Phil Sullivan: Well, I really appreciate it. Your market data, the 10 million that you set in your area was an integral part of that. The marketing team, I thought it did a fantastic job of explaining the market that's available to us. And also too is I really love that product positioning and competitive analysis that we did so we can really find the sweet spot that we have for our products. How did you feel about that?

Steve Sanduski: Yeah, I think it made a lot of sense. I was happy to see that we really took the time to do some research and back things up with some data as opposed to just kind of coming up with some estimates, which I think we've tended to do in the past.

Phil Sullivan: Yeah, that's good. This is a little bit of a tough conversation. Steve, you're doing a fantastic job for us, but I want to talk to you about Coca-Cola. I know you've been working that account, but we all know it's not going to open up for like four to five years from now. What I'd ask you to do is let's have the national account team handle it. They can keep you in the loop. We'll kind of let you know what's going on. But right now, we really want you to focus on that top 50 targets that we share with you with the meeting. Is that okay?

Steve Sanduski: Yeah, that's fine. That's fine. Yep.

Phil Sullivan: And we'll keep you up to date, but I understand Coca-Cola's important to you, but it's not open right now and we need to let the national accounts go with it. We have lots of new sales initiatives, which we talked about and it looks like last year you achieved a 50% market share. If we look at your \$10 million that you gave us with a 50% market scariest, we're going to set the quota at five million, but we're going to have monthly review and check in with you to make sure we're all on the same page. How do you feel about that, Steve?

Steve Sanduski: Well, if you take Coke away, that's going to free me up to have more times, so I think that it seems aggressive considering what I did last year, but I think I'll have some more

time freed up. I think we've identified the market and done a good work in sizing the markets. I think as long as I get the support, I think it's a stretch, but I think we can do it.

Phil Sullivan: Yeah, I think so too. Again, we're going to check in every month and if we actually find the pipeline isn't what we think it is, then we'll reset. Again, Steve, I think that's the kind of the two different approaches, right? It's a very systematic approach where you have the sales team involved in the quota-forming process versus a very emotional, if you like, swag, at what we think everybody should be doing.

Steve Sanduski: Yeah. Well, I think that's a good process. Do you have any other thoughts since we're talking here about the quota setting process? Anything related to that part of the conversation that you think would be helpful for CEOs and sales leaders?

Phil Sullivan: Absolutely. Again, I love examples and hopefully you do too. Let's just say you go through this activity you and determine that reasonable total available market to you is \$100 million. Then you have a look at what's accessible to you and you find out that there's about 15% of the market that you just can get into. So you have like about an 85% access. That's pretty good, right? Your products, as we said before, maybe it doesn't have certain features and it doesn't have perhaps a low cost option, so you've got about 70% of the market that's kind of in a nice sweet spot for you. Your sales team covers about 50% let's say, of North America. When I say that too is I don't recommend people should use by states. I always say we use like that heat map that I think the cell phone company has.

Think about where the people are, so you've got about 50% covered. So \$100 million term, 85% access, 70% good product coverage, and 50% sales coverage. That means you've got a \$30 million opportunity, not a hundred. Again, before you could do a sensitivity analysis on this and then from this particular opportunity by going national, you could increase your opportunity from 30 million to 60 million. But if you spend all your time on market access, you would only grow this market about five million. So there's, depending on your market, depending on the private and coverage that you have, you really need to dig into this and kind of find out where the best advantages are for you. Then you could do some testing and learning on new ideas to validate this database.

Let's go a little bit deeper on that. So we're at 30 million, so we're all going along there. We have this \$30 million opportunity. Then say what's your typical sales cycle from say quotation to installation? Let's say it's six months. That means you should have about \$15 million of opportunity in the pipeline. That's where you should start. And if you find you've only got three million, you need to go back and validate. This is probably one of the most important things that I can say is that understanding your pipeline is really the leader of so many activities. Again, we talked about a hundred million dollar term. In reality, it's a \$30 million opportunity to us, six months sales cycle. You should have about \$15 million in the pipeline, or at least 80% of that. Yeah, hopefully that makes sense, Steve.

Steve Sanduski: Yeah, it does. Now in your experience, what percentage of companies are following a methodology like this versus just sort of picking a number somewhat out of the year.

Phil Sullivan: I think big companies in very well defined markets are doing it pretty systematically. You know at Samsung, I probably had 30 sales metrics. We had all kinds of things that we measured, but what I would do religiously is that in the markets where it's required 100% of demo, I would review three things. I'd review the pipeline, the number of demos, and the demo success rate. Because if you know what's coming and if you know how many demos you're doing and the success rate of those demos, that will lead to the revenue that you're looking for. I would say companies that have a well-defined market, have a good size, are probably doing this at some level. But what I worry about is they're probably taking too many data points and they're getting themselves all confused. Where to me, it's all about the pipeline. If you need to do demos, did you do them and then were they successful?

Let's play it as an example. Let's say we are looking to make \$10 million of revenue from that \$30 million market that we talked about. That would be like a 33% market share. Well, if each deal is about a hundred thousand dollars and you have a 50% success rate of demos, you should be doing 200 demos per year or 20 demos per month so every month you can validate. Now, there may be some seasonal effects here. Some businesses do 50% of their business in the fourth quarter. But the number of demos that you take, finding that root measurement for your business is really, really important in this whole process.

Steve Sanduski: When you talk about that root measurement, are we talking about that leading activity?

Phil Sullivan: Absolutely, yes. To me, as I said, there was three of them, right? Pipeline is about the right size. You're doing about the right amount of demos and you're getting the right success rate from those demos. So if you don't have sufficient pipeline, go fix that. If you're not getting sufficient demos, go fix that. And if you are not getting the demo success rate, go fix that. Those three leading indicators will result in the following indicator of revenue.

Steve Sanduski: Then in terms of monitoring this process, I think you were talking about monthly. Are you looking at these on a monthly basis as part of your leadership management structure?

Phil Sullivan: Right. Again, I think this is a great question there, too, Steve, is that we want salespeople selling, not filling out reports every five minutes, right? I think monthly is fine. I think sometimes it's good to have a weekly activity report, particularly about the pipeline. But yeah, I think monthly is a good frequency. I mean, it depends on your market. It depends on the conditions. But listen, we want salespeople selling, so we need to make this data reporting as streamlined and as efficient as possible.

Again, I think just as in review, before you move forward with looking at access, redesigning your product, expanding your coverage, et cetera, et cetera, you really need to determine how you will scale with the business. Okay? We talked about it a little bit.

The corporate accounts area or national account area requires a significant amount of investment, and a lot of people use the high-quota carrying sales people to try and open up market access. That just hasn't been successful for me in my career. So if you do have a large opportunity in that corporate national account, I strongly recommend you look at hiring people in that particular function. That would probably be the one thing that I would add, Steve.

Steve Sanduski: All right, let's just talk about you a little bit in terms of you recently joined CEO Coaching International as one of the coaches here. Tell me a little bit about what made you want to become a coach here.

Phil Sullivan: I think that by combining my life experience with the world-class proven processes of CEO Coach International, I hope I can help CEOs everywhere. I really do.

Steve Sanduski: Excellent. All right, well let's jump into a few rapid fire questions. It's always fun to wrap up the conversation here. Are you ready to get on the hot seat?

Phil Sullivan: I'm ready.

Steve Sanduski: All right. We'll start with an easy one. What's one of your favorite business books?

Phil Sullivan: I think *The Goal* by Goldrat. I think everybody knows about Herbie and I think it was a great book that is applicable to everybody in your organization.

Steve Sanduski: What's one idea that sticks in your mind from that book?

Phil Sullivan: Again, having a whole organization focus on the constraint. What is the constraint in your business? Go remove that constraint, and once that's removed, go find the next one.

Steve Sanduski: Okay. How about a new skill that you are trying to develop?

Phil Sullivan: How to truly understand the needs and motivators of the millennials. I think I need to continue to learn. I just read Patty McCord's new book, *Powerful*, and she talks a little bit about that. So understanding the needs and motivators of millennials.

Steve Sanduski: Okay. Then a final one here is you have a pretty significant business background in leadership positions with a variety of different companies. As you were building some of your companies in the past, was there one activity that was typically hard for you to let go of as your companies grew?

Phil Sullivan: Probably in the areas of customer service, because as I grew, as we had to build infrastructure, getting further away from the customer was a challenge for me. I think that would be the one thing that I struggled with, allowing other people to be between me and the customer.

Steve Sanduski: Great. Well, I think we'll wrap it up there. Phil, appreciate you being on the show and sharing your insights here from your many years of experience. Congratulations and welcome to being a coach here at CEO Coaching International.

Phil Sullivan: I appreciate the opportunity. Thank you.

To inquire about our coaching services and programs, please call **1-866-622-9583**.



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