Mastering the new reality of sales

As customers seize the balance of power and more aspects of the sales process migrate online, leading B2B sales organizations find they must radically restructure their approach. By addressing six imperatives, companies are realizing EBITDA growth of 20% to 25%.

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Visions of the future, or today's reality?

- Prospects will have screened you out of consideration based on your digital footprint (or its absence), even before one of your representatives has a chance to understand their needs.
- The line between sales and marketing will disappear; an integrated "smarketing" function will emerge to synchronize coverage and resources with target customers.
- Your customers will spend more time analyzing your offerings than you will on analytics to understand their buying behavior.
- A competitor will offer your customers better, more seamless service through lower-touch, lower-cost channels, winning share and loyalty.
- Generalist reps without a specialization will all but disappear.
- You will be forced to either retrain or turn over more than half of your reps to keep up with competitor sellers who truly add value rather than just communicate features and take orders.
- Selling costs will grow faster than revenue without a deliberate effort to reverse creeping complexity and administrative burden.

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Sales executives in business-to-business (B2B) industries have endured tremendous disruption in recent years. Customers have ready access to extensive product information, giving them the advantage before they engage with a sales representative and allowing them to demand more customized products. Upstart competitors, meanwhile, use digital channels to sell direct at ever-lower prices that entice customers to try the product and shift their budget away from traditional competitors.

Few companies have fully prepared for the structural changes taking place. Many buyers will have researched a supplier, queried some of its customers and screened the supplier out of consideration before the supplier's rep has an opportunity to contact the prospective buyer. In some industries, the sales process is rapidly migrating online, where a growing share of products is bought without customers and reps interacting.

These trends have profound implications. To start, the distinction between marketing and sales is fading, as marketing must play a larger role in the sales process. In addition, the traditional role of the sales rep identifying needs and communicating product features is waning, and the ranks of quota-carrying reps without relevant expertise in an industry, function or offering will disappear. Companies will be forced to retrain or replace more than half their reps just to keep up with competitors that have already retooled their salesforce. Finally, selling costs will grow faster than revenue, without a concerted effort to rein in the creeping complexity that stems from product line expansion.

Most management teams acknowledge they have not yet come to grips with the new reality of sales. Bain & Company recently surveyed 550 sales executives in US-based B2B companies and found disturbing results:

- 60% said their companies do not consistently do a good job of aligning offers to target customer segments.
- Only 40% said their sales reps have a strong understanding of their company's differentiation.
- Only 35% said their marketing and sales organizations have strong operational alignment.
- Almost one-third said the majority of their reps do not have the requisite skills.

Figure 1: Six imperatives for the new reality in sales

1	**Stay on target.** Develop a sales system that matches the right offer at the right time to the target segment and delights customers based on a deep understanding of their priorities.
2	**Know customer value and values.** Enable your front line to understand a customer's value to the firm's growth and profitability, as well as the customer's decision dynamics.
3 .com	**Re-imagine the channel mix.** Invest in low- and high-touch channels to match sales capacity with opportunity and customer preference, then double down on self-service digital channels to help customers help themselves, earning loyalty and a high ROI.
4	**Align resources across marketing and sales.** Seamlessly integrate marketing priorities with sales channel mix and capacity. Rethink where marketing ends and sales begins, as buying processes begin earlier than ever.
5	**Raise the bar on talent.** To build the next generation of sellers, elevate expectations and strengthen capabilities. Recruit people with relevant expertise, and train sellers to make the most of their time with customers.
6	**Get the wiring right to unlock sales capacity.** To reinforce new behaviors and track effectiveness, invest in data and analytics, system linkages, compensation and tools.

Source: Bain & Company

- Three-quarters have made significant investments in technology—but less than a third have realized marked improvements in sales effectiveness from those investments.

Companies need to take a fundamentally new approach to sales, and quickly. Bain's experience and analysis point to six imperatives for generating repeatable growth (see Figure 1). With the right approach that integrates these imperatives, companies have realized EBITDA growth of 20% to 25%.

Stay on target. Leading sellers become expert matchmakers, and smart organizations design a system that equips their sellers to make the right match. They figure out which products and solutions best suit those customer segments with the highest lifetime value and loyalty. And they keep true to this matching when they put the plan into operation.

Consider one chemicals company that saw a decline in market share and margins, in part because it had not targeted particular segments or kept close watch on its customers' needs. The company undertook a fresh analysis of its 40 markets to identify the most attractive ones in terms of size, growth potential and fit with its products. It also ranked its customers based on the volume of their purchases and their sales potential, then surveyed them to understand what aspects of its offerings are most important to them. The company discovered, for instance, that while it ranked high in enhanced services, customers don't put a high value on them. Based on the analysis, the chemicals company redesigned its services and identified $145 million in potential new EBIT. Over the subsequent year, the company grew its North American market share by between 8% and 38%, depending on the segment, and is halfway to meeting its financial target.

To identify the highest-value accounts, companies usually can mine both internal customer data and data gleaned from customers' social media trail to determine the profitability and growth potential of current and prospective segments of accounts.

A global telecommunications service provider had been segmenting small and medium-sized enterprise (SME) customers based on their current revenues rather than potential revenues. One of its retailer customers, for instance, was classified as a small business well after it had grown to a larger enterprise with a strong trajectory, and the telecom provider had been serving it with a small-business team. After the provider analyzed its customer data, it decided to tier SME customers by both revenue and opportunity. With the new priorities set, the provider could hone its coverage and product sales strategy to better meet the needs of those customers, like the retailer, with upside potential.

Sales leaders have also begun to use technical tools to steer sales reps to the high-potential accounts and raise their odds of winning. Predictive analytics can aggregate a customer's past buying behavior to spot patterns and predict which product a customer will most likely be interested in buying, and when. That equips sales reps to have more informed conversations with customers to better address their needs.

Know customer value and values. Staying on target involves knowing what to sell and to which customers. The next imperative involves knowing whether and how to sell for each specific account. Not all sales opportunities, even at a target account, have equal value for a given supplier. Some merit a sustained campaign by sales reps, while others yield little return. Leading sales organizations design a rigorous process to determine which opportunities to pursue.

AutoTrader.com, an online automotive marketplace, recently sharpened its focus on the most important sales opportunities. It moved smaller auto dealer customers to an inside sales and service center, where they receive better service than when they were served by the field force. Moving smaller customers inside not only improved the performance of those accounts; it also freed up capacity in the field, which could be redirected to the more complex accounts and to improving the account management process.

Even when sellers can identify the best opportunities, they often lack a detailed understanding of how target accounts make buying decisions. B2B sellers increasingly have to deal with many stakeholders and decision processes.

For each priority account, successful sellers map the account's decision process to identify the influencers and decision makers. They then devise an account strategy to effectively navigate this complex landscape.

Technology providers have been disrupted by online innovations that allow prospects to easily try out tools with low entry-level price points and more incentive-based pricing. Many providers recognize that their products no longer are purchased through a process led by the customer's chief information officer, but rather through a more complex process involving line-of-business heads, or a functional head, such as a chief marketing officer, and a procurement department, who have significant influence or even make the final decision.

One leading tech provider has reoriented its sales discussions with customers around how its offerings are affecting the customer's business performance, rather than on technological features. Its account planning now maps decision makers and influencers explicitly, as well as develops tailored strategies for engaging them and addressing objections or competitive threats.

Re-imagine the channel mix. Sales leaders figure out how to engage with customers in the right way and through the right means at each stage of the buying process. This requires having the right marketing outreach and digital footprint to entice customers during their discovery stage, then deploying the optimal mix of online sales platforms and traditional sales agents to win the sale. Each route to the customer has different economics, and perfecting the mix raises win rates, earns customer loyalty and provides a higher return on the selling investment.

What does reimagining the channel mix look like? Google realized that live sales actually were limiting its direct-advertising business with SMEs. The company built a self-service platform to allow advertisers to manage display campaigns by themselves and use benchmarking tools to evaluate the impact of each ad. That move helped Google double its display ad revenue from an annualized run rate of $2.5 billion in 2010 to $5 billion in 2011.

Using digital channels to go direct can broaden sales without cannibalizing existing offers. Implant Partners (formerly Wright Direct), a maker of joint implants, saw growing demand for lower-cost options among hospitals that make purchasing decisions based on institutional, rather than physician, preference. For those customers, it took sales reps out of the process and delivered products directly to the hospitals that hold the inventory and were willing to have lower levels of sales support. By rethinking the channel, Implant Partners could profitably sell implants at 40% to 70% less than the market price.

Align resources across marketing and sales. Inside many B2B companies, the boundary between these two functions has tended to be hard and fast, with each function often unaware, and therefore unaligned, with the other's activities.

Disconnected sales and marketing functions make a company vulnerable. An effective digital footprint can quickly lead to a sale, while its absence will prevent serious consideration. So B2B companies must rethink where marketing ends and sales begins, and develop shared goals, joint processes, joint metrics and clear decision rights over each stage of the cycle.

For example, telecom service provider Windstream Communications is transforming its B2B marketing organization to align more closely with its sales team. The shift includes a significant increase in digital marketing, lead generation and product campaigns focused on market segments where Windstream's sellers will most likely to be successful. The new approach fosters a sense of shared responsibility and much greater cooperation between the two functions.

Raise the bar on talent. As customers do more early research on products, and increasingly expect providers to help solve their business problems, there's more demand for specialists with expertise in an industry, functional area or product offering. Some of the relevant specialists can be hired and some developed through training—but it's critical to get the depth of expertise right. Leading B2B companies thus are redesigning how they recruit and train.

Rabobank, a leading global food and agriculture bank, has deep roots serving the farm sector and has set up its rural salesforce to be close to its farmer customers. In contrast to many other banks, Rabobank made a concerted effort to recruit relationship managers with a strong agricultural affiliation—often the second son or daughter of a farmer (because the first normally takes over the farm). It trains farmers to be good bankers, rather than allocating generic banking recruits to serve farming clients. Rabobank also partners with leading agricultural university programs to tap into the right talent pool early on. And both global and local training programs bring together farmers and relationship managers annually. Raising the bar on talent has helped Rabobank move toward a leading position in agricultural lending in key global markets.

Companies can also raise the bar by investing in their current sales staff, as a leading media company has done in its billboard unit. Selling ad space on digital billboards involves a fundamentally different sales process than selling on traditional vinyl billboards. Content can get updated at any time, results may be measured quickly and sales reps work with different buyers. Recognizing the need to improve its sellers' digital fluency, this company developed an extensive training program that all of its 800 reps completed within a year. Implementing this training program led to double-digit sales growth in the following year for digital billboards.

Get the wiring right to unlock sales capacity. Investments in technology can automate or eliminate low-value activities from sales reps so they can spend more time with customers. Coca-Cola Enterprises, for example, has equipped its field sales reps with a mobile application that gives them detailed information about each store they serve, including the store's assessment of Coca-Cola's performance. The company also released a mobile app that enables store owners to reorder and log service requests. As a result, both the sales team's productivity and customer satisfaction have risen.

Investments in technical tools can also reinforce behaviors that improve the quality of time spent with customers, especially for new sellers. Solocal Group, a large European online media and advertising company, recently designed and deployed a fully automated sales pitch production system. For each account, the system automatically extracts up-to-date data from its customer database and inserts it into a pitch tailored for the customer. With this shortcut, reps can quickly and easily advise customers on how to reach their business goals. Pilot tests suggest the new system will lift the company's revenues by 10%.

Sales leaders committed to mastering the new reality can start by asking a series of tough questions:

- Do we know which segments are most loyal and most profitable? Which segments have the best growth prospects? Are we gaining or losing share with our target segments?
- Do we know which sales opportunities to pursue and which to walk away from?
- Do we really know who makes and influences the purchase decisions and on what basis?
- Do we know what the most effective means of reaching our target customers are at each stage of the sales process and also the economics of each route to the customer?
- Do our marketing and sales functions collaborate closely? Do we hold them accountable for a consistent set of objectives and use consistent metrics?
- Do we equip our sellers with the right context, expertise and skills to both navigate our customers' organizations and differentiate our value proposition to customers?
- Do we collect and analyze data to predict which products customers are most likely to buy, and when?
- Do we understand the distribution curve of individual sales rep productivity?

The answers will reveal the biggest opportunities to spur profitable revenue growth and get ahead of the new reality of sales.

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