

Recipe for Sales Force Excellence: Take Sales Magic, Add Method, Stir and Implement

Those who love sales are exhilarated by the thrill of the chase, the understanding of the customer's need, the fitting of the not-quite-square peg into the not-quite-round hole. Yet sales has changed. It has become more sophisticated and technical, more strategic and less routine order-taking, more insight than output. Is your old sales force keeping up with the new sales dynamics?

In the search for competitive advantage, executives revamp procurement, realign their manufacturing and operations footprints, rethink their new product pipelines, streamline their administrative functions and refine their marketing messages. But few tackle sales. They

fear that meddling in sales will somehow destroy its magic. That may have been true a few years ago, but not today.

A.T. Kearney's Sales Force Excellence approach preserves and expands sales magic while adding strategy and structure. We match



expected sales capacity (market demand) with available salespeople (supply). When magic and method intersect, your sales pros move away from time-consuming, unproductive activities, improve their effectiveness, and increase their direct selling time and hit rates—and your company gains capacity by reallocating and rationalizing sales tasks. Productivity goes up as the sales force is provided with prioritized leads and a formalized way to work (see figure 1). Most important, this approach produces immediate impact as well as growing advantage over time—which keeps the sales team on task and makes the board of directors happy, too.

Using this approach, one of our clients sent earnings and revenues growth into the double digits without adding a single salesperson. An energized and excited sales team is now working far more productively than it ever did under the old regime. Other clients with different challenges have seen similarly dramatic turnarounds (see sidebar: *Getting Serious About Sales on page 49*). And company leaders now have answers to top-of-mind sales questions:

- How can I sell more without hiring more salespeople?
- My customers are complaining they don't get the attention they want. How can I serve them better?
- How can we become a next-generation supplier, being preemptive instead of reactive, knowing what's going on in our customers' markets and helping them grow their businesses—even if we sell indirect materials like office supplies or mobile phones?

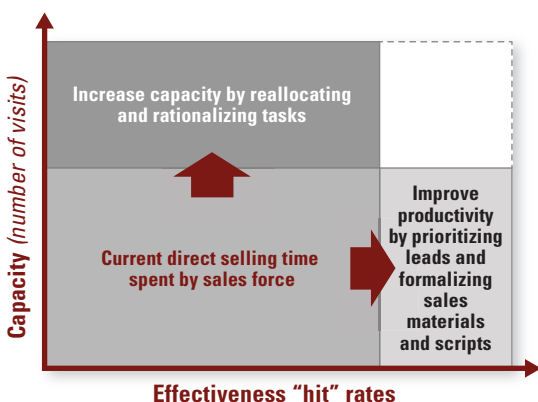
All leaders want their salespeople to make more sales calls and achieve a higher hit rate. And, in the process, we all face the same basic challenges: Are we doing the right things (customer strategy)? Are we doing things right (go-to-market strategy)? Is the field force receiving the right enablers (systems and tools)? Are the right support processes in place (supporting capabilities)? The following outlines our approach as we answer each of these questions.

Doing the Right Things: Customer Strategy

Your salespeople contact your (potential) customers all the time—or do they? Sales incentives tend to reward immediate results. Thus, in a typical pattern, account managers pursue the likeliest prospects (from their point of view), close the sale and then hand the customer over to the internal organization for deployment, billing and after-sales service. What could be wrong with this? Lots. For one, your sales executives are bypassing strategies for growing the business. Instead of hunting prospects identified as those that will help the company's long-term business, which might require some effort and elbow grease, they simply farm existing accounts or sell known products. People generally like people, and salespeople like people more than anyone else,

FIGURE 1

Increased capacity + effectiveness = improved productivity



Source: A.T. Kearney analysis

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so they don't like to hear about "targeted segments" or "high-potential sectors" or things that don't sound like a human being talking to another human being.

But change is difficult and new ways of doing things are often unpopular. Take, for example, the sales VP who did not like the proposed reallocation of his staff, and complained that if the company launched its new customer strategy then all of his customers would go to the do-it-yourself superstore down the street. But the company would make 13 percent more from this segment if the staff were reallocated. What's not to like about that? The conversation ended quickly.

It's also less appealing to invest hours and effort hunting for new customers than to harvest existing customers, especially in tough economic times like today. However, if your incentive program rewards "sales" as opposed to "incremental sales" or "sales to new customers" or—finally—"high-potential new customers that we want you to penetrate," then you should expect doughnuts rather than dough. It takes work to prioritize customer segments, accounts and products, and to keep those priorities updated. This is not something you want to leave up to individual choice and talent. It is a core competence for the customer-focused company. It's the time left in your scuba tank when you are 30 meters underwater.

Segmenting your customer base. Many B2B segmentations fail because they are either derived from market research (that is, not matched with customer data) and hence not applicable on a one-to-one basis, or they do not express true customer demand. An advanced segmentation enables dramatic top- and bottom-

line results. Fundamental to any B2B segmentation is stirring external market data into your own customer database so that insights are generated bottom-up. We used this approach with a leader in the European telecommunications industry, first determining the product-specific sales potential of prospects and then building segmentation strategies accordingly. Armed with a sales potential-based segmentation, the company could design and shape the right channel mix to address market opportunities.

If you try to protect yourself against a windfall bonus for a superstar, then you're going to clip the wings of all your best salespeople.

Cost-to-serve. Using a sophisticated cost-to-serve model, we determine the optimal go-to-market strategy. Those who have suffered through DPP and ABC and other methodologies will be happy to know that current technologies and design provide an enormous strategic advantage.¹ The key is not to boil the ocean but to work from hypotheses relevant for your business. Certainly, segment size, growth and contribution margins are important.

Perhaps the next most powerful aspect to assess is the cost of up-selling and cross-selling to an existing customer. How does that customer really order? The cost of sales varies tremendously by medium, with a rule of thumb of sales-to-telesales-to-email at 100-to-1.0-to-0.01. This rule is broadly applicable, determined by

¹ DPP is direct product profitability; ABC is activity-based costing.

personnel costs alone and the number of calls per day your professionals can make. A seemingly slight change in your customer’s choice of medium can create huge fluctuations in cost-to-serve. Altogether, these steps provide more confidence in assigning accounts and managing expectations.

How often to contact? The other problem with sales-as-usual is the tendency to overlook the contact needs of prospects *and* existing clients. Do they expect a call every quarter, even during a two-year contract? Do they feel ignored if no one follows up after a technician repairs a malfunctioning product? And if you meet these contact expectations, will customer satisfaction and revenues increase?

Consider the experience of our client, a European foodservice company. With a multi-year contract on its product, the company followed the sales-as-usual pattern: Before the sale, prospects received considerable attention. After the sale, they were not visited again until the contract expired (or when too much had gone

wrong). At that point, the sales force resumed its courtship but had lost customers. We polled the company’s customers, finding that loyalty decreased over the life of the contract, and that more contact yielded more loyalty. Very few customers felt over-contacted, and satisfaction with contact levels was closely tied to likely retention. Figure 2 shows the difference a better contact strategy can make. According to our analysis, the foodservice company could increase its overall customer retention rates by 6 points (or 10 percent) with a more active contact strategy. The improvement is even more dramatic at the “less likely” end of the scale.

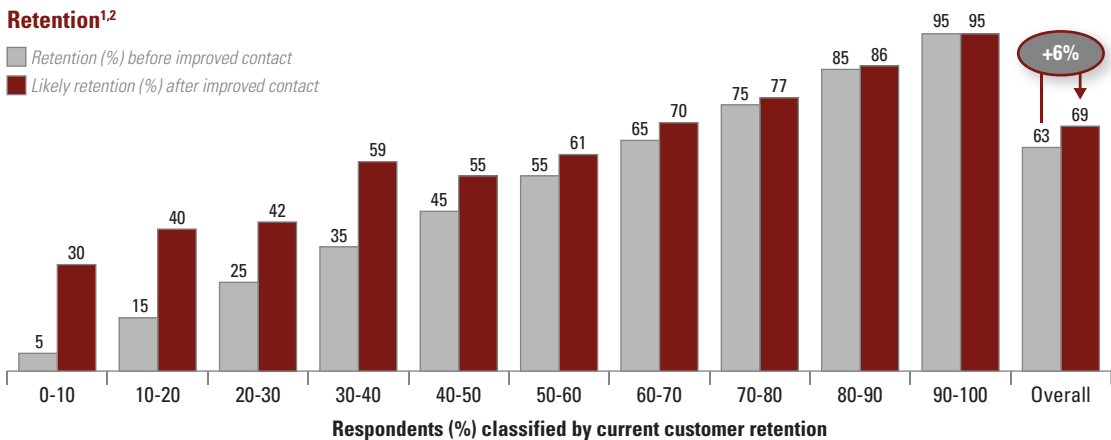
We designed a contact strategy for the company, linking the variety of personal and non-personal contacts to each customer’s potential value throughout the life of the contract. The three-dimensional strategy shown in figure 3 on page 48 prescribes the point in the contract life cycle a given account should be contacted, and the communication medium through which contact should be made.

FIGURE 2

Growth in customer retention through improved contact

Retention^{1,2}

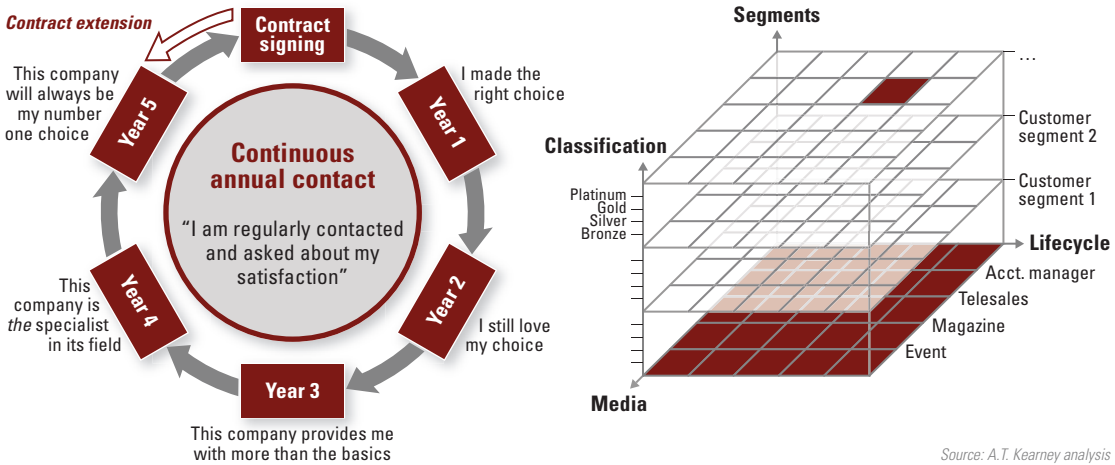
■ Retention (%) before improved contact
 ■ Likely retention (%) after improved contact



¹ Respondents indicating lower retention likelihood after improvement have been excluded from the analysis.
² Respondents from the 90-100% likelihood classification have no higher-level answer option and thus no increase of likelihood.
 Sources: Contact strategy customer survey; A.T. Kearney analysis

FIGURE 3

Example of life cycle and 3D contact strategy



Source: A.T. Kearney analysis

Putting it together. “Assigning accounts,” you say? “Managing expectations?” Everybody likes freedom, but they like a little structure, too. We find that it makes sense to plan about 60 percent of a salesperson’s call schedule, and then challenge them to make the other 40 percent an out-of-the-box success. Sales will always be a people business, and if you can successfully eliminate the magic and personality from your sales function, then you probably really don’t need salespeople. Your salespeople are the ones who decide whether it’s coffee or cupcakes. They’re the ones who sense whether it’s soft/pretty/happy or tough/factual/cold. They’re the ones who walk out the customer’s door with the order—or not.

Wrapped around this powerful, expensive resource known as a salesperson are dozens of processes that influence and affect your customers’ predisposition to buy. In most situations, the customer has more contact with your tech service group and your finance organization than with his or her designated sales rep. You may think that these interactions are light and glossy while the sales calls are really important,

but your customers don’t see it that way: All contact with the customer should consider his or her perception of and satisfaction with your company and the quality of service provided.

Doing Things Right: Going to Market

Having designed an exciting new customer strategy, executives typically think they need more people on the street to visit their prospects and customers, and more people on the phone to qualify leads, sell products and deliver service—when what they really need is more direct selling time. Luckily, that’s exactly what your best salespeople want as well. But how to get it?

One client’s field sales force was spending more than 88 percent of its time on indirect and non-selling activities such as administration (planning visits, entering orders), internal meetings and travel. We lightened the burden by rethinking sales patches, reassigning busy-work (well, that’s what salespeople called it) to other groups and having less expensive resources

do some of the routine follow-ups. These moves increased the salesperson’s direct selling time from 12 percent to 22 percent, a hike of more than 80 percent. In other words, the client effectively “hired” 80 percent more salespeople.

To free up the sales force to have more time to sell or make contact (the trick is to be in touch even if you don’t sell; the contact alone means you have a customer who feels valued instead of neglected), requires baselining current sales activities and identifying how each task can be sensibly minimized or reallocated.

Nearly all companies can eliminate or streamline unnecessary work and use existing tools and people more effectively. In our work for one company, we found that most salespeople spent at least half a day per week at

headquarters straightening out invoice and order problems. After a reorganization of tasks, the company ultimately increased total sales capacity. Figure 4 on page 50 illustrates how we delivered an immediate impact—doubling direct selling time (capacity), in fact—without dramatically changing anything else.

Bring on the Enablers

Increasing sales capacity is the goal—but increasing capacity by itself is not sufficient to increase sales. You also have to boost the sales hit rate, or effectiveness. This requires systems, metrics and motivators, including key performance indicators (KPIs). These back-end enablers may be less exciting than developing new contact

Getting Serious About Sales

The following case studies highlight how the Sales Force Excellence approach helped three clients improve sales, profits or return on investments (ROI).

B2B Firm Increases Selling Time, Profits. A global B2B cleaning products and systems company was under serious financial pressure, primarily due to needless specialization. The company had aligned its nine (yes, nine!) sales forces according to industry sectors rather than to customer buying behavior. In addition, considerable channel chatter existed throughout its independent distributor network, and salespeople were spending too little time selling and too much time managing leads and serving customers. Our priorities: (1) consolidate the sales forces to match how different customers purchase their products, (2) align sales teams with

independent distributors, (3) define roles and responsibilities for each, and (4) reallocate lead management and customer service tasks to more specialized (and lower-paid) colleagues. Thanks to these changes, the company increased face-to-face selling time by 30 percent and profits by 25 percent.

ROI Soars for Healthcare Provider. A major healthcare systems provider wanted to improve its customer-facing support systems and processes—account management, marketing tools and incentive programs—but worried that its sales teams would not take to the new processes. We developed segment-specific relationship strategies, and realigned the sales and marketing organization accordingly to ensure seamless incorporation into everyone’s daily work. ROI, measured in cumulative incremen-

tal earnings before interest and taxes, increased 13 times over three years.

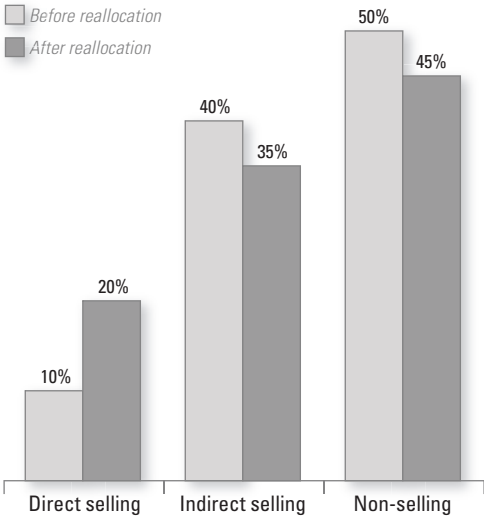
FMCG Starts Selling Again.

As growth languished for this global fast-moving consumer packaged goods company, our analysis identified several reasons, including wasteful overlaps among the sales, distributors and broker channels and lots of missed opportunities to up-sell and cross-sell. We developed distinct customer segment strategies—matching cost-to-serve with expected profitability—and launched a promotion management system that eliminated redundant discounts, allowances and rebates. And an outbound telesales group, specialists at up-selling and cross-selling, solved the company’s missed-sales problem. The result? Sales soared by 36 percent.

FIGURE 4

Direct selling time doubles

Before and after sales time reallocation



Source: A.T. Kearney analysis

Improvement percentage per activity

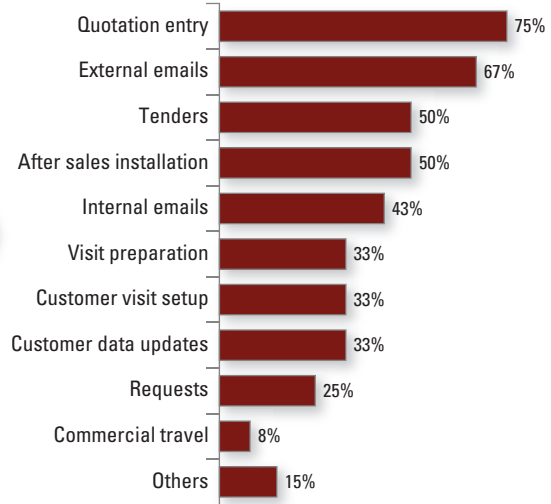
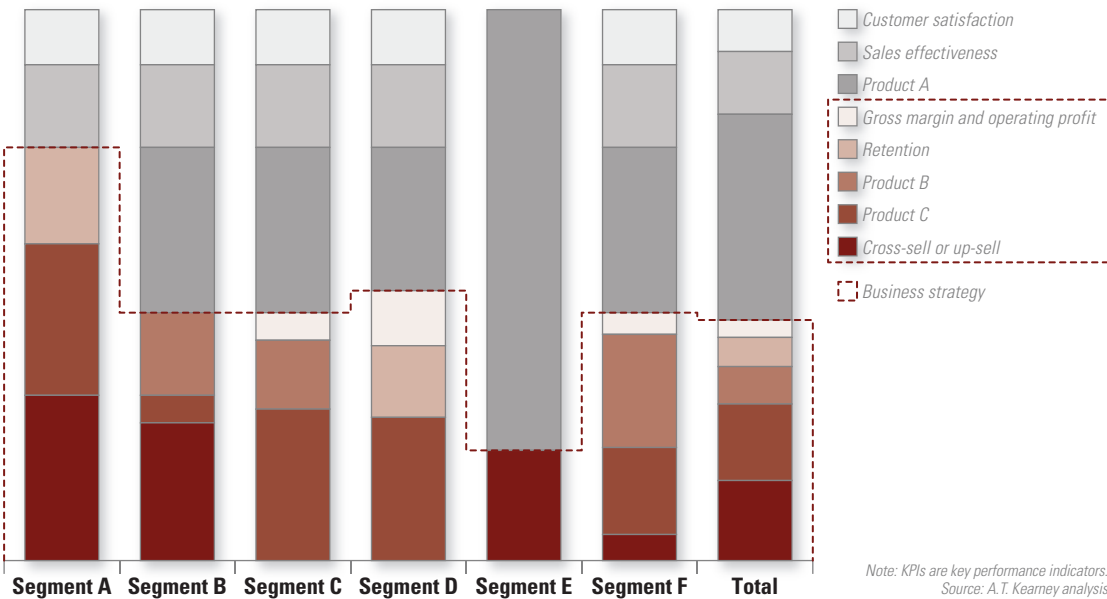


FIGURE 5

Illustrative

Breakdown of KPIs reveals inconsistencies throughout segments and with the business strategy

Sales KPIs per segment



Note: KPIs are key performance indicators. Source: A.T. Kearney analysis

strategies but cannot be ignored. For when they go wrong, the ripple effects add up.

As organizations grow, it becomes increasingly difficult to maintain consistency. To take an example, figure 5 shows how one company's KPIs varied across segments in a single business, with the unintended consequence of sending mixed signals to the sales force.

KPIs have to be simple and clear, both for the individual and for the organization—yet they may differ by segment. They also have to be personally and organizationally scalable. If you try to protect yourself against a windfall bonus for a superstar, then you're going to end up clipping the wings of all your best salespeople.

Furthermore, if KPIs are not clear, it is difficult to know what skills to look for in hiring. To perform in line with the KPIs, the sales force needs consistent, high-quality skills and competencies to manage themselves, to lead people and to do the job. Sales is a high-churn career, so you need to get people up to speed rapidly, make them (and you) as successful as possible, and ensure that their next year with you is better than a next year anywhere else.

What we're talking about is a new way of working: more clarity, less indecision; more direction, less random activity; more focus on the customer and less focus on internal function; a sharper eye on talent, roles and skills. In every transformation we've engineered, HR has been a crucial part of the success—and very often the transformation of sales created a transformation of HR for the better as well.

Are the Right Support Processes in Place?

Aligning the sales strategy with the business strategy requires the right support infrastructure to convert leads into prospects, and prospects into valued customers.

Support starts with generating leads, qualifying them and then implementing best-in-class sales processes—three very different activities. More often than not, all three functions are left to the salespeople to execute or even to think up on their own. But most of the work can be done by in-house marketing or tele-prospecting teams. External data suppliers can help identify leads based on pre-set criteria, finding prospects who need to purchase yet remain open to different solutions. When the sales force pursues qualified leads, sales scripts help them sell the right product to fulfill the customer's need. Crucial for a successful sale is also the turnaround time when it comes to quotes. A good offer-design process with appropriate authorization levels helps reduce the time it takes to supply quotes. In one case, we managed to reduce the turnaround time for offers in the telecommunication industries from about two weeks to 48 hours, which resulted in not only more satisfied customers and hit rates, but also more selling time.

When we come in and put a little structure into any one of these processes, the salespeople love it and rally behind the change management effort. When we do all three, the sales engine does a snappy zero to 100, and the competitive advantage grows over time.

What to Look for

What does all this mean for your company? The following five points are offered as a short self-assessment. The answers may surprise you.

1. Look at your measures. How many calls do your salespeople make each week? How many turn into leads? How many turn into proposals? How many turn into sales? What's the average revenue per sale? Five questions. If you don't have five answers in five minutes, your team is out of control.

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2. Look at your channels. Most commercial sectors have been struggling with channel chatter. Professional retail channels have been poaching traditional trade channels, but sales organizations have struggled to incorporate these changes. Are you frustrated that the same customers who get nice discounts also get a rebate or an allowance? Do your sales teams sometimes compete for the same big deal?


3. Look at your cost structure. Let's assume your prices are going to be fixed for the next 10 years (they probably will be in real terms). You know your variable costs are going up. How are you going to make your salespeople better and better, to improve your profitability?

4. Look at your incentives. Selling is now the challenge, the responsibility, the opportunity for so many people in your organization—not just the sales force, but also the field team, the tech service group, the inbound and outbound telesales group, the finance team, the Web developers, the local impact marketing group, the retail samplers, the influencers, the tipping

pointers, your PR group, your corporate blogger, the delivery person, your merchandiser, your R&D VP, and all those who are partners in your success... creative agencies, datamongers, third-party logistics providers. Is everyone working to the same playbook? Did you write the playbook? Did you write it within the past three years?

5. Look at your capacity. And in the end, don't you want your sales team—and all the people in your company who are responsible for pleasing your customers—to be working at top capacity and effectiveness?

The Perfect Match

For so many firms, sales has been on autopilot for the past 15 years. Yet in most companies the sales role has changed more than any other functional role. A.T. Kearney's Sales Force Excellence approach matches the unknowable customer with the unbeatable salesperson, and produces immediate impact and competitive advantage that grows and grows. 

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