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The next-generation sales force

Harnessing data to boost productivity

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About the authors

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Executive summary

Chief sales officers face a daunting set of trends today. They're grappling with major changes in their markets brought on by information-empowered consumers and the digitization of sales channels and marketing. Growing competition, from established companies around the world as well as from startups, puts ever more pressure on margins and the effectiveness of sales organizations.

With all of these combined forces at work, most companies need to rethink their sales operations around a new model, one that calls for new approaches to both the way companies sell their products and the way their sales forces are organized. Though companies have long used customer data to determine their sales strategies, today there is so much expansive data available that what sets a sales force apart from its competitors is not the raw information on its own. Rather, it is the company's talent for analyzing customer data in ways that will help it tap further into the most lucrative markets and service customers in the most efficient and cost-effective ways.

The new model — the next-generation sales force — is better equipped than any before it to adapt rapidly to changing market conditions, digital business models, and disruptive competitors. It is a sales force built, as always, around customer insights, but what distinguishes an effective sales force today is the ability to develop unique customer analysis and build its entire operation around that analysis.

The age of big data

Sales organizations have an unprecedented amount of data available to them, to the point that information in itself is no longer a competitive advantage. What gives a company an edge over its competitors is the insight into how to use all of that information.

Sales teams have more real-time and personalized information than ever about clients, including customers' past orders, interests, and shopping behavior. By knitting together a broader array of systems, including enterprise resource planning, customer relationship management, the Internet of Things, and connected devices, companies can gather an extensive view of product, sales, marketing, production, and distribution. Add to that the rich trove of third-party reports and social media insights available to anyone who goes digging, and companies can equip themselves with vast reserves of information about market share, trends, and competition.

The new model is also aimed at boosting productivity.

Once a sales organization acquires all of this data, however, the organization needs to unleash the power of the information at hand. By analyzing data in a much more rigorous and real-time way than most organizations have done to date, a company can plan its sales campaigns around strong customer insights.

At the same time, most companies will also need to reorganize their sales force around the digitization of markets and the standardization of sales around technology platforms. This kind of next-generation sales model will make it possible for an organization to optimize its sales channel mix based on "hot spots" of growth, so that it can make more money from its higher-value customers and lower the cost of serving less valuable customers. The new model is also aimed at boosting productivity. Systems integration and analytics can be used to streamline and increase the automation of sales processes, so that sales representatives can spend less of their time on administrative and follow-up tasks and more time selling.

The five-pronged approach

If “know thy customer” has always been the most important adage for anyone involved with sales, the information that sales organizations have about customers in the age of big data is still the starting point for making the operation more powerful and productive. From our experience working with sales teams, we have broken the process down into five major components. A company should begin by collecting and analyzing customer data, then creating a customer segmentation model. Once the segmentation model is in place, there are four key considerations that should go into organizing the sales efforts around those customer distinctions.

1. Creating a customer-segmented deployment model: *a customer-segmented model provides an analytical approach to understanding a company’s current and potential customer base.*

Customer segmentation is the foundation of the new sales force model. Technology integration and analytics make customer segmentation possible. By deploying a standard technology platform across all sales-related functions, businesses can easily move data across different organizational units. This provides the backbone that sales leaders need to collect, combine, and analyze a wider variety of data in real time.

Developing a customer segmentation model begins with defining clear questions that determine a customer’s value, needs, and behavior (*see Exhibit 1, next page*). By compiling the answers to key questions such as “How much business do we currently do with this customer?” and “What percentage of the customer portfolio is covered by our offerings?” companies can determine a score for each customer, then use those scores to rank its customers and place them into tiers.

For the most part, customer value (*axis A*) and customer needs (*axis B*) determine where each customer fits on a scale that we have broken down into four tiers (*see Exhibit 2, page 8*). Customers that rank high in value and needs are typically Tier 1 customers, while customers with lower value and lower needs typically fall into lower tiers.

Exhibit 1
High-level customer segmentation framework

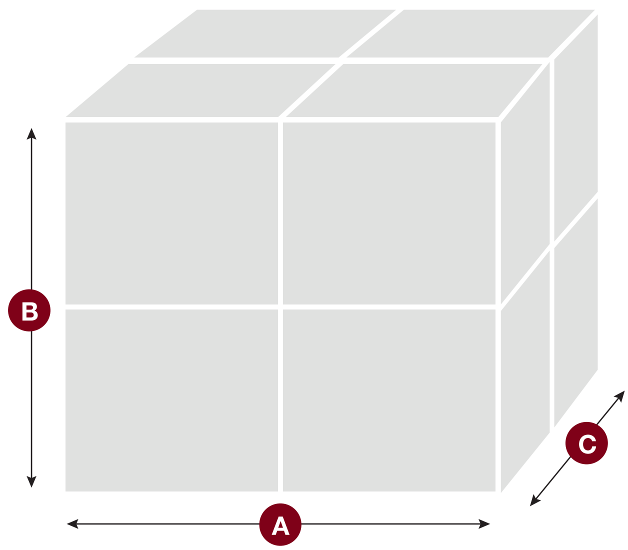
B. Customer needs

Key questions in determining needs

– What percentage of the customer portfolio is covered by our offerings?

– To what extent is the customer's buying portfolio aligned with our future growth plans?

– To what degree does the customer require a high-touch model in terms of sales rep services?



A. Customer value

Key questions in determining value

– How much business do we currently do with this customer?

– What is the total opportunity with this customer?

– To what extent does the customer promote our share of wallet?

– Does the customer usually buy higher-value/ higher-margin goods and services?

C. Customer behavior

Key questions in determining behavior

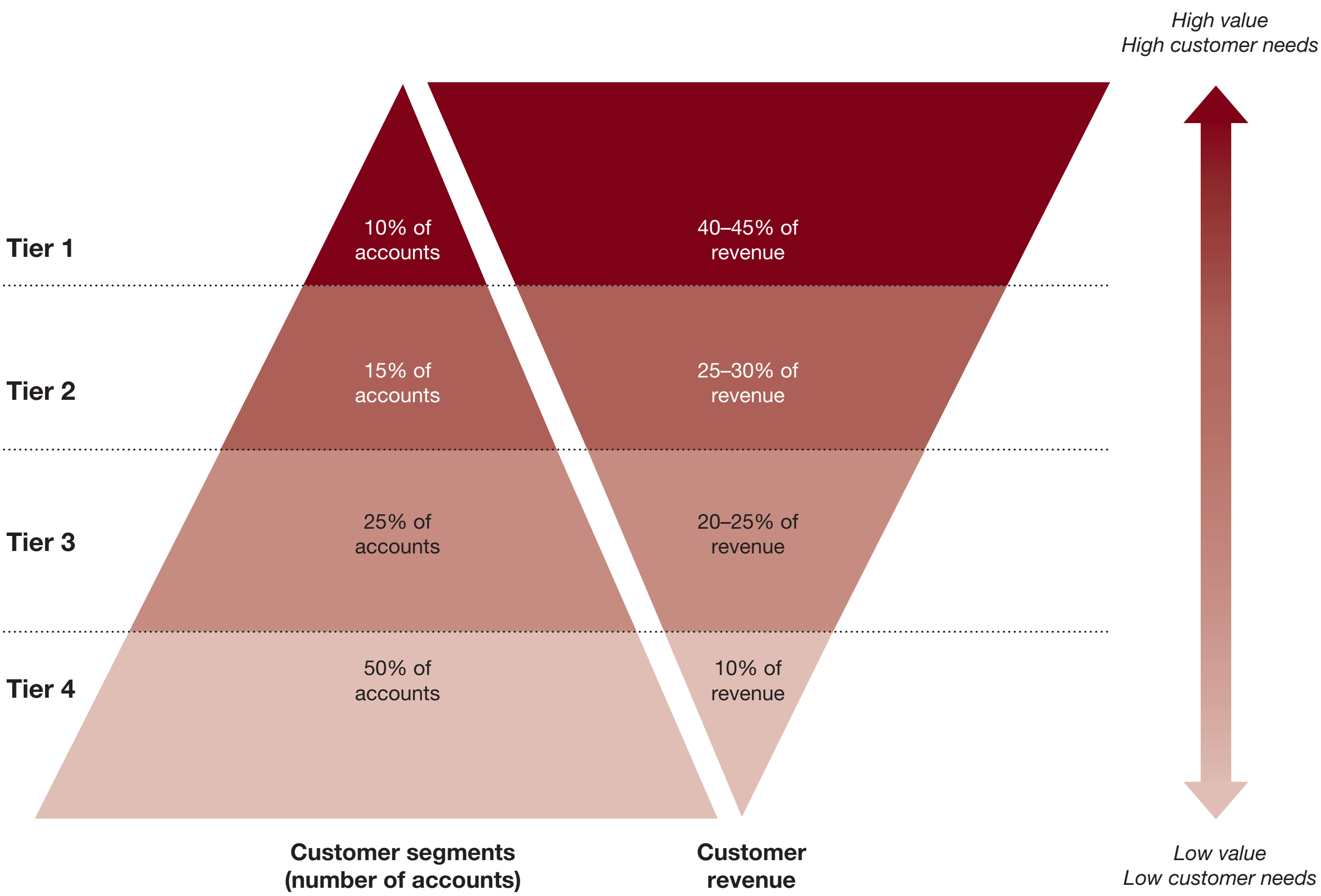
– How empowered are the buyers (procurement, product leads, etc.) to make forward-looking product decisions?

– How progressive is the customer leadership in identifying market trends and making bets on products and services?

– How regular and streamlined are account-level processes like payments, notifications, etc.?

Source: Strategy&

Exhibit 2
Customer allocation to tiers



Source: Strategy&

Customer behavior can then be used to allocate customers in the margins to tiers, thus making the process qualitative. Of particular note: Customers in Tiers 1 and 2 usually account for 25 percent of the total customer base, but as much as 75 percent of total revenue, based on Strategy& research in which we have averaged the figures for all of the companies we have served as sales transformation advisers.

Once companies define customer tiers, they can use them to develop channel or route-to-market strategies that improve sales focus and cut service costs.

Top-tier customers are best served through the direct channel, where sales reps have strong personal relationships with their customers. The sales reps make a point of meeting face-to-face at regular intervals and providing tailored account management. The direct sales force is motivated through quotas and other metrics that track revenue, operating profit, and the strength of customer relationships. A strategic account management capability should be in place to oversee the sales force as well as to set the direction for the account managers who serve the top tier. The role of strategic account management is to take a longer-term view of the customers' needs and help provide them with customized support designed to boost recurring revenues — plus pinpoint opportunities to sell the top-tier customers new or higher-end products.

For Tier 2 and 3 customers, the best way to provide ongoing service is through channel partners that sell for your company through partner relationships. These channel partners can be exclusive resellers that sell only the products of their partner or nonexclusive resellers that also sell competitors' products. The success of this channel is determined through metrics such as the revenues of specific products or customer conversion rates.

For smaller accounts that fall into Tier 4, companies are increasingly finding that they can be serviced through channels such as the Web and other digital outlets that use automated pricing and ordering systems. Fulfillment for these customers can be managed through channel partners or direct shipment from the company's facilities.

For example, a B2B media company in the U.S. used customer segmentation to design a tiered sales force model that helped it pinpoint opportunities to boost revenue by 3 to 4 percent, while increasing cost efficiencies by an estimated 7 to 10 percent. The company serves large top-tier customers through strategic account managers who cross-sell products and services and who are supported by product sales specialists. For mid-tier accounts, the media company has retained sales reps who are aligned with its business units and has set up select channel partnerships. A low-cost tele-sales channel serves lower-value customers that buy simpler products.

Customers in Tiers 1 and 2 usually account for 25 percent of the total customer base, but as much as 75 percent of total revenue.

Creating an effective channel or route-to-market mix is a matter of balancing the cost of serving customers against the revenue they provide. Typically, the cost of serving a customer falls as you move down the tiers. The direct channel will be the most expensive to serve because of high fixed costs, and indirect channels the least expensive because of largely variable costs. Operating margins tend to follow in reverse order. Direct channels, with their higher-value products and services, have higher operating profits, while channel partners usually sell more commoditized products. Though top-tier customers should be served through direct personalized channels and very small accounts through the Web, deciding how to approach those that fall between those two tiers requires careful optimization of costs and operating margins.

2. Defining more effective sales roles: *generalization vs. specialization. Segmentation strategies create a data-driven framework that organizations can use to determine how best to serve their customers, whether through a specialist or generalist sales force.*

Once you have analyzed your customers by segment and determined where each one fits in this framework, you have key decisions to make about the degree of sales specialization that you will allocate to each type of customer. Sales specialization drives role and resource requirements. Typically, we see three primary levels of specialization: by industry vertical, by role, and by product. For example, product specialization is common in technology, where products often require sales reps to have deep expertise to provide the right solution to their customers at the right time. Specialization by industry vertical is commonly found in the services sector, where sales reps have to be experts in the latest advancements in order to stay relevant to their customers' needs. Companies going through a growth phase typically organize sales reps around roles — such as "hunters" who chase after new customers and "farmers" who tend the existing ones — to strike the right balance between servicing existing accounts and developing new ones.

The age-old dilemma facing sales executives is the degree of specialization required to serve the various customer segments. Companies need to trade off the specialization requirements against the cost-to-serve and the complexity associated with multiple sales reps serving the same accounts and potentially the same customers. The answer can also differ for each of the customer segments. Tier 1 customers, for example, might have a higher degree of specialized reps with deep product expertise calling on them, while Tiers 2 and 3 might have a generalist rep covering a broad spectrum of products. In other cases, companies might choose to have a combination: a generalist account manager covering the account from a relationship management perspective, and a specialist who comes in at certain times to close the deal. Companies need to choose the model that can best ensure they have a process that is efficient and effective in serving the customer needs while driving profitable growth.

3. Tuning up sales enablement: *sales enablement operations are a key area where organizations can use integration and customer analytics to improve the efficiency of their overall sales process.*

Organizations face two main challenges when it comes to creating an effective sales support system for their salespeople and customers. First is the efficient use of time. In studying sales practices at approximately 45 companies, we have determined that about 40 percent of a salesperson's time is often spent on non-client-facing work (*see Exhibit 3, next page*). Some of this time is inevitable — a sales rep has to put a certain amount of effort into research and preparation to pursue the deal, as well as in transit — but there is a great deal of follow-up work after a sale, such as order management, product configuration, and administrative duties, that should, ideally, be automated, often with the support of the sales enablement team.

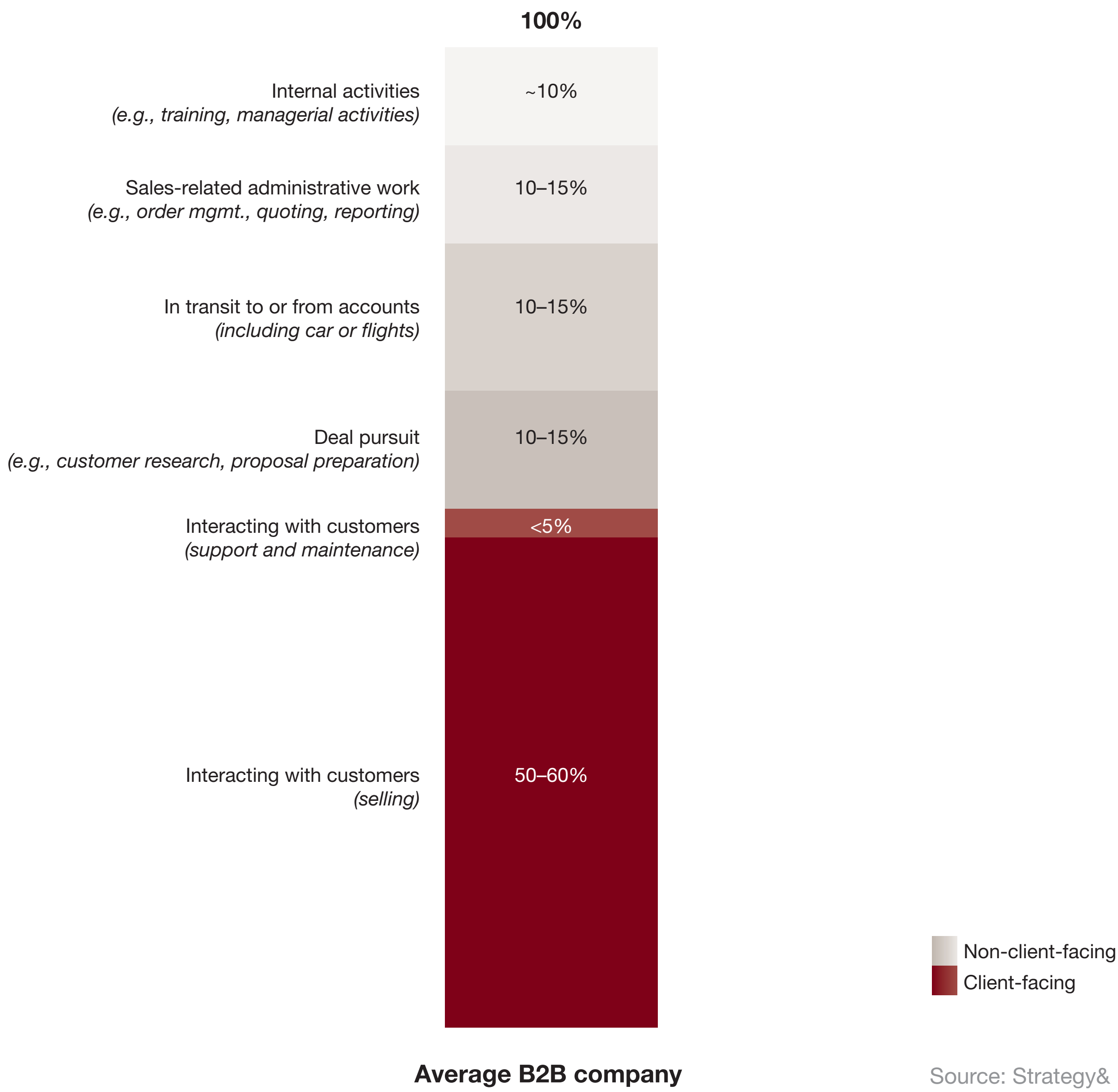
Second, sales support operations are often spread across many silos and groups internally (*see Exhibit 4, page 13*). This makes the customer experience less efficient and forces the sales rep to spend time chasing down proposals and tracking orders.

The first challenge can be addressed by having a structured process for collecting relevant customer data in real time, along with a technology-led platform that digitizes and streamlines operational processes. These enhancements automate several of the manual tasks that the sales rep performs so that he or she can focus on higher-value customer-facing interactions.

An example of digitization is in the degree of self-service offered in quoting, pricing, and order management capabilities. Superior sales enablement organizations are expected to be 60 to 80 percent self-served. When done right, data and digitization can help the sales organization function more effectively.

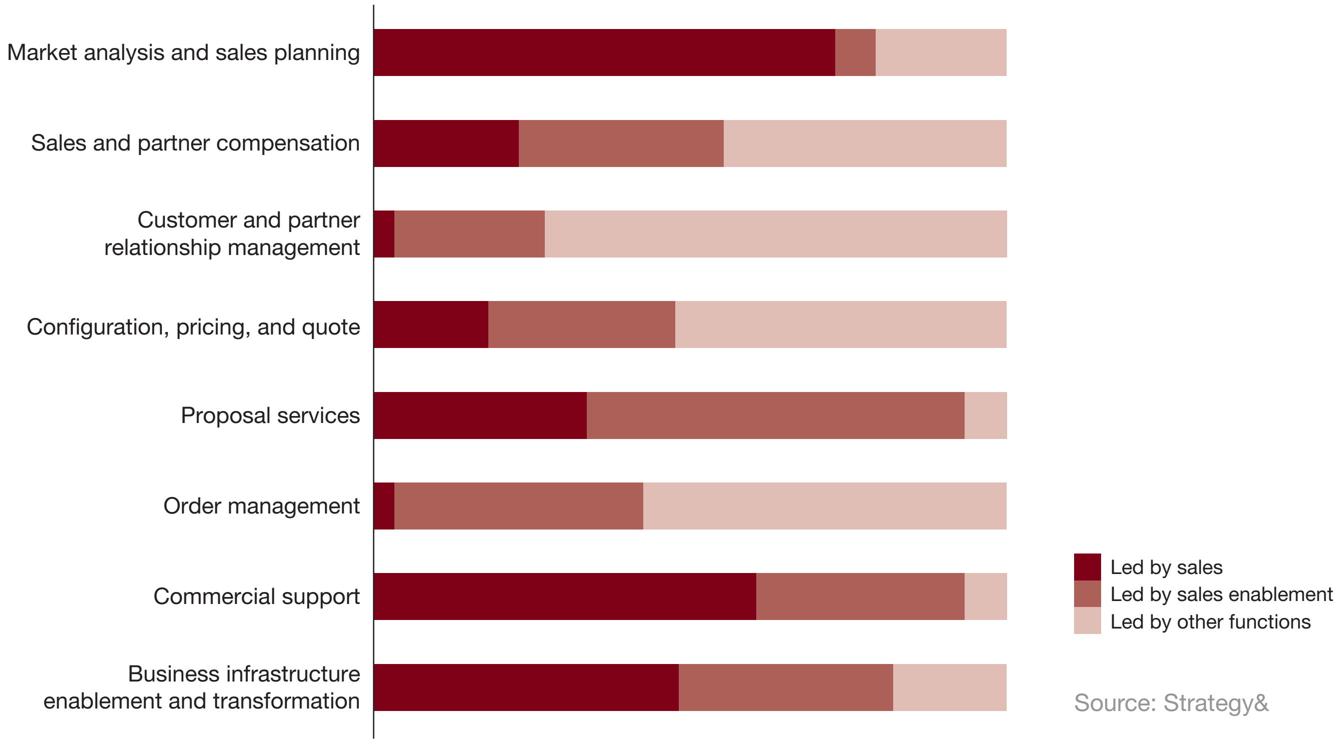
To address the second challenge, a company can use a variety of organizational constructs to break the silo structure. A media client instituted a governance council consisting of cross-functional teams that provided a platform for escalation of customer issues as well as a decision-making body with the right to determine and execute key actions. A health insurer established a "chief customer officer" role, charging that person with the responsibility for all activities affecting a customer, including pre-sales and after-sales support. A global technology company rolled out a successful transformation program

Exhibit 3
Sales rep time utilization (percentage of time)



Source: Strategy&

Exhibit 4
Degree of fragmentation in sales enablement



Source: Strategy&

to streamline the sales support silos across regions, business units, and products, designing a centralized shared service and a dedicated account support representative who tag-teamed with sales reps to handle all sales enablement activities for customers.

Although there are many ways to build an organizational model for sales enablement functions, we have observed that companies with superior sales enablement capabilities share a common trait: They have all established radical transparency and seamless information flow across the sales value chain, through their people, processes, and technology.

4. Using incentives to pinpoint key performance metrics: *the new strategic priorities that organizations establish for their sales force transformation provide guidelines for realigning sales incentives.*

The management of metrics or key performance indicators (KPIs) is another important part of sales force effectiveness. A few key metrics measured and implemented correctly can be crucial to improving that effectiveness. By collecting the right data, companies can pinpoint, measure, and monitor those KPIs and connect them to sales incentives to manage the performance of the sales force.

Organizations often need to answer three key questions when deciding on the right incentive structure for their sales force.

1. What percentage of the overall compensation should be variable based on attainment of the KPIs?

2. Should some sales roles receive compensation based on operating margins in addition to compensation based purely on price?

3. Should quotas be applied at the overall level or split by different product types?

The key is for salespeople to be able to understand the trade-offs required by the three choices described above and come up with an answer that works best for their company depending on delivery cycles, order sizes, and industry competitiveness (*see Exhibit 5, page 16*).

Increasingly, we are also noticing that companies are adopting a total score card method that takes into account the realities of selling. Along with tangible hard metrics, companies evaluate intangibles, such as whether sales representatives are spending time explaining future products and services to customers. Tracking a wider range of variables while also compensating the salesperson for specific goals establishes a robust performance and KPI management system.

Companies with superior sales enablement capabilities have established radical transparency and seamless information flow.

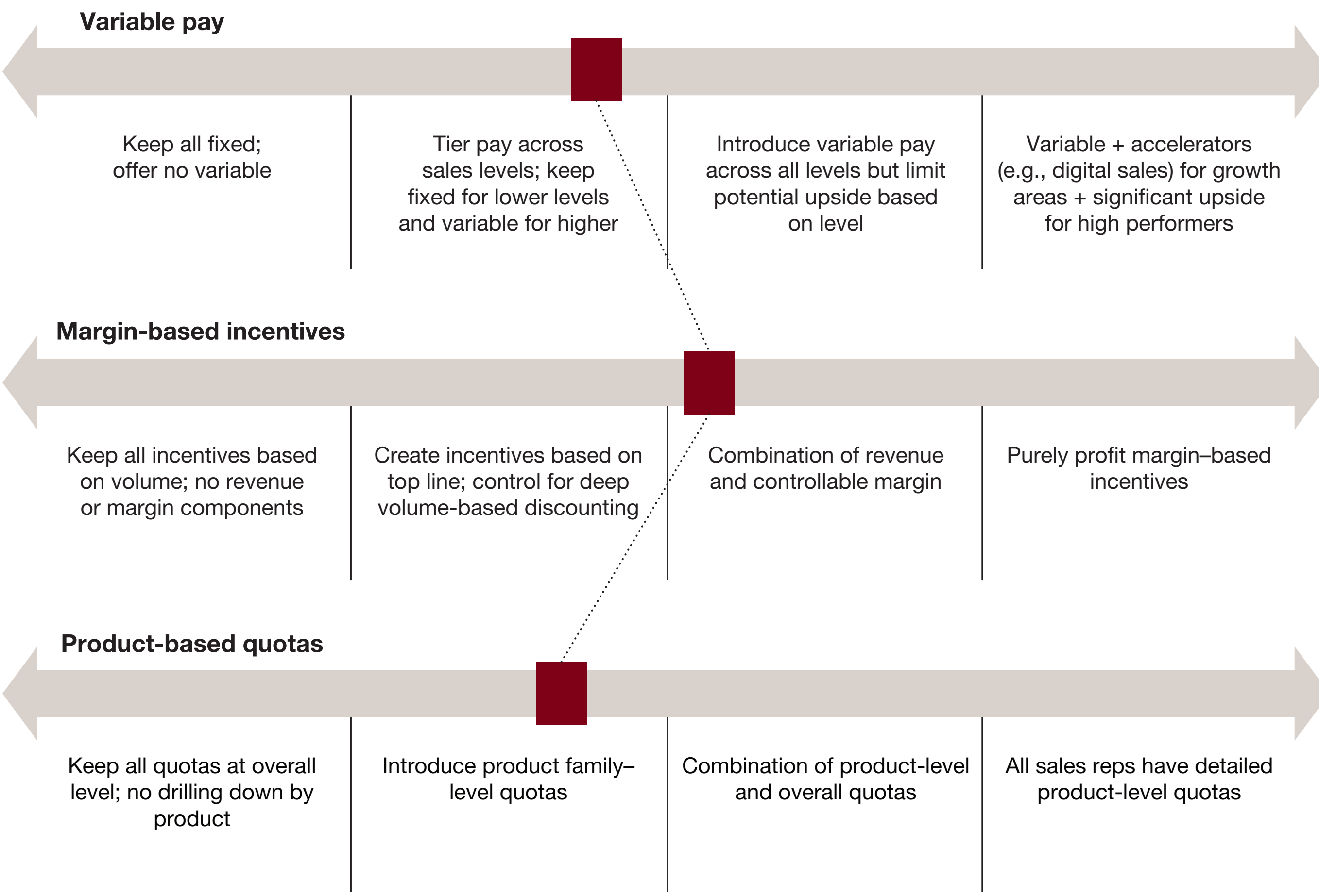
5. Managing the transition: *when organizations transform their sales forces to make them more data-driven and effective, change management and training programs become integral parts of the organization's transition.*

Sales force transformation often creates significant change management challenges. Sales depend on great relationships between the account teams and customers. Sales reps are crucial in establishing and strengthening those relationships. Sales transformation efforts usually usher in changes including rewiring of account relationships and revising of incentives that could cause business disruption in the short term.

A key to minimizing problems is rolling out a structured change management approach that works to retain sales talent and identify key reinforcing sales behaviors as part of the overall sales force transformation program. Linking the implications of the overall sales transformation to the specific components of the change program will go a long way in driving sustainable and long-term changes (*see Exhibit 6, page 17*).

Exhibit 5

Crafting a winning sales incentive plan



Choice points are illustrative

Source: Strategy&

Exhibit 6
Change management plan

Sales transformation focus areas

- Customer segmentation
- Sales and channel optimization
- Sales incentives management
- Performance and metrics optimization

Key implications of transformation activities

People and capabilities
Significant talent upgrade to build capabilities that will drive functional expertise — e.g., specialized sales knowledge, digital innovation (buy-or-build decision)

Process
Several process improvements defined to help sales and sales enablement functions focus more on strategic tasks than transactional activities

Technology
Significant changes in automation of tools and processes as well as adoption of newer cloud-based services through various form factors

Key components of change management plan

- Change impact analysis
- Talent assessment
- Leadership engagement and communication
- Learning and development
- Behavior planning and change

Source: Strategy&

Conclusion

The implementation of a sales force transformation program is far more than just a technology-driven adjustment. It is a systematic transformation that hinges on embracing change throughout a company and on engaging the sales leadership, sales representatives, and back-office employees at all levels. However, the technological advances available today require that companies move from a traditional established approach founded on the personal expertise and knowledge of salespeople to a next-generation sales deployment model that can be much more powerful. In today's data-driven work, this new analytical approach to sales force planning is crucial for competing in the marketplace.

Additional reading

Thomas Ripsam, Dan Priest, and Lavanya Manohar, "The new sales enablement: From back-office support to growth engine," Strategy&, July 13, 2015, www.strategyand.pwc.com/media/file/The-new-sales-enablement.pdf.

Thomas Ripsam, Namit Kapoor, and Akshat Dubey, "Sales force design: Assessing stark choices and getting it right," Strategy&, 2010, www.strategyand.pwc.com/media/file/Sales-force-design.pdf.

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