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# *The adaptive sales force*

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**Five steps for  
staying aligned  
with customers**



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# Executive summary



**Multinational companies** spend billions of dollars each year compensating their salespeople and sales management, and for good reason: A sales force is among a company's most critical assets. The role of the sales force is becoming increasingly important as markets become more competitive, products commoditize, and companies focus more on organic growth.

Yet at the same time, it is increasingly difficult to maintain a high-performing sales force, especially if an industry or a company is undergoing significant change. Internal strategic shifts, deregulation and globalization, changing customer needs, and competitors' moves are just a few of the shocks that can knock the sales force out of alignment with customers. Given the increasing prevalence of these issues, it is unsurprising that we hear statements like the following, not only from sales executives, but from leaders throughout the C-suite:

- “We get the highest rating from our customers for our products. Yet we continue to lose market share.”
- “It has become a common end-of-year practice for us to make up sales shortfalls in our strategic accounts by driving a lot of smaller deals on overly generous terms.”
- “Our salespeople have great relationships with our accounts, but we are never invited to the big purchasing decisions.”
- “Our customers are looking for a one-stop source, yet our salespeople don't cross-sell.”
- “Despite the fact that sales are going up, we miss our sales targets every year.”

In such a business environment, companies must be willing to revamp their sales force on a regular basis, perhaps as often as every two or three years. We call this new imperative the Adaptive Sales Force.

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# *The adaptive sales force: How to get it right*

How can executives ensure that their sales forces stay aligned with their customers? Isn't it generally assumed that alignment is all about choosing the best channels for a product and identifying the key customers to pursue? To be sure, channel selection and customer segmentation are fundamental activities — the first things that need to be locked down. Once they are in place, however, management can begin the process of aligning its sales force. Getting it right means answering the following questions in a logical, sequential fashion (see Exhibit 1, next page):

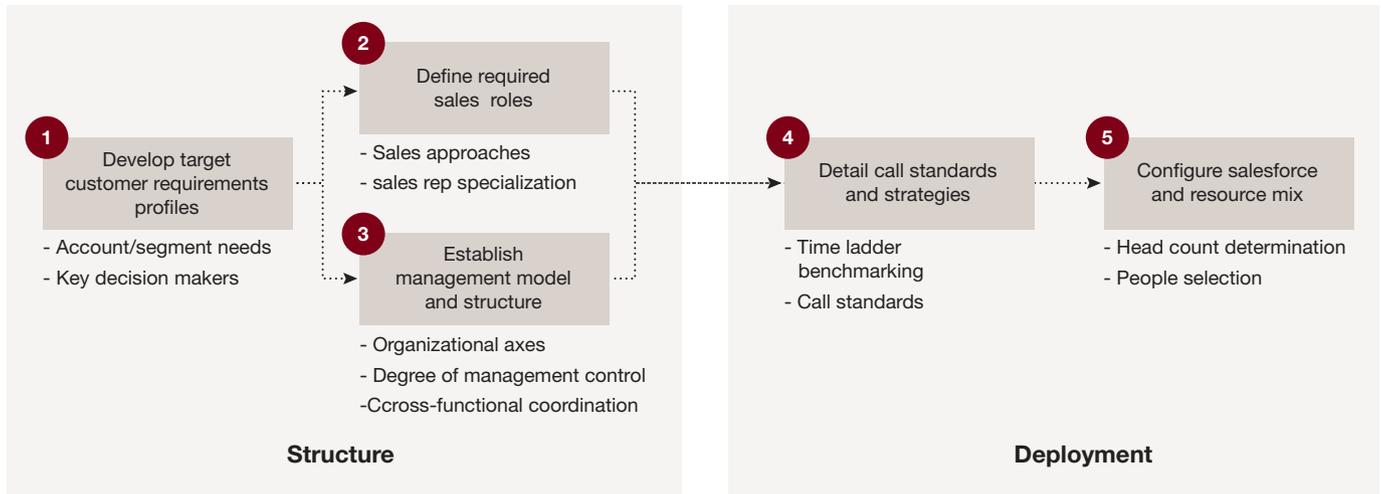
- What does the customer care most about and who are the customer's key decision makers?
- What level of expertise does the sales force need?
- How should the sales force be organized and managed?
- What call standards are needed to ensure efficient execution?
- How do we properly configure and size the sales force?

*Step 1: Develop profiles for the target customer segments.* A sales force is always gathering information on its customers — informally or formally. To be useful, that information should include a clear breakdown of customer needs and key decision makers. The profiles that result can help executives determine any specialized skills that will be needed within the sales force and assist them in designing the proper deployment strategy.

*Customer segment's main needs.* A sales team should be able to come up with a comprehensive, prioritized list of what buyers want. For example, a consumer goods company selling to one of the big-box retail companies came up with a list of 10 criteria that included specifications for product innovation, product customization, breadth of offering, field sales coverage, discounts, promotional support, and supply chain. The company then prioritized in-store execution, marketing support, and corporate buyer support as the three key areas of focus.

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*Exhibit 1*  
**Five steps to adapting the sales force**



Source: Strategy&

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***Market changes expose cracks in the sales force***

Problems in sales force structure often become most apparent at times when the market is changing in a way that negatively affects the business. A case in point was a global telecommunications solution provider that found itself struggling at a time when companies were reducing their technology spending. The company wanted to expand its product line and develop a more consistent selling approach with its biggest accounts. But like many companies changing course, it faced some obstacles of its own making.

The sales force was spending too much time on small accounts and losing market share with bigger accounts, where it didn't have relationships at the executive level. The sales teams'

product-unit orientation wasn't conducive to selling unfamiliar products and services. Productivity was below industry standards, partly because multiple sales reps were pitching the same target accounts on different products and services instead of pitching in an integrated fashion. Roles and responsibilities were poorly defined, and there was no individual accountability for results.

Not every problem with sales force structure begins with an across-the-board market downturn and is as easy to see as this one. Sometimes there are subtler changes in the market, and at other times the changes aren't in the market at all — they're strategic shifts on the company's part.

*Customer's key decision makers.* A good requirements profile needs to clearly identify the decision makers at the target company, both at the corporate level and in the field. Though the sales team will know most of this intuitively and from experience, this understanding needs to be consistently applied. The idea is to commit that collective knowledge to paper, and use it to map the decision makers into a hierarchy that will show how much influence they have and how they wield it throughout each step of the purchasing process.

The consumer goods company mentioned above grouped the buyer's 2,000-plus decision makers by position and seniority level, then looked at each to understand their level of influence on areas like product listings, shelf space configuration, merchandising, and direct order placement (*see Exhibit 2, next page*). This analysis allowed the company to pinpoint the most important customer contacts for its corporate and field sales teams. That sort of understanding is vital to any company's effort to determine what its staff should be doing on a daily basis and how to size its sales team.

*Step 2: Define the required sales approach and specialization.* In Step 2, management needs to determine the optimal sales approach and the required degree of sales rep specialization. From an execution perspective, this is the most critical of the five steps, as it ultimately defines how well equipped the sales reps will be to represent the company and engage in meaningful interactions with customers. The results of this step will depend on the lists of customer needs and key decision makers generated in Step 1.

*Sales approaches.* Customers' responses to different selling approaches are determined by their needs. Some customers want a high-value consultative sale — for instance, those buying expensive technology products, like ERP systems. A retail customer, by contrast, may want some basic “block-and-tackle” merchandising help — setting up a point-of-sale display or moving inventory onto the floor. An understanding of the type of sales call that needs to be made, and the corresponding activities, will help determine the type of sales reps required and the way they spend their time.

*Sales rep specialization.* Sales executives also need to decide whether their sales reps will be most productive as generalists or whether they need to have specialized skills and knowledge. There are three avenues of sales force specialization. The first follows product lines, which can make sense when the products or services are complex. Many high-tech vendors follow this approach, using product specialists for such disparate areas as storage equipment and high-end computers.

A second way to specialize is based on customer type or needs. This might be useful in cases in which purchasing patterns or servicing

Exhibit 2

Big box example: Sales & retail execution hierarchy

Position (# to monitor)	Listings	Shelf configuration and assortment	Direct order placement	Trade marketing	Merchandising	Comments
<b>Merchandising VPs</b> (number)						<p><b>Mainly involved in vendor management</b> — not involved in product selection or purchasing</p> <p><b>Infrequent talks with vendors</b> — might meet with senior executives from vendors</p>
<b>Divisional merchandising managers</b> (number)						<p><b>Strategic overview of programs</b> — more time than merchants to coordinate sales programs; make some day-in, day-out management decisions (e.g. approves large orders)</p>
<b>Store support centers — merchants</b> (number)						<p><b>Key decider for listings and purchasing decisions</b> — though require final approval from divisional merchandising manager (DM)</p> <p><b>Decide on national planogram and shelf assortment</b> — done with significant vendor input</p>
<b>Regional merchandising managers</b> (number)						<p><b>Mainly implementers</b> — can make suggestions for listings and product assortment, but mainly ensure merchandising execution</p> <p><b>Decide in-store regional promotions</b> — “drive” programs by building stack-outs; organize in-store events</p>
<b>Store category experts</b> (number)						<p><b>Important influencers of peers</b> — made up of select store managers and DMs with deep category-specific experience; can write orders for stores within their area; also influence local in-store promotional campaigns</p>
<b>Store manager</b> (number)						<p><b>Can make direct purchases for flex space</b> — and can “turn off” slow-moving SKUs</p> <p><b>Manage in-store merchandise personnel</b></p>

Strong influence

Medium influence

No influence

**Focal point from sales**

Account team

Sales managers

Third-party merchandisers

Source: Strategy&

needs vary across customer segments, or in which individual customers' needs are too complex to be handled by product specialists. For instance, some food companies treat high-end restaurants and hotels as separate channels and assign distinct rep profiles to each. In many financial-services companies, separate relationship managers are dedicated to distinct socioeconomic segments; each becomes the single point of contact for the customer and coordinates with product specialists within the company as needed.

Functional specialization is the third approach. Different salespeople manage distinct aspects of the sales process. Many organizations, for instance, have a telesales team that is responsible only for generating leads, and another team responsible for following up on those leads and closing the sales. The separation of sales functions is useful when the level of specialization needed is different across the different phases of the sales process. For example, among those selling to big retail outlets, sales managers require category expertise to discuss promotional effectiveness and category trends with customers. Sales reps, on the other hand, require understanding of the specific customer counterparts they interact with, and of the more transactional aspects of closing deals, such as handling orders, verifying pricing accuracy, and ensuring planogram compliance in stores.

These approaches are not mutually exclusive. In fact, many companies across industries are drawing from all three approaches to deal with the increasing fragmentation of customer needs.

*Step 3: Establish the structure and management model.* In Step 3, the management team must decide how the sales force should be organized to best respond to customer needs while remaining manageable. This involves three major decisions: What are the organizational axes around which to organize the sales force; what degree of control is required to optimally manage the sales force; and to what extent should the sales force coordinate with other functional entities?

*Organizational axes.* Executives must determine a primary and, ideally, at least a secondary organizational axis, thus creating a matrix structure, from among the following three dimensions: product/solution, geography, and account. There are good arguments for defining a secondary axis. For example, a product-focused VP of sales may lack the necessary customer understanding across geographies, and a VP of accounts may not have sufficient product knowledge to effectively address all customers' needs. Though difficult to implement, a matrix structure can help the company balance provision of tailored customer solutions with maintenance of organizational efficiency.

*Degree of management control.* With the organizational blueprint established, the company must then proceed to a more tactical

## ***Customer-back reorganization improves effectiveness***

The global telecommunications provider we mentioned earlier, which found itself struggling amid a slowdown in technology spending, instituted several structural changes to better align its sales force with its target customers. The company reorganized to achieve a more holistic view of the customer by emphasizing geographic and account focus over product focus. The company actually reduced spans for managers who were aligned with higher potential and more complex accounts, while

significantly increasing spans for those sales managers who pursued lower-potential accounts. Lastly, the company clarified roles across functions and in some cases established centralized, cross-functional teams, such as a bid and proposal group, to ensure a consistent go-to-market approach. As a result of these changes, the company was able to achieve better alignment with its customers and reduce head count by 20 percent while targeting a 10 to 15 percent increase in yield.

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consideration: the number of both management levels (*layers*) and direct reports per manager (*spans*). Although a greater number of layers permits increased specialization by position and enhanced managerial supervision, it also introduces greater organizational complexity and, of course, increased costs. Similarly, with the number of direct reports, the organization must strike a balance between effectiveness (i.e., keeping low ratios of direct reports to managers) and expediency (i.e., reducing the number of managers in the organization). Although a high number of spans may keep overhead low, it also makes it harder for managers to give individual salespeople the attention they need. Companies faced with these complexities can use benchmarks for spans and layers to evaluate how much their organization deviates from the norm.

*Cross-functional coordination.* Management must also define the working relationships between selling teams — particularly those assigned to key accounts — and other functions within the organization, such as marketing, supply chain, finance, and R&D. Indeed, corporate sales teams often call upon their internal support functions to perform tasks as varied as analyzing customers' sales (e.g., price elasticities, category management) and helping to optimize customers' supply chain and logistics. It is critical to define these dependencies up front to ensure that aligned resources from various functions can meet the sales force's needs.

*Step 4: Detail call standards and strategies.* In Step 4, executives dive into critical decisions regarding the precise activities to which the sales reps should devote their time for each targeted customer. These choices will lay the groundwork for Step 5, in which the actual size of the sales force is estimated by both level and category.

*Time ladder benchmarking.* With each sales role now mapped to its counterpart in the customer organizations, it is necessary to determine both the list of activities to be completed in each role and the time required to do so.

To understand what activities are necessary, management should look at what the top salespeople are already doing and, to whatever extent possible, evaluate external benchmarks. The list of activities should be holistic, ranging from pre-call preparation to post-call record keeping and other follow-up activities. Timing comparisons should be available down to the level of an individual task (e.g., verification of planogram compliance in a retail chain) and should make allowance for seasonal fluctuations. Depending on the time available for conducting the study, management can establish benchmarks either through a handful of in-depth interviews or by administering detailed “time ladder” surveys.

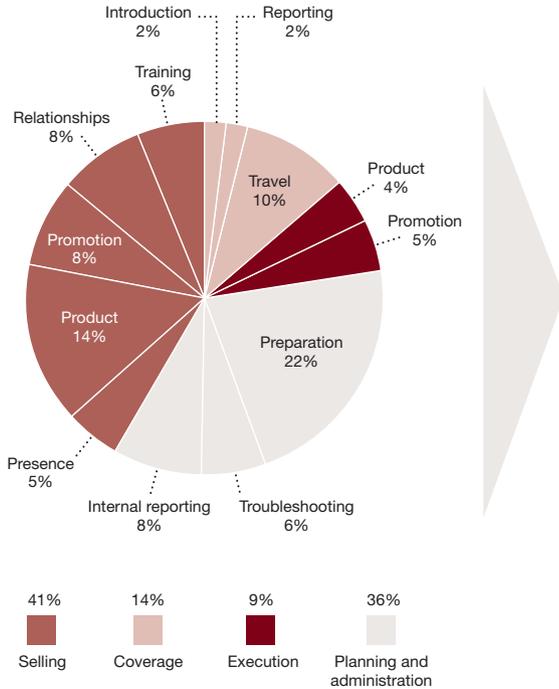
Unsurprisingly, these evaluations often reveal substantial areas for improvement. One major consumer products company conducted an in-depth time-ladder survey of the majority of its seasoned sales reps. To facilitate benchmark comparisons, it separated tasks into four broad and easily distinguishable “buckets” of activities — selling, coverage, execution, and planning/administration. The most startling finding was that its tenured salespeople were spending just 41 percent of their time selling, well short of observed industry best practices. To correct this, corporate sales undertook a series of corrective measures, such as drafting easy-to-complete marketing templates to cut back on preparation time for sales pitches, or offloading low-value in-store tasks (like point-of-sale setup) to temporary field merchandisers. These activity realignments allowed the company to boost the sales force’s actual selling time to 60 percent, well in keeping with best-in-class benchmarks (*see Exhibit 3, next page*).

*Establish standards.* With best practices now clear, management needs to set frequency and call duration standards by customer contact across its targeted customers. These standards should be economically justified and set, at minimum, for each customer segment and ideally customer by customer. The standards will guide the sales reps in their day-to-day selling activities, but also provide the mechanism to track sales activity at a detailed level and correlate effort with results. Without standards and tracking, it is virtually impossible to ensure optimal sales rep deployment and performance.

When the consumer goods company set such standards, it found that its sales force spent either too much or too little time with approximately 50 percent of its customer contacts (*see Exhibit 4, page 12*). The company used these insights to reset standards and to reorient the sales force and size it appropriately.

*Exhibit 3*  
**Tenured sales managers — time utilization survey**

**Tenured sales managers—time utilization survey**



**Best practice: 50%–60% of time focused on selling**

**Current time utilization—details**

Category	Sub-category	Current activities	Time
1 Execution	Product	- check product availability - check adherence to planogram - verify pricing, stock levels	4%
	Promotion	- set up displays ("stack out"/"flex space")	5%
2 Planning and admin	Preparation	- design "programs" for coming season (field associate sales contests, ads for circulars) - prepare forecasts for coming year/season	22%

**Revised time utilization—details**

Category	Sub-category	Time-saving measures	Time
1 Execution	Product	- execution performed by temporary field merchandisers/better-trained resources	(4%)
	Promotion		(5%)
2 Planning and admin	Preparation	- improved templates for key accounts - additional program templates for independent accounts - packet marketing plans	(10%)
			<b>Total</b>

Source: Strategy&

*Step 5: Configure the sales force and resource mix.* Ultimately, maximizing a sales force's productivity is a function of deploying an optimal number and mix of resources against the right geographies, accounts, and activities. This final step lays out the more "mechanical" head count calculations and the personnel appraisals that are needed to realign sales teams.

*Head count determination.* At the macro level, management must now match the capacity of the existing sales force against the revised call standards by account type. Time permitting, this analysis might be pushed to yield insights into the possible rebalancing of territories among similar groups of sales resources. Once completed, this exercise paints a detailed picture of needed resources by level and/or geography.

*Exhibit 4*  
**Frequency and duration by sales contact**

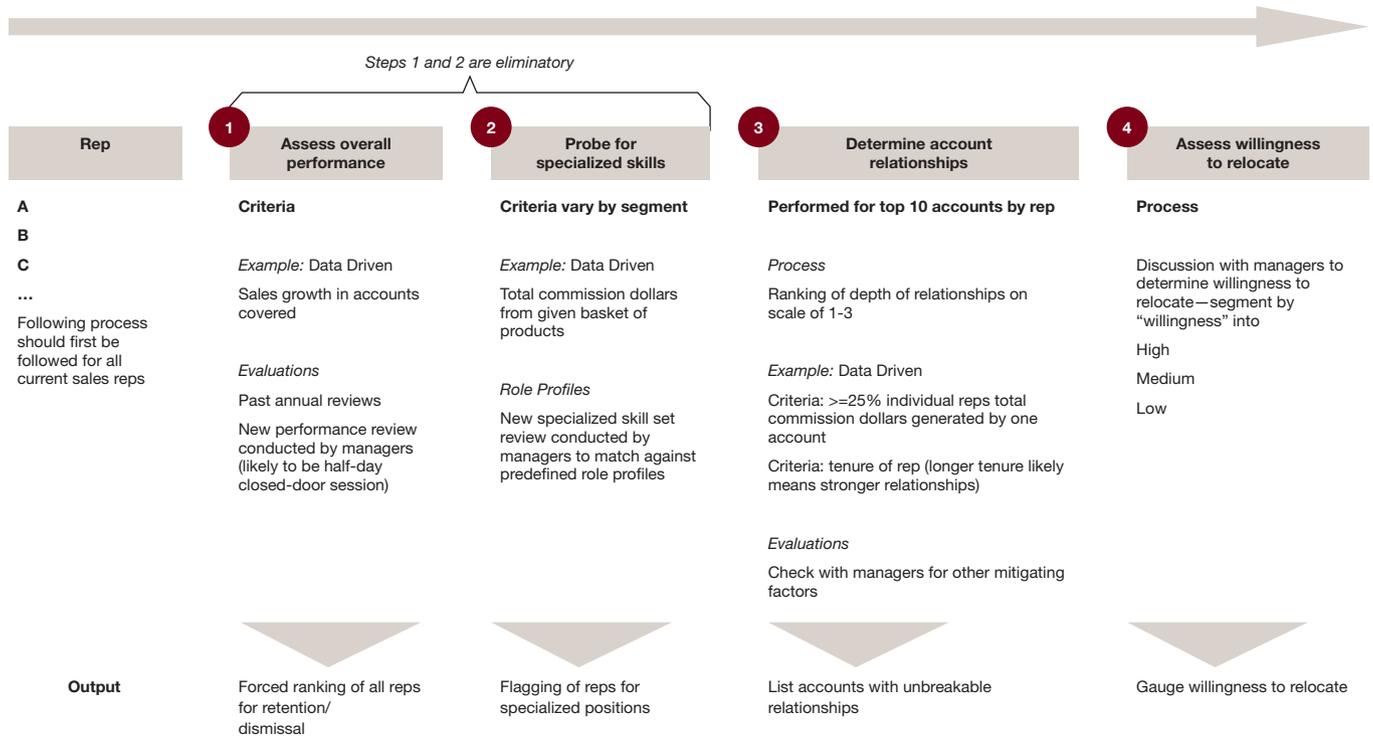
Sales Contact	Estimated Number	Activities	Δ to Current	Coverage	Average Frequency	Duration
Distributor HQ	15	- Review pricing, MDF, and registration - Develop programs to drive sales	↔	100%	3 Calls/Mo	2 hrs.
Distributor Branch	25	- Review plan set by HQ - Discuss incentive opportunities	↔	100%	2 Calls/Mo	2 hrs.
Distributor Reps	450	- Ride-alongs, joint calls, training	↑	50%	1 Call/Yr.	5 hrs.
Distributor Hardware Shows	26	- Sales to independent channel	↔	100%	1 Call/Yr.	8 hrs.
Company 1 Regional Manager	20	- Update on current POS/inventory - Sales of region-specific displays	↑	100%	2 Call/Mo. In-Season	1 hr.
Company 1 District/ Store Manager	1,200	- Update on current POS/inventory - Added stack-out and flex space	↑	24%	1 Call/2 Mo. In-Season	1 hr.
Company 1 Store Training	200	- Product knowledge seminar for store clerks	↔	53%	1 PK/2 Mo.	5 hrs.
Company 1 Store Category Expert	180	- Update on current POS/inventory - Sales of region specific displays	↑	100%	1 Call/Mo. In-Season	1 hr.
Seasonal Merchandiser Management	100	- Update on current POS/inventory - Added stack-out and flex space	↑	75%	1 Call/Mo. In-Season	1.25 hrs.
Large Hardware	140	- Review pricing, programs, MDF - PK training for employees - Attend consumer sales events	↔	100%	1 Call/ Mo. In-Season	1 hr.
Small Hardware	-	- Regional PK training - Pre- and post-show sales calls	↓	-	0-4 PK/Yr.	4 hrs.
Coop Ad Groups	41	- Review pricing, programs, MDF - PK training for employees	↑	100%	2 Calls/Yr.	1.5 hrs.

Source: Strategy&

Finally, companies must assess how well each of the organization's current resources meets the needs of the new organization. Though most sales managers could quickly vet their team members, practical and legal considerations argue in favor of adapting a more methodical approach.

One consumer goods company offers a good example of how to proceed (see Exhibit 5, next page). First it assessed the performance of all of its

**Exhibit 5**  
**People selection process — best practices**



Source: Strategy&

salespeople, using comparative sales data from each territory and past performance evaluations. This allowed management to rank their sales resources according to fact-based, objective criteria. They then probed for specialized skills that might not have helped a rep’s past performance but that might be useful with respect to a new strategic thrust. Since sales often hinges on connections, managers also identified those salespeople with deep client-side relationships whose dismissal might result in the loss of high-value accounts. A handful of secondary considerations, such as willingness to relocate, were also taken into account.

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# *The adaptive sales force: Lessons to remember*

Moving toward the adaptive sales force isn't rocket science; it's an undertaking within the grasp of any company prepared to do the detailed analysis and walk through the five steps of the process. But it requires discipline. In addition, after executives have gone through the five-step process and identified the changes they want to make, they still face the challenge of transitioning the sales force to the new design.

A company can dramatically increase its chances of successfully executing the program if it follows three major themes throughout the five-step process:

*Understand that adaptation is a constant, not an isolated event.*

The process of creating the adaptive sales force is exacting, so the temptation is to do it only in times of extreme challenge — perhaps when a company's very survival is at stake. But in an increasingly competitive world, actively and methodically looking for ways to better align the sales force with customers is just smart business. Successful adaptation requires frequently challenging a company's understanding of its customers, as well as the optimal sales force structure and deployment. The CEO and his or her executive team play a critical role in making adaptation a top priority, but it can't stop there, given the critical role of the sales force and its dependencies on other functions.

*Recognize that successful adaptation begins and ends with the customer in mind.* Adapting the sales force to ensure continuous alignment with the customer requires, above all, an in-depth understanding of the customer. Leaders therefore need to ensure that internal people who interact with their customers on a regular basis have the right processes and tools in place to capture relevant and meaningful insights about the customer. These insights, in turn, form the basis for adapting the sales force. Once the company has gone through the five steps, it should test how the recommended changes explicitly relate to the customer. If they don't, why bother to change the status quo?

*Take a holistic approach — don't do it piecemeal.* If the five steps done together add so much value, but a company can't commit to the entire process, wouldn't it be better to do a single step than to do none at all? It does seem logical that taking one of the steps in isolation might provide at least some advantage. But the steps are highly interrelated, and taking one without the others can lead to missteps. For instance, if a company shifts its focus from products to customers without evaluating changes in sales rep specialization, call strategies, standards, and resources to do so, existing sales reps may continue with the same product-centric approach, calling on their existing contacts. The sales reps may fail to interact with the important decision makers, spend too much or too little time with them, or focus on the wrong needs. As a result, the company may miss the real opportunity and fail to achieve the expected benefits from the structural changes.

In today's markets, where products and services no longer "sell themselves," the value of dynamically updating the sales force model has never been greater. A well-adapted sales force will be the company's primary conduit to anticipation of changing customer needs and allow it to outperform the competition. Leaders who follow the five-step process will successfully adapt and be best prepared to win in the marketplace.

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