

FUTURE FORCE

THE NEXT ERA OF SALES EFFECTIVENESS

Companies are shifting from sales as an individualistic art form to a collaborative and methodical process. To succeed, it's critical to analyze customers, diagnose problems, and determine treatments in a disciplined fashion.

BY BRITTON MANASCO

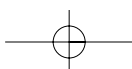
main points

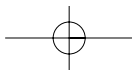
- Sales forces need to move from aggressive pitches to listening-based diagnostics.
- Four dimensions—segmentation, structure, systems and support—must be carefully addressed if sales professionals are to win in a hyper-competitive market.
- Senior executives need to take responsibility for the outcome of sales relationships.

It's difficult to imagine life getting any tougher for today's sales professional. Competition has intensified. Sales cycles have expanded. And sales commissions have eroded as customers assert their newfound pricing power.

Unfortunately, life will get harder—unbearably so—for salespeople who continue to embrace the status quo. Even as the market continues to rebound, the structural changes now sweeping through the economy promise to utterly transform the sales profession in the coming years.

The sales force of the future, in other words, will look dramatically different from the one that seems most dominant today. The companies, sales executives and sales professionals that will thrive in this new era will be those that are quick to recognize and address the powerful forces now reshaping the marketplace.





Jeff Thull, president, CEO and founder of Minneapolis-based Prime Resource Group and author of “Mastering the Complex Sale,” contends that the twin forces of increasing complexity and rapid commoditization are leading to a “deadly spiral of shrinking profit margins.” Given the confusion, mistrust and anxiety associated with today’s complex offerings, Thull contends that the success of sales professionals increasingly will depend on accepting responsibility for the success of their customers.

It’s a simple point that could have massive implications. Instead of pitching products or even pre-packaged “solutions,” sales professionals must collaborate with their clients to “diagnose, design and deliver” solutions that match a particular context and set of objectives. They also must collaborate with their team members—in marketing, professional services, technical support and elsewhere—to ensure that value propositions they have promised are effectively met. Indeed, they must become fully accountable for the results and experiences of their customers.

The Current State of Sales Force Effectiveness

- 77 percent of sales leaders find buyers putting higher priority on ROI.
- 67 percent of sales executives agree buyers are finding it increasingly difficult to differentiate the value of the products and services they purchase.
- 69 percent of sales leaders agree that compared to last year, customers are deferring their purchasing decisions, resulting in longer sales cycles.
- 66 percent of respondents believe buyers are requiring discounts before they purchase.
- 64 percent of respondents believe buyers are treating their specific industry as a commoditized market.

Source: Miller Heiman, 2004

ana-based medical equipment manufacturer, exemplifies what can be achieved by concentrating on this factor. Three years ago, the company, which has long held a strong position in the market for patient beds, specialty mattresses and other patient products, secured its market standing and drove new growth. Ernest

ing behavior also was influenced by an array of financial measures (such as the client’s capital spending and profit margins), and operating factors (such as occupancy rate and insurance arrangements).

Through a multistep process of analysis and validation, the company eventually decided to recategorize its customers according to their purchasing ability and preferences, and redeployed its sales force with respect to these trends. Instead of treating all customers the same, customized sales approaches are now directed at customers that value this level of service. “Dividing the customers according to their own preferences [and purchasing ability] allows Hill-Rom to better understand why different customers do business differently with the company,” according to a recent profile in *Harvard Business Review*.

The efforts are proving to be effective. While sales costs indeed fell 2 percent (of overall sales), revenue per employee rose 11 percent between 2001 and 2003. Gross margins climbed 6.7 percent. Customer satisfaction rates rose 6 percent. And the company

“COMPANIES MUST EMBRACE DRAMATIC, DEMANDING AND SYSTEMIC CHANGE IN THE SALES APPROACH, THE SERVICE APPROACH, AND THE WAY PRODUCTS ARE DEVELOPED AND DELIVERED.”

As leading sales strategists and business innovators in today’s economy see it, successful companies in the next economy will be those that fundamentally rethink the dimensions of sales force effectiveness to build more profitable and enduring customer relationships.

Four dimensions—**segmentation**; **structure**; **systems** and **support**—must be carefully addressed if sales professionals are to “win” in tomorrow’s hyper-competitive markets. Leading by example, several progressive companies give us a glimpse of things to come.

SEGMENTATION

Hill-Rom smartly segments customers

One of the least appreciated—or understood—dimensions of successful sales performance is the ability to analyze, differentiate and segment prospective customers effectively. It is through rigorous segmentation that companies determine how best to deploy their limited sales resources, and how to maximize the return on these investments.

Hill-Rom, the \$1.1 billion Batesville, Indi-

Waaser, the company’s new CEO, set demanding sales goals while simultaneously insisting that sales costs be reduced by 2 percent (as a percentage of revenue) within two years.

While there were multiple elements to the company’s overall business strategy (including higher investments in product innovation), one of the most notable aspects of the sales strategy was the decision to rethink the customer segmentation model. “The first thing you have to do [when redesigning a sales strategy] is to smartly segment your customers,” says Michael Pekkarinen, director at Boston-based Mercer Consulting, which advised Hill-Rom on its sales transformation efforts. “You have to understand them—how and why they buy. Otherwise, you’ll just build a half-baked model.”

The existing model was based on the size of the health care facility, particularly the number of beds and medical specialties. When the company reexamined its assumptions, however, it learned that facility size stood in the way of developing a more thorough understanding of the customer. While facility size was an important variable, it turned out that purchas-

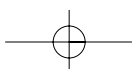
has positioned itself for even greater growth in the future by investing in custom-oriented, consultative support activities to help customers generate new and valuable solutions.

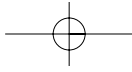
“The strategic foundation of this initiative—our customer analysis and segmentation work—has provided a common language for speaking about customer needs and preferences,” says Marshall Dahneke, vice president of corporate strategy at Hill-Rom. “It provides a valuable framework to drive not only sales and fulfillment, but also marketing and product development. It gives us the ability to be even more customer focused as we go forward.”

STRUCTURE

Cisco Systems capitalizes on executive rainmaking

Structure is the organizational arrangement by which accounts are cultivated, developed and managed. The trouble companies are now encountering is that sales people generally lack the credibility and experience to sell at the executive level where high-impact decisions are made.





"Few companies make building relationships with customers a top priority for the whole organization," write Tom Stevenson and Sam Barcus in their recent book "The Relationship Advantage." "Rather, most delegate it to the area in their organization that experiences the highest level of employee turnover—their sales force."

If companies want to sell differentiated, high-margin offerings, they should model themselves on the professional partnerships, such as consulting and accounting firms, that have long made their most senior executives—their "rainmakers"—accountable for building client relationships, the authors say.

Stevenson and Barcus contend that senior executives should take responsibility for engaging customers at executive levels through "peer-to-peer match-ups," and then, take ownership of the outcomes. Salespeople, they say, then can assume specialized, consultative and process-oriented roles to ensure that relationships are well-managed and expectations are met.

Cisco adopts new approach

Cisco Systems, the \$19 billion networking and communications giant, is one company that has applied this approach to great effect. In 1999, Cisco introduced an executive sponsorship program that assigns account involvement responsibility to each of its vice presidents and directors. Critical to the success of the program, which involves executive briefings as well as a rigorous schedule of customer calls and on-site client meetings, is the fact that Cisco executives are compensated based on their own personal involvement in customer-oriented programs.

Stevenson, who previously ran Cisco's worldwide channel operation, worked with Barcus to introduce this approach to the company's channel partners. What Cisco's partners discovered is that they also could build more profitable, service-driven relationships with clients if they shifted account responsibility to their most senior executives and began calling on clients at executive levels.

"Every channel partner I met with asked for bigger discounts, but experience showed us that, given more discounts, these same partners would simply pass it along to their customers," says Stevenson. "They weren't keeping the added profit. I reversed this trend by holding our prices steady while offering to teach them how to sell our products at a higher margin. It worked. When I began this program, around 48 percent of Cisco's revenue passed through the channel. Four years later, the channel business equaled more than 90 percent ... and the partners' loyalty to Cisco increased."

SYSTEMS

Motive diagnoses and collaborates to win

One of the most troubling fallacies in today's marketplace is the assumption that customers are in a position to make complex decisions about sophisticated products, and then manage the difficult change process that ensues. In recent years, many companies have packaged intricate offerings and released them on unsuspecting clients. Little thought was put into the organizational and cultural challenges that would arise, and

sales took no responsibility for the results. Not surprisingly, dissatisfaction ensued.

If companies are to sell successfully in this environment, they must develop a rigorous system that not only facilitates complex decisions and changes, but ensures that all participants are effectively collaborating, says Prime Resource's Thull. He believes it will take much more than keynote speeches and two-day sales workshops to realize this objective.

Success, he contends, increasingly depends on an organization's willingness to engage in a far-reaching "transformation" in the way it

Treasuring Talent and Customer Insight

Customers today expect a higher standard from sales professionals than those of yesteryear. That assertion was confirmed recently in a study of 2,300 sales professionals by Miller Heiman, the Reno-based provider of sales force development resources.

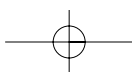
The greatest impediments to sales, according to the findings, were an inadequate process for replicating the talents of top performers, an inability to generate new prospects, and a failure to effectively sell new products and services. "Some organizations are meeting [these challenges] by fundamentally changing how they view customers," according to the report. Doing so "requires sales leaders to really understand how customers think. The best sales organizations in the world are creating value for their customers, rather than articulating what they believe the value to be."

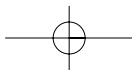
"Having the right talent in the sales organization is overwhelmingly ranked as the number one driver influencing the overall effectiveness and productivity of a sales organization."

When asked to state the most significant strategies, or drivers, of sales force effectiveness, respondents overwhelmingly ranked having the right talent as the number one driver influencing the overall effectiveness and productivity of a sales organization, according to the study. "A consistent approach, or process, to finding, winning, and keeping business," is ranked the second most influential driver for influencing sales effectiveness. Specific sales force skills and selling capabilities [were ranked third].

Resource utilization, CRM technology, and management culture were ranked by respondents as a close three-way tie for fourth place. Interestingly, 82 percent of respondents agreed that "accurate and comprehensive customer data is critical in making strategic sales-related decisions." However, respondents were split over whether the CRM technology necessary to meet their objectives already had been implemented.

Jeff Brunings, Miller Heiman's director of marketing, contends the coming year will be a telling one for sales organizations because senior management clearly is expecting a return to growth, particularly new product and service sales into existing markets. "Companies are again focused on the top line," he says. "There's a lot of pressure to perform." But do companies generally have the strategies, talent and skills in place now to meet these ambitious objectives? "That we don't know," says Brunings. — *BM*





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interacts with customers. Companies must embrace dramatic, demanding and systemic change in “the sales approach, the service approach, and the way products are developed and delivered,” he says.

Motive uses a diagnostic selling approach

Austin-based Motive, a \$100 million software company that makes technology products and services “self-managing,” has initiated a transformative strategy that it considers to be a key competitive advantage. Working with Thull’s team, the company has instituted a “diagnostic selling” approach that enables more in-depth conversations and information exchanges with customers, facilitates greater access to team members in the customer organization, and reduces the length of sales cycles.

“Most sellers just want to talk about the beauty of the future,” says Jeff Bolke, Motive’s vice president of worldwide sales. “They are unable or unwilling to take the time to carefully diagnose a customer’s problems and challenges. Our approach enables us to be more collaborative with the customer. It takes more preparation, but it leads to a more successful outcome.”

Rather than insisting on “perpetual licensing” agreements that require upfront payment for software, Motive offers its customers—including 3Com, AT&T Broadband and Lawson Software—the ability to purchase its solution on a subscription basis. That reduces the “barriers to exit,” aligns the interests of all parties, and encourages Motive to think in terms of customer success and lifetime value.

“The whole company—sales, marketing, the product group, customer care—has to act differently than a traditional software firm,” says Mike Maples, Jr., Motive’s chief marketing and strategy officer.

SUPPORT

HelmsBriscoe leverages global insight

The final dimension to be considered is sales support. Whether that support comes in the form of training and professional development, market and account intelligence, or customer-focused technology, it’s critical that companies ensure that their sales professionals are prepared for customer engagements.

Barry Trailer, a partner with CSO Insights, points to a number of valuable technology “levers” that can help strengthen sales efforts. He notes that conventional contact management capabilities increase as they become more accessible, integrated and easy to use. He contends that forecasting and pipeline management features have given sales managers greater visibility into future deals and the capacity to deploy their sales forces effectively.

While Siebel has been a pioneer at the high end of the market, Salesforce.com has intro-

and shares the insights of sales associates with regard to particular locations, hotels and past experiences. This enables the company to compete on knowledge, as opposed to price.

Indeed, real-time access to “unbiased intelligence” is enabling sales associates to win more deals and strengthen existing relationships. “With this knowledge base continually building, we will always be in a position to offer more value to our customers than anyone else,” says Roger Helms, founder and CEO of HelmsBriscoe.

This is a transformational time

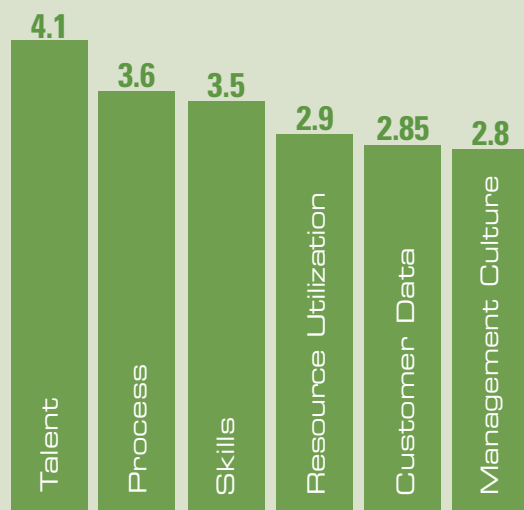
Salespeople, who have been manipulated with carrots and sticks for many years, are free to cast a cynical eye when it comes to the next new sales approach. The introduction of trendy, new sales initiatives at every corporate off-site meeting certainly doesn’t help matters. But those salespeople who stop exploring new ways to enhance sales performance, do so at their own peril.

The smart money no longer rides on sales “performers” who give great pitches and presentations, but rather, those who listen carefully to their clients, ask “diagnostic” questions and actively facilitate difficult changes. As Stevenson and Barcus say, it is much more important to be “interested” than “interesting.”

At the same time, we are shifting from sales as an individualistic and creative art form to a collaborative and methodical process. To succeed, it’s critical to analyze customers, diagnose problems, determine treatments, measure outcomes and continually improve relationships in a disciplined fashion.

New paradigms, of course, do not arise without significant friction. In the coming years, one can expect a fair amount of hand-wringing and fist-pounding as entire categories of unproductive sales work disappear. But this doesn’t herald “the death of the salesman.” Instead, the emerging trends explored here will breathe new life into the enterprise as well as the sales profession. Manipulation and fear will give way to collaboration and accountability. The next era is about ensuring customer success—and it’s almost here. ■

Sales Talent Greatly Influences Effectiveness of Sales Organization



Calculations based on mean level of importance on a scale of 1 to 7, with 7 being the most important.

The 2004 Miller Heiman Sales Effectiveness Study focused on six productivity drivers, ranging from talent to management culture.

Source: Miller Heiman, 2004

duced a Web-accessible deployment model based on widely affordable subscription pricing. With an array of other software vendors now competing, the race is on now to bring these capabilities to specialized niches and vertical markets, and integrate them with marketing, customer care and other business processes.

Other innovative technologies are emerging to strengthen sales effectiveness. HelmsBriscoe, which provides hotel and conference site selection services to more than 7,000 organizations, recently deployed a new “sales acceleration” system to support associates in more than 100 offices around the world. The system, which was developed by Involve Technology, captures

Tell us your salesforce stories.
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