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Why It's Time to Change Selling Your Sales Model Is Broken

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Chapter Summary

- Four powerful forces are driving sales improvement programs today—and they affect virtually every company in mature and developing markets.
- Uncertainty, complexity, and operational complications are blocking most ambitious growth plans, but companies can't put off dealing with them any longer.
- Companies are struggling with profitable growth, often because they are using outdated and ineffective sales channel models, which do not reflect recent major changes in markets.

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Butch Cassidy: What's the matter with you?

Sundance Kid: I can't swim.

Butch Cassidy: Are you crazy? The fall will probably kill you.

—*Butch Cassidy & the Sundance Kid*, Universal Studios, 1969

Forced to the edge of a cliff by forces out of their control, Butch Cassidy and the Sundance Kid utter these classic lines when facing the reality that they will need to jump for a chance to survive. It also illustrates the challenge facing sales leaders today. Forced to the edge of a cliff by market forces beyond *their* control—low-cost competitors, rising costs, and declining margins—today's sales leaders find themselves focused on areas where their capabilities are not strong (Figure 1.1).

The problem, like Butch Cassidy and the Sundance Kid, is that they are worried about drowning when the fall might actually kill them. Sales leaders might drown if they don't improve their sales execution, but the "fall" that might kill them (and that they should be even more worried about) is hidden in the foundational flaws of their sales model. Companies, big and small, are facing the reality that the complexity that has built up in their systems has left them without the agility needed to seize new growth.

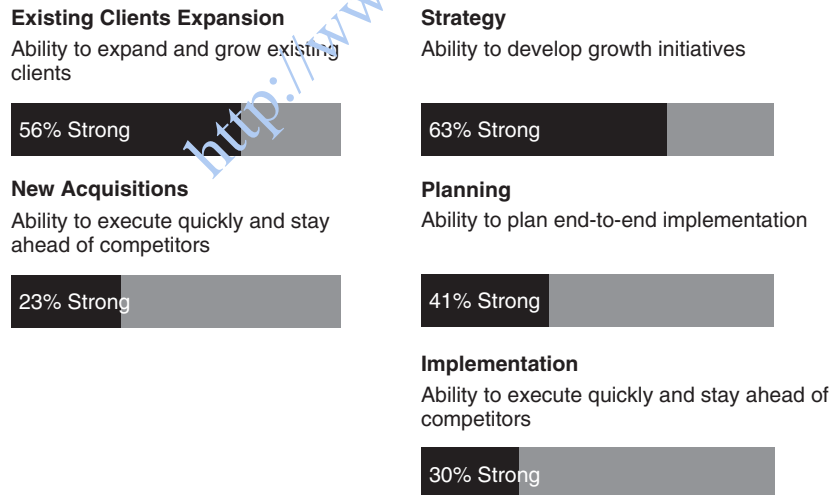


FIGURE 1.1 The Strength of Key Sales Capabilities in Sales Executives' Minds

Source: Innovation & Growth Survey, March 2006; The Economist Intelligence Unit.

Even worse, today's sales leaders are in the unenviable position of driving growth in a volatile global marketplace, where growth opportunities are not as abundant or apparent as they used to be, even just a few years ago. In fact, in a recent survey of CEOs and chief sales and operations officers, only a small percentage think it is much easier today than two years ago to expand to new markets (16 percent), increase sales to existing customers (21 percent), and acquire new customers (17 percent).¹

To compete at a high level and drive sustainable growth, today's sales leaders must make both sales execution and operations improvements *and* face a potential major structural problem of their current sales model—the need to become more agile and respond faster to new opportunities. The question is: Are they ready to leap?

Four Challenges Sales Leaders Face

In many ways, these sobering realities come with the top sales job. They are intractable issues that increase the blood pressure of every sales leader. But to make matters worse, a newer set of dynamics is making life even tougher for sales leaders. In particular, there are four distinct challenges to business growth and performance that every sales leader must confront. We call them the *A-B-C-Ds* of the new selling environment:

1. **A**—Anomalies
2. **B**—Blind spots
3. **C**—Consumerism
4. **D**—Diversions

A—Anomalies: Are Your Sure-Fire Tactics Still Working?

As baseball fans know, every great pitcher has his “go-to” pitch—the fastball, slider, curve, or knuckleball he can count on when he absolutely has to get a batter out. Like that go-to pitch, sales executives always have relied on a few important tactics to drive sales and revenues. However, just like the pitcher who suddenly discovers batters

have made the necessary adjustments to be able to consistently hit his go-to pitch, sales leaders are finding that those traditional levers are not delivering the results they used to.

Three levers, in particular, we see falling short in today's markets: "More, More, More" strategies; new product introductions; and price cutting and promotions.

When growth stalled in the past, sales leaders typically responded by "doing more"—adding *more* field salespeople, *more* marketing campaigns, or *more* channel partners. Unfortunately, in many industries, the efficacy of these practices has been eroding for quite some time. Simply adding more of the same no longer delivers the kind of returns companies need.

The second lever that doesn't work as well as it used to is new product introductions. Increasing the number of new products under development is a tried-and-true approach to spurring growth. The most successful product innovators in the past outperformed their less-innovative competitors across business cycles not just by coming up with better new products, but also by bringing to market *many more* new products. In one study, 30 percent of companies surveyed more than doubled their number of offerings in five years while only 1 percent decreased offerings in the same period.² These companies could count on new offerings to lift sales, market share, and profits. But more recently, many companies' new product pipelines produce far fewer predictable results. Respondents to the same study indicated that the breadth of product portfolio complexity had numerous negative impacts on their organization, from pressures on cost competitiveness to longer lead times, lower product quality, and reduced customer satisfaction. When it comes to direct sales impact, 29 percent reported portfolio complexity had a negative impact on sales effectiveness.³

Price cutting and promotions is the third lever whose effectiveness has declined. In the past, companies could count on gaining customers and revenues by lowering prices. But price promotions no longer deliver a durable lift in sales because they are so easily matched by competitors. For example, the mobile phone industry saw the price drop dramatically for phone service (voice) for commercial customers and consumers after phone numbers could travel with the customer

from one provider to another. In the race to attract customers and the popularity of online/e-mail offers, prices became more visible and the time it took to be replicated by a competitor dropped. Price-cutting episodes are especially debilitating for companies whose competitors have lower cost structures. These competitors can more readily fight a price war, knowing the company that started the war time and again is the one that eventually will lose it. Instead of being forced into a competitive price reduction strategy, what is needed today to gain customers is a way to bring additional value to them through enhanced products and services.

The failures of “doing more,” underwhelming product introductions, and price promotions that fizzle make it even more difficult for sales executives to hit their targets.

B—Blind Spots: Can You “See” the Changes in the Market and Translate Data into Insights into Actions?

You’ve invested in sales technology, and maybe even have given some new tools to your channel partners. So why aren’t sales rising? Chances are you’ve got “blind spots” in your sales vision. You may be lacking the ability to do something with the huge volumes of information that are rushing in daily in today’s increasingly digital and mobile world. Many organizations aren’t proficient at sensing, evaluating, and responding to the data that’s coursing through their sales systems. This sales analytics and insights problem is common even in companies that are using analytics in other parts of the business, and can obscure important industry trends that will affect sales results.

In many cases, the analytics problem stems from a paucity of the right data or the completeness and quality of the data they do get. In a business-to-business setting, this often results from a lack of access to a channel partner’s relevant data regarding end customers. For instance, in the high-tech industry, it’s common for manufacturers to sell their equipment through a vast and varied network of resellers, distributors, and other partners. A reseller based in Dallas may have a stable of 200 customers to which it sells the manufacturer’s products. But if the

manufacturer lacks access to data on who is buying the products, this becomes a blind spot. The manufacturer won't be able to fully understand its market share and opportunities in that market: exactly what kinds of companies are buying its equipment, how they are using and benefiting from the gear, and what other needs the manufacturer could fill. Add to this multiple partners that sell in overlapping markets, and the data holes become even more troubling.

Yet even if such companies had most or all of the data their sales organizations need, most wouldn't be able to use it to its full potential. This is because they lack a strong in-house analytics capability. They can't analyze the entire sales value chain—the sequence of events that begins when a salesperson or channel partner contacts a potential customer and ends when something is sold, delivered, and used. Without a strong analytics capability, they can't accurately understand how well their sales approaches, sales teams, and salespeople are performing. They also can't incisively determine how well their channel partners are doing. This, in turn, prevents companies from becoming highly proficient in a number of important sales domains: determining the optimal number of reps to allocate to a product line; understanding whether to organize sales teams by geography or customer segment; determining how to attract, develop, and keep strong salespeople; and deciding on the best channel to market for each customer segment. (We explore the topic of analytics in detail in Chapter 9.)

Without the fact base and analytics capabilities we describe earlier, salespeople have to rely solely on judgment and instincts. These are great qualities—especially when they are grounded in deep experience. They can be indispensable. Many premier salespeople become top performers because of their unusual ability to read a situation and instinctively “know” what to do. But competing on gut instincts, even those perfected over many years, has become hazardous to sales in just about every industry. The reason is that the business world is far more complex today.

The game is playing out among the sales organizations of large companies today. Those with the (a) best data on customers, competitors, salespeople's performance, and other key aspects of getting and keeping customers; and (b) best capabilities for analyzing that data are pulling ahead of rivals with poor data and old ways of analyzing it.

C—Consumerism: Are You Ready for New Consumer Demands, and Is Your Sales Channel Agile Enough to Respond Faster Than Your Competitors?

Consumers have become less patient, more informed, and more demanding. Two decades ago, companies shipped products at their convenience. Remember the typical message you received before or after placing an order: “Please allow six to eight weeks for delivery”? Tell that to a consumer today for many products and you’re likely to lose her business. A built-to-order laptop computer in two months? Now it takes just a few days. Razor blade refills that aren’t easy to find in stores and will take a week to replenish? You can get them online overnight.

If you sell consumer products or services through wholesalers and retailers, you’ll easily relate to these consumer dynamics. But even if you focus on business-to-business products farther upstream, these consumer dynamics will affect you, too. Sales leaders are confronted with changing consumer dynamics that require companies to take a fresh look at how to provide greater value to all the parties that bring their products and services to market. Four such dynamics stand as the gaps to fill first:

1. *Consumers’ expectations are rising.* Since 2007, Accenture has surveyed tens of thousands of consumers from around the world on what they expect of the companies they buy from. In 2007, only one-third said that their expectations were higher than they were the year before. In late 2011, 44 percent of more than 10,000 consumers surveyed told us their expectations had risen over the prior 12 months (Figure 1.2). This trend is especially evident in emerging markets: 59 percent of consumers surveyed in emerging markets (compared with 31 percent of those in mature markets) said their expectations had increased in the past year. Rising expectations are wreaking havoc on companies’ efforts to develop long-term plans, and are requiring organizations to be much more agile in their planning and the executing of programs—whether such programs involve their own sales forces or channel partners.

Are you and your sales channels aligned to today’s expectations or are you always playing catch-up?

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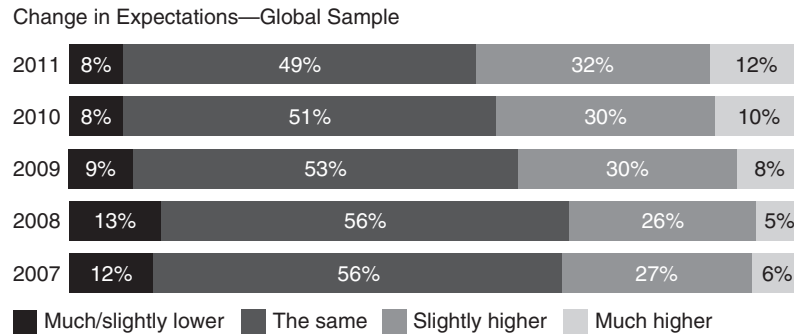


FIGURE 1.2 Consumers' Expectations for Service Continue to Rise

Source: Accenture Global Consumer Pulse Research 2012.

- Consumers are going digital.* The rapid adoption of the Internet, smartphones and tablets has put incredible shopping power in the hands of consumers. It's like a wave crashing onto the desk of the sales leader. One survey found that 80 percent of consumers around the world use the Internet to research their purchases of electronics, computers, books, music, and movies before they buy them in a store.⁴ An Accenture survey on buyers of wireless communications products found 75 percent of consumers surveyed used the web to research products before they bought them in stores.⁵ In other words, consumers can easily compare your products to your competitors' products on price, value, and availability. In fact, in addition to all this great buying information, consumers who use social media can also get their friends' opinions before the store clerk has a chance to say, "How can I help you?"

Many smart consumers are taking this an extra step. They are going to stores to see, touch, and try out a product, then are ordering it online from another company—a practice known as "showrooming." Showrooming has become even easier with the advent of powerful smartphones and price-comparison apps such as the Find[®]. These apps enable consumers to scan a product's barcode and immediately see which other nearby retailers and online merchants have the item and at what price. Showrooming is particularly prevalent in consumer shopping for electronics products, and has taken a big chunk of revenue from the stores of consumer

electronics retailers. Attempting to stem the tide, Target Corp.[®] has asked suppliers for help by creating products that would be sold only through its more than 1,760⁶ stores, hoping to minimize price comparisons.⁷

Although the Internet and the mobile devices connected to it have been a boon to consumers, they have become a major source of anxiety to many sales leaders of large companies. The largest channel partners are expecting their suppliers to help them deal with the digital wave. You can expect the margins of such suppliers to be pinched as they comply with the mandates of their largest channel partners, especially big retailers. Will digital capabilities enhance your ability to attract new customers, or will your competitors beat you to the punch?

3. *Consumers are less loyal, but want more recognition for staying with a company.* Given everything we've stated thus far, it should be no surprise that Accenture's Global Consumer Pulse research found consumers to be less loyal than they used to be. Our 2011 study⁸ found only one in four consumers surveyed felt "very loyal" to the companies from which they bought products and services. Just as many professed no loyalty at all.

Consumers increasingly expect to be rewarded for being good customers. It's one reason why participation has been rising in loyalty programs across most of the industries we surveyed (Figure 1.3). For example, 53 percent of consumers in this Accenture study were part of at least one retailer's loyalty program in 2011, compared with only 45 percent in 2009. And 31 percent of bank customers were part of at least one loyalty program in 2011 versus 18 percent in 2009. But this isn't enough; consumers want more than rewards and recognition. They want companies to know more about them, their needs, and their history with their products. Between 2009 and 2011, our research saw a 14-point increase in the percentage of consumers surveyed who expected customer service representatives to be more knowledgeable about them. All this means consumer loyalty is diminishing, but consumers remain interested in loyalty programs and recognition—programs that place a strain on the entire supply chain and further erode the profitability of each

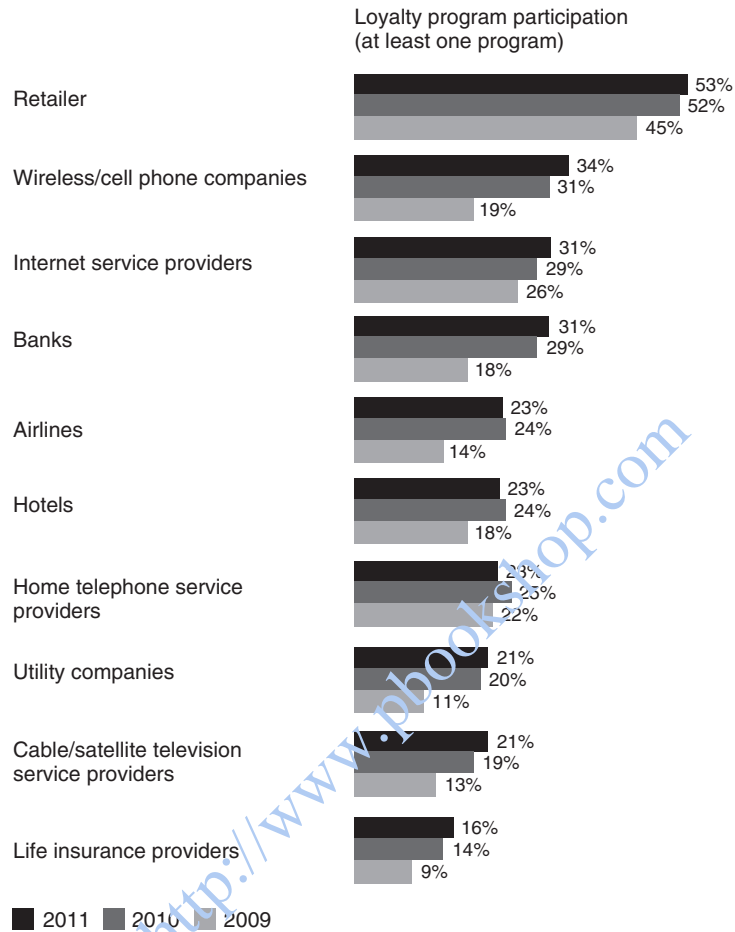


FIGURE 1.3 Consumer Participation in Loyalty Programs Has Been Rising across Most Industries

Source: Accenture Global Consumer Pulse Research 2012.

sale. It begs the question: Did you even evaluate your channel partners' loyalty programs when you chose them?

4. *Consumers will switch faster than ever before.* We don't mean to paint most consumers as overly fickle, as willing to drop a provider instantly for another that offers a better deal. In fact, one of the biggest findings from our 2012 Global Consumer Pulse Research is that consumers reported higher satisfaction with their providers

in all 10 of the service dimensions of the sale (or postsale) that we asked them about. In fact, satisfaction levels on three service characteristics—being able to resolve questions/issues on their own without speaking to a service agent, the amount of time it takes to completely resolve their issue or problem, and the amount of time they have to wait to be served—jumped more than five percentage points in 2011. But companies shouldn't get too comfortable. Despite being more satisfied, two-thirds of consumers switched providers in at least one industry in 2011 because of poor customer service.⁹

Which of your salespeople and which of your channel partners can best capitalize on consumers/customers looking for something new, or thinking about taking their business elsewhere?

D—Diversions: Did All Those New Tools Deliver, or Were They Diversions with Not-So-New Results?

For many years, successive technology innovations helped continually boost the sales organization's ability to grow the business more efficiently or more effectively. However, in the past decade, such support has stalled. In some cases, technology has undermined sales performance. The last great leap in technology-enabled sales force productivity was the sales force automation/effectiveness (SFA/SFE) of 10 to 20 years ago. Companies outfitted their salespeople with laptop computers and more advanced tools for tracking leads and managing their contacts. But since the exciting early days of SFA/SFE, technology advancements have mostly failed to deliver substantial results for the sales organization. According to the 2012 CSO Insights® Study, fewer than 15 percent of organizations achieved improved win rates from implementing sales tools—mobile or otherwise.¹⁰ To make matters worse, more than 85 percent of organizations surveyed did not increase revenue from technology deployments and more than 90 percent did not reduce the time it takes to close a sale.

The culprit: the “dueling complexities” faced by the chief sales officer and chief information officer. The main complexities for CSOs are proliferating channels to market, new and more nimble

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competitors, more geographically dispersed and diverse customers, and an explosion in the number and types of products and services the typical company provides.

The complexities for CIOs include heightened *internal* data and technology complexity in the form of rigid legacy systems created over several decades (Figure 1.4). These complexities clash today: CSOs need tools that can make them more agile and better equipped to respond to *external* changes in the marketplace, while CIOs have to integrate and streamline their existing infrastructure to support the needs of today’s modern business.

Even when their sales organization has effective technology, many companies don’t arm their channel partners with the same capabilities. They thus starve their channel partners of information that’s become crucial to winning over customers. Companies may grant channel partners access to some data, but they don’t fully give the partners what they need to maximize their effectiveness. The mind-set of parceling



FIGURE 1.4 The Complex Sales and Marketing Technology Landscape

Source: Scott Brinker @chiefmartec, www.chiefmartec.com.

out the technology capabilities and information that can make the sale runs counter to the principles of an efficient ecosystem of partners.

Stumbling Blocks to Change

Although a wide variety of challenges exist for the sales leader today, by far the biggest impediment to change is that companies have been relying on the same basic sales models for decades. Your sales model may not have kept up with other change and is not equipped to support the kind of sales operation necessary to thrive in today's global marketplace. In fact, we argue that companies that are looking for sustainable, profitable growth should start by fixing this fundamental problem.

Today, many companies use some combination of three principal channel models (Figure 1.5). Although each has its strengths and weaknesses, many models remain inherently flawed in their current state due to what they try to optimize and their lack of evolution as the market has changed.

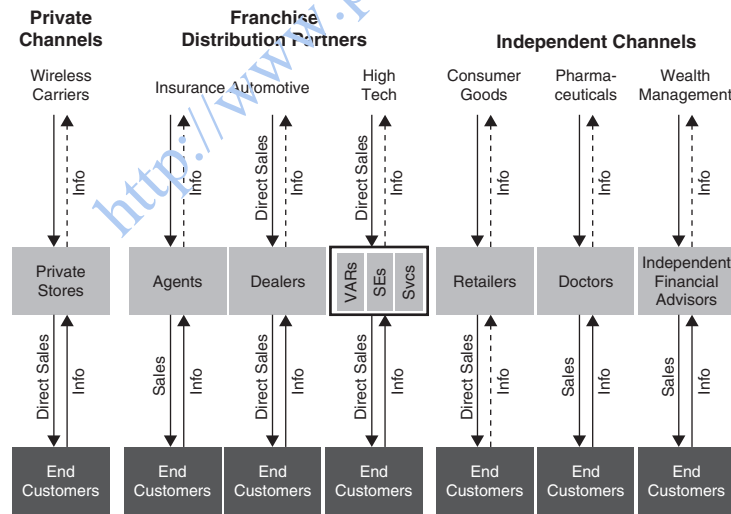


FIGURE 1.5 The Three Basic Sales Models Most Companies Rely on Today

Private Channels

The most traditional sales model is organized around the “owned” sales force (which today also includes an online direct channel). A private sales force is likely to be found in many, if not most, companies, especially those in the pharmaceutical, telecommunications, commercial banking, and real estate industries.

The private sales force model has many strengths, all of which relate to the issue of control: As all members of a private sales force are employees of the company, a firm can more easily exert its influence over them and their work. For instance, a company has direct control over the entire talent management process—from recruiting and hiring to performance management—which enables it to bring on board salespeople with the skills the company needs (or develop those skills, if necessary, through training programs). With this model, the company has the greatest flexibility in sales coverage, campaign execution, and opportunity management (especially with cross-product line sales). It also has full access to market data, the sales pipeline, and performance data, which allows the firm to craft more effective strategies and responses to changes in market conditions. And it has direct visibility into and management of pricing.

For all its strengths, the private sales force model also has substantial weaknesses. It can be very expensive, as the company is responsible for not only line salespeople, but also the associated layers of management and operations resources. The sales force’s reach is limited by fixed capacity in fixed locations, and can’t penetrate closed markets (i.e., those that are owned by product integrators). And owned sales forces are expensive and difficult to scale rapidly to capture emerging demand.

Beyond these limitations, private sales forces also suffer most from enterprise responses to economic downturns, as broad headcount freezes slow the adoption of new sales models. Furthermore, in most companies, a lack of reliable demand and individual sales performance data makes fear the biggest obstacle to action, as companies have strong concerns over cutting the wrong areas and putting current sales revenues at risk. And because many companies use a standardized one-size-fits-all compensation model for their own sales forces,

their ability to accommodate more specialized selling resources is significantly constrained.

Franchise Distribution Partners

The franchise distribution “partner” model is common in industries such as insurance (agents), electronics and high technology (value-added resellers and integrators), automotive (dealers), industrial machinery (dealers), and restaurants and bars (franchises). With this model, a company benefits from its partners that are “on the ground” in desired markets—and, thus, are highly aware of local competitive changes and customer needs—as well as from partners that are entrepreneurs and typically motivated to perform at a high level. In addition, the franchise distribution partner model provides some semblance of consistency in how the company is represented by partners through the use of standardized processes, technologies, and marketing programs. And, with such a model, a company has access to external or private capital, which enables it to diversify its risk and require less of its own capital to expand.

On the other hand, companies using such a model often find they have less control in reality than expected due to product exclusivity requirements and contractual obligations. For example, an automotive manufacturer cannot unilaterally close during its own restructuring. Furthermore, such models can suffer from inconsistent talent quality and management, as the company has much less visibility into and control over how individual partners hire, fire, and direct salespeople. Similarly, inconsistent local execution can be a problem, as partners have considerable discretion in how they run their business.

Several other factors make the franchise distribution partner model an impediment to change. For one, channels are themselves struggling with adapting to the change—often distributors don't have any better access to data than the companies they represent. Additionally, consolidation over time has changed the landscape from a single, autonomous channel network to one that has significant differences between “large” and “small” partners, including gaps in scale, maturity, industry specialty, and selling tools. And an adversarial relationship can develop between partners and the company: Inherent

distrust of “corporate” can lead to gaps in customer, product usage, and marketing effectiveness data, while partners may push back on requirements to invest in marketing programs, systemwide technology, or other capital improvements (which subsequently can slow, fragment, or dilute the ambition of change programs).

Independent Channels

At the opposite end of the spectrum from private sales forces is the independent distribution “partner” model. This model is typified by companies such as independent insurance agents who can sell policies from any insurance company they choose; third-party aggregators such as Sysco® or U.S. Foodservice®, which sell a wide variety of branded food and food-service items to cafeterias, bars, restaurants, and customers that are likely too small for manufacturers to serve directly; and retailers, which carry brands and products from dozens or hundreds of manufacturers. The common thread is that independent partners are free to carry and promote what they can sell, regardless of who produces it.

For companies upstream, independent agents enable simplified distribution and operations: The network provides the operational horsepower. Such agents also can help companies extend their reach into untapped markets (because of agents’ lower cost of entry) or access closed markets (for instance, by having exclusive contracts with government agencies). And there are lower barriers to switching: If a company finds another agent that appears to be better aligned with its value proposition, there’s generally nothing preventing the company from signing up that new agent.

The downsides of the independent distribution model are virtually the inverse of the strengths of the private sales force: very little control over partners’ operations (unless the company makes a substantial investment, such as a wireless company paying to have its own reps on the floor of a retailer partner); and little to no visibility into customer data (and inherent disincentives for the partner to share such data). Additionally, there’s nothing to prevent the partner from pushing competing products if it thinks they will sell better. Thus, a company is

constantly jockeying with other providers for a more favorable position with the partner.

There are two other reasons the independent distribution model is inherently inefficient. The first one is unclear acquisition, selling, and support practices of the independent channels. Independent operators may acquire unprofitable or unqualified customers, given the lack of control a company has over their selling process. The financial service mortgage crisis exposed this risk for banks, which took over loans generated by independents. More often, the risks are less extreme—for example, retailers that don't understand or explain the full range of a provider's products to shoppers—but they nonetheless undermine the provider's marketing and sales investments.

The second reason is exposure to the operational risk of downstream partners. The varying degree of operational and technical maturity of downstream partners can undermine any operational savings from using an independent network, because offering improvements can prove to be much costlier—or even prohibitive—than the benefit they'd generate.

Conclusion

There's never been a more important time for sales leaders to step up and lead. They and the overall sales channels they lead are the key to predictable, sustainable, and profitable growth in today's volatile marketplace. But doing so requires overcoming obstacles, many of which are significant and entrenched.

In the next chapter, we explore some of the opportunities sales leaders have to change their selling model, and we introduce an approach that leading companies are using to capture those opportunities.