Decision frameworks and analytics can help companies size, structure, and allocate sales resources to match customer needs and potential.

Ty Curry and Pete Masloski

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Pete Masloski is a principal in ZS Associates’ Evanston, Illinois, office. He has more than 15 years of experience helping clients improve their marketing and sales efforts in areas such as sales process design, sales force strategy, competency assessment, territory design, and incentive compensation. Pete has an MBA from Northwestern University’s Kellogg School of Management and is a graduate of Princeton University.

Sales Force Resource Decisions and the Impact of Analytics

Companies change the size, structure, and allocation of their sales forces for many reasons. They expand sales forces to penetrate new markets, support new products, or increase their coverage of existing customers. They downsize sales forces to reduce costs. They restructure sales forces to increase effectiveness (for example, adding industry specialists for expertise and focus) or to increase efficiency (adding inside salespeople to cover certain sales activities or customer segments). Consider some recent headlines pulled from the business press:
• “Medical device manufacturer eliminates 50 sales jobs to reduce costs.”
• “Financial services company adds 100 salespeople and reorganizes around industry verticals to drive growth.”
• “Computer manufacturer reorganizes direct sales force and partner channels to increase penetration of small businesses.”

Addressing sales resource questions such as those listed in Figure 4-1 is both challenging and rewarding. The ultimate payoff is higher profits through increased sales, lower costs, or both.

Despite the significant impact of sales resource decisions on company performance, many companies still rely on the wisdom and experience of sales leaders for making such decisions. Those who make these decisions based on intuition alone are unlikely to optimize sales performance. Sales analytics and frameworks enable a more objective, structured, and data-driven approach to sales resource decision making. Using analytic approaches increases the odds that the appropriate sales resources are placed against the best opportunities for maximizing customer value and company profitability.

However, sales force size, structure, and allocation changes are disruptive in nature and invariably lead to changes to existing customer relationships, creating risk to a company’s base business. Such changes can also result in the relocation or severance of salespeople. Finally, these types of changes can affect the skills required to perform the job, the sales force’s perception of the job, and salespeople’s income potential and motivation. In short, it is critical to get these sales resource decisions right.

<table>
<thead>
<tr>
<th>Decision Area</th>
<th>Key Questions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales force size</td>
<td>How many salespeople do we need to appropriately and profitably cover our customers and prospects?</td>
</tr>
<tr>
<td>Sales roles and structure</td>
<td>Should salespeople be generalists, or should they specialize by product, market, or sales activity?</td>
</tr>
<tr>
<td>Sales resource allocation</td>
<td>Are we devoting the right amount of effort to each customer segment, product line, and sales activity?</td>
</tr>
</tbody>
</table>

Figure 4-1. Sales resource questions
Given the business impact of optimizing sales resources and the potential downside of poor decisions, best-practice companies use frameworks and analytics to support their decision making. Using a process like the one shown in Figure 4-2, they link the needs and sales potential of each customer to the type and amount of sales force coverage each customer or segment requires and to the sales and profit consequences of that coverage. They examine multiple sales resourcing scenarios and choose the one most likely to produce the best combination of customer coverage and financial results.

The sales analytics function can and should be instrumental in helping companies make better-informed sales resource decisions, going beyond the role of support provider to deliver capabilities that enable the company to:

- **Diagnose** issues and opportunities with the existing sales force size, structure, and allocation
- **Design** a sales force with the right number of salespeople in the right roles engaged in the right allocation of sales effort across customers, products, and selling activities

This chapter shares ideas for using data, decision frameworks, and analytics to improve sales force size, structure, and resource allocation decisions. First, it discusses how to diagnose sales resource issues. Second, it discusses how analytics and decision frameworks contribute to the design of a sales resource plan that optimizes customer coverage and company performance.
Diagnosing Sales Resource Issues

Sales analytics can help companies identify sales resource problems and opportunities. Four performance diagnostics can evaluate where, how, and how effectively the sales force is spending its time.

Four Sales Resource Diagnostics

The following diagnostics can provide insights about the quality and quantity of customer coverage achieved with the current sales force size, structure, and resource allocation.

Customer Diagnostic: Is the Sales Force Meeting Customer Needs?

Customer survey results, when combined with profile and transactional data for those customers, can provide insights into potential sales force size, structure, and allocation issues. Surveys measure the quality of customers’ interactions with salespeople versus that of competitors, customer awareness and knowledge of products, the degree of sales force responsiveness, and the reasons for recent wins or losses.

Figure 4-3 shows the results of a customer survey that an energy company conducted. The findings are broken down into mature versus growth customer segments. On almost all dimensions, customers in growth markets perceived gaps in sales organization performance when compared to customers in more mature markets. One such gap, in technical expertise, pointed to a possible sales resource solution for the company: add salespeople in growth markets to increase capacity and consider adding technical specialists to increase expertise for addressing technical issues.

Sales Skills Diagnostic: Are Salespeople Proficient in Key Competencies?

Sales force competency assessments made through manager observation, structured interviews, and self-ratings can uncover sales resourcing concerns and opportunities. Assessments can focus on salespeople’s knowledge of markets and products and on their competency with key selling activities. Comparing competencies across groups of salespeople with different performance levels (for example, high versus low performers based on sales results) can provide additional insights.
Figure 4-4 shows the results of a sales force competency self-assessment performed at a business services company. The assessment showed that many salespeople felt they lacked strong knowledge of several important industry vertical markets. For two of these verticals—energy and government—less than a third of salespeople felt they had strong knowledge. Even among salespeople with a high overall performance rating, self-rated knowledge of these markets was low. The company felt it was underperforming in these markets. Thus the analysis prompted the company to consider adding specialized sales roles to focus on the energy and government verticals. Industry specialists could bring greater expertise and could better capitalize on the opportunity in these segments.

Sales Activity Diagnostic: Do Salespeople Spend Time Wisely?

How salespeople spend their time across products, customer segments, and activities can provide clues about the sales force’s effectiveness (customer impact) and efficiency (smart use of time). Companies can gather activity data through sales force observation, sales force activity surveys, and call reporting or pipeline tracking tools.
Too often, salespeople spend too much time selling to small customers and prospects that have limited sales potential. Analytics for understanding sales potential at the account level (see Chapter 2) can help companies identify sales efforts that are placed against low potential opportunities, leading to inflated sales costs and missed opportunities with higher potential customers.

Another common problem identified through a sales activity diagnostic is role pollution, that is, salespeople engaging in activities that are not core to their job of selling. Figure 4-5 shows results from a sales activity analysis that an industrial products company did to uncover role pollution in its sales force. In this case, 45 percent of customer-facing time was spent on technical service and support as opposed to proactive selling. The company identified a sales force structure change as the solution, creating a lower-cost technical support organization to address customer issues more efficiently and enabling salespeople to spend more time selling.

Competitive Diagnostic: Does the Sales Force Get Sufficient Share of Voice?

Competitive benchmarks, in and of themselves, cannot provide answers to sales resource questions. Yet they can provide insights that highlight
the need for deeper analysis about sales force size, structure, and allocation. Given that share of voice with customers will almost certainly have an impact on sales results, it’s useful to consider the implications of a sales force sizing decision on the likely level of selling effort achieved versus the competition.

Figure 4-6 shows a competitive benchmarking analysis for a pharmaceutical company. The analysis shows that if the company hopes to become a major player in a specific therapeutic category, it will need at least 300 salespeople for product launch and 200 salespeople on an ongoing basis to achieve a competitive share of voice.

When using competitive share of voice to evaluate sales force sizing requirements, keep in mind that different companies and products have unique characteristics that influence what sales force effort levels are needed. It’s a mistake to make sales force sizing conclusions based on share of voice alone. Supplement competitive diagnostics with other analyses described in this chapter.

**Historical Results Analysis for Assessing Sales Resource Issues**

Examining historical sales results can enhance understanding of the consequences of sales force size, structure, and allocation decisions.
Gaining Insight Through Market Penetration Analysis

Many companies know quite a bit about larger accounts but have much less information about the next tiers of potential accounts. Using analytics like those described in Chapter 2 to understand account sales potential, a company can identify gaps in account penetration that may indicate sales resource issues and can use analytics to uncover potential solutions. For example, one technology reseller conducted an assessment of sales potential across hundreds of thousands of possible business customers, segmented the accounts based on sales potential, and then mapped the accounts to its sales history to create the market penetration analysis shown in Figure 4-7. The analysis showed that the reseller had sold to 82 percent of large businesses but to a much lower percentage of small and medium-size businesses. It considered expanding its sales force to reach more opportunities with accounts that were not current customers, especially in the medium-size business segment. Additionally, the reseller’s “share of wallet” (that is, actual sales divided by sales potential of current customers) varied by segment. Share of wallet was 53 percent in the small business segment, but was much lower for medium-size and especially for large businesses. Selling to large businesses involved different dynamics than selling to small businesses. For example, small businesses typically worked with just one or two

Each dot represents a product. Products are sold by competing companies.

Figure 4-6. A competitive benchmarking analysis for a pharmaceutical company
suppliers, while large businesses would buy from many more suppliers. But even after accounting for this fact, the company felt that there was significant opportunity to increase share of wallet at large accounts. It considered adding product specialists for large accounts to increase sales focus on more products in its portfolio.

Gaining Insight About Sales Force Size and Structure Through Natural Experiments

Natural experiments occur in every sales force due to differences in customer coverage across territories, account segments, or markets. Some territories may have a large number of accounts with low coverage per account; these territories show what would happen with a smaller sales force size. Other territories may have a small number of accounts and high coverage per account; these territories show what would happen with a larger sales force size. Some territories may get coverage from sales specialists; others may get little or no specialist coverage. By acknowledging territory coverage differences and observing how these differences correlate with performance, it is possible to develop additional sales resource insights.

An apparel company that was losing retail store customers performed the analysis shown in Figure 4-8, which looked at the change in number of customers across sales territories. The company discovered that territories with a high number of retail stores to cover had suffered the greatest customer attrition; those with fewer stores, in fact, were gaining customers. Salespeople in territories with fewer accounts had higher sales effort per account, leading to better customer retention and higher prospect conversion rates. The company determined that it likely had too few salespeople to manage its existing customer base.

<table>
<thead>
<tr>
<th>Segment*</th>
<th>Current Customers</th>
<th>Share of Wallet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large business</td>
<td>82%</td>
<td>5%</td>
</tr>
<tr>
<td>Medium business</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>Small business</td>
<td>6%</td>
<td>53%</td>
</tr>
</tbody>
</table>

*Segment by potential based on number of employees.

Figure 4-7. Market penetration analysis for a technology reseller
Gaining Insight by Analyzing the Sales Pipeline

By tracking progress across different stages of the sales process to understand where and why deals are stalling, it’s possible to reveal trends that tie back to sales force size and structure issues.

A software company analyzed its pipeline using the process shown in Figure 4-9. It recognized that, at current success rates, it would need to start with 555 qualified leads for the sales force to achieve its goal of winning 50 deals for the period. Either it would have to add field salespeople...
to manage this volume of leads, or it could change the role of the inside sales team, asking it to both qualify leads and generate commitments for software demonstrations. With the inside team becoming accountable for more of the sales process, the field sales force would be able to focus on the downstream activities in the sales process, making it more likely to reach its goal of 50 wins without any additional head count.

**Designing the Sales Force**

Sales analytics and decision frameworks can play a central role in making decisions about the size, structure, and resource allocation of the sales force.

**Sales Force Sizing**

Sales analytics should go beyond commonly used financial decision rules for determining sales force size. A customer-focused approach that examines the linkages between customer coverage and sales results leads to better-informed and more profitable sales force sizing decisions.

**Problems with Commonly Used Financial Decision Rules**

The financial decision rules that many companies use to determine sales force size fail to explicitly recognize the most fundamental driver of sales resource needs: the customer. They also treat the sales force as a cost rather than an investment, often leading to suboptimal decisions.

**Simple Financial Ratios.** Ratios such as sales per salesperson and sales costs as a percentage of sales (cost-to-sales ratios) are straightforward metrics that companies commonly evaluate relative to company or industry benchmarks. However, these metrics are disconnected from customer coverage requirements and provide little insight into the profit implications of adding or cutting sales personnel. Although it’s seemingly counterintuitive, when a sales force is undersized, adding salespeople increases the cost-to-sales ratio but also increases profitability. A company can always reduce the cost-to-sales ratio by cutting personnel, but the impact on profitability is positive only if the sales force was too large to begin with. Maintaining an industry average cost-to-sales ratio is especially damaging to small-share companies that want to grow. Sustaining a historical ratio can also result in excessive downsizing during a business downturn, leaving a company poorly positioned for success when business conditions improve.
Earn Your Way or Pay as You Go. This “wait and see” approach views the sales force as a cost item justified by sales, rather than as an investment that drives sales. An earn-your-way, pay-as-you-go strategy is sometimes necessary in markets with high uncertainty or when a company is cash-strapped. But when companies take this conservative approach when they have a high likelihood of success and available financing, they undersize their sales forces and forfeit opportunity. A pharmaceutical company’s overly cautious expansion strategy, shown in Figure 4-10, resulted in too little support for a new product launch, costing the company 17 percent of profits over three years.

Using a Customer-Focused Approach

Effective sales resource analytics establish the relationship between sales force effort and the incremental sales and profit that will likely result. By understanding the relationship between the costs to cover a given customer or prospect and the likely revenue and profit stream driven by that selling effort, companies can determine which customers are profitable to cover and what type and amount of sales resource will be optimal. These analytic approaches examine the two key linkages shown in Figure 4-11:

Look at financial ratios (such as sales force cost-to-sales ratios) as a check for affordability, but don’t rely on them as the primary criterion.
1. How customer needs and sales potential affect customer coverage requirements and therefore costs of coverage
2. How customer coverage impacts sales results

Combining these two linkages allows companies to estimate the overall customer coverage achieved and the profit impact of different sales force sizing decisions.

**A Four-Step Approach.** Determining how much to invest in the sales force and how to allocate that investment across customer types, products, sales roles, and activities involves the following four steps:

1. **Determine account sales potential and segment accounts.** Start by developing an understanding of account level needs and sales potential for existing customers as well as prospects, and segment accounts into meaningful groups (see Chapter 2). The accounts in each group should be similar in terms of how the company should approach them from a sales resource standpoint. In addition to having comparable sales potential, accounts within each segment should require similar types of sales activities and levels of sales effort.

2. **Determine coverage requirements and the sales force sizing and cost implications.** Next, understand the baseline effort required to execute the sales process for each segment. Start by evaluating historical sales efforts or data obtained through sales force activity surveys. Then incorporate expert judgment that acknowledges the coverage impact of future changes to the selling environment. Evaluate linkage 1 in Figure 4-11 by estimating

![Figure 4-11. Two key linkages that determine sales force size](image-url)

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**Figure 4-11.** Two key linkages that determine sales force size
the average selling capacity expected per salesperson and calculating how many salespeople are required to meet coverage requirements. Then translate coverage requirements into costs using financial data that reflect fully loaded estimates for the average cost of a salesperson.

3. **Estimate revenues and gross profits.** Next, estimate expected revenues for each customer segment and product (linkage 2 in Figure 4-11) by looking at average historical deal sizes in each segment and historical advance rates through the sales process. An account segment that has very large deals but infrequent wins may be less attractive to cover than a segment with moderate-size deals but a high win rate. Again, historical analysis can provide insight into future revenue opportunities, but it will not address anticipated changes to the market and competitive environment. Accordingly, it is imperative to collect structured judgment from experts about how win rates and deal sizes will evolve going forward. Translate revenue estimates into gross profits by factoring in product costs.

4. **Construct financial models.** Evaluate the economic outcomes of different coverage scenarios across products and account segments. The key factors driving model outcomes are the estimated revenues and gross profits from account coverage and the selling costs associated with coverage. The bottom line is that some customer segments will be profitable for certain products but not others, some segments will be profitable across the portfolio, and some segments will just have too little opportunity to justify sales force coverage. Any decision to eliminate field coverage of accounts should be made purposefully, based on the economics. Shifting select customer segments to more efficient channels, such as inside sales, often substantially improves financial performance.

Two examples illustrate this analytic, customer-focused approach to sales force sizing.

**Example 1: Activity-Based Analysis for a Retail Merchandising Sales Force.** A retail merchandising sales force conducted an activity-based analysis to determine the right sales force size. The merchandisers performed a well-defined set of service-focused activities. The analysis focused on linkage 1 in Figure 4-11: determining how many salespeople were needed to produce the levels of service that customers required.

As shown in Figure 4-12, the company segmented accounts according to their sales volume (a good predictor of merchandising needs), determined the annual requisite coverage time for accounts in each segment (calls per
year times hours per call), and estimated the number of salespeople required to perform the work. By summing the call time across segments and dividing by the average number of calls a salesperson can make in a year, the company determined how large the sales force should be.

**Example 2: Profit-Based Pipeline Analysis for a Medical Device Sales Force.** Most sales forces will want to supplement activity-based analysis with analysis acknowledging linkage 2 in Figure 4-11: the impact of customer coverage decisions on sales and ultimately on bottom-line results.

The sales force sizing analytics illustrated in Figures 4-13 and 4-14 are for a sales force that sells medical devices to hospitals. The approach involved four steps:

1. Segmenting accounts according to their sales potential and coverage needs and mapping out the sales process steps for each segment.
2. Determining the number of leads entering the sales pipeline each year and estimating the time required and the success rate for each step.
3. Summing the time required to execute all steps to produce an estimate of the number of salespeople required to cover each customer segment.
4. Evaluating deal sizes and advance rates to determine the sales and profit implications of covering each customer segment.

In combination, these analytics enabled the company to evaluate the return on investment (ROI) impact of different sales force sizing scenarios.

![Table](attachment:table.png)

**Figure 4-12.** Activity-based sizing analysis for a retail merchandising sales force

**Table:**

<table>
<thead>
<tr>
<th>Segment: Retail Stores</th>
<th>No. of Accounts</th>
<th>Calls/Year</th>
<th>Hours/Call</th>
<th>Total Hours</th>
<th>Sales-people Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $75K</td>
<td>112</td>
<td>12</td>
<td>2.0</td>
<td>2,688</td>
<td>2.0</td>
</tr>
<tr>
<td>$35–75K</td>
<td>784</td>
<td>6</td>
<td>2.0</td>
<td>9,408</td>
<td>7.1</td>
</tr>
<tr>
<td>$15–35K</td>
<td>2,543</td>
<td>4</td>
<td>2.0</td>
<td>20,344</td>
<td>15.4</td>
</tr>
<tr>
<td>Under $15K</td>
<td>6,559</td>
<td>3</td>
<td>1.0</td>
<td>19,677</td>
<td>14.9</td>
</tr>
<tr>
<td>Total retail</td>
<td>9,998</td>
<td>—</td>
<td>—</td>
<td>52,117</td>
<td>39.4</td>
</tr>
</tbody>
</table>

Hours per salesperson per year = 1,325
Leads entering pipeline 1,240 accounts

**Sales Process**

**Qualify lead**
- .5 hr. per account
- x 90% success rate

**Assess customer needs**
- 7.5 hrs. per account
- x 35% success rate

**Develop value proposition**
- 3.75 hrs. per account
- x 70% success rate

**Service and support**
- 10 hrs. per account

**Sales time required**
- 13,192 hrs. to get 273 accounts

\[ \text{Salespeople required per year} = \frac{13,192}{1,250} \approx 10.6 \]

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**Figure 4-13.** Sales force sizing analysis for one customer segment (segment A) of a medical device company

<table>
<thead>
<tr>
<th>Customer Segment</th>
<th>Field Salespeople Required to Cover</th>
<th>Value of Field Sales Coverage ($ thousands)</th>
<th>Cost to Cover with Field Sales ($ thousands)</th>
<th>Profit with Field Sales Coverage ($ thousands)</th>
<th>ROI of Field Sales Coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>10.6</td>
<td>24,706</td>
<td>2,650</td>
<td>22,056</td>
<td>832%</td>
</tr>
<tr>
<td>B</td>
<td>2.6</td>
<td>3,972</td>
<td>650</td>
<td>3,322</td>
<td>511%</td>
</tr>
<tr>
<td>C</td>
<td>5.8</td>
<td>4,882</td>
<td>1,450</td>
<td>3,432</td>
<td>237%</td>
</tr>
<tr>
<td>D</td>
<td>1.6</td>
<td>832</td>
<td>400</td>
<td>432</td>
<td>108%</td>
</tr>
<tr>
<td>E</td>
<td>1.6</td>
<td>420</td>
<td>400</td>
<td>20</td>
<td>5%</td>
</tr>
<tr>
<td>All segments</td>
<td>22.2</td>
<td>34,812</td>
<td>5,550</td>
<td>29,262</td>
<td>527%</td>
</tr>
</tbody>
</table>

Field salesperson cost ($ thousands): $250
ROI target: 200%

**Figure 4-14.** Financial sizing analysis for a medical device sales force
ROI for segments A, B, and C (see Figure 4-14) exceeded the company-set threshold of 200 percent; these segments were assigned to the field sales force for coverage. For segments D and E, ROI to cover with field sales fell short of the threshold; these segments were assigned to more efficient inside sales and Internet channels, which would produce a more favorable ROI.

The columns in the table in Figure 4-14 are calculated as follows:

- Field salespeople required to cover = (results from analysis in Figure 4-13)
- Value of field sales coverage = (number of accounts closed from analysis in Figure 4-13) times (average deal size) times (product margin percentage)
- Cost to cover with field sales = (field salespeople required to cover) times (field salesperson cost)
- Profit with field sales coverage = (value of field sales coverage) minus (cost to cover with field sales)
- ROI of field sales coverage = (profit with field sales coverage) divided by (cost to cover with field sales)

Sales Force Investment Dynamics

The best sales force sizing and allocation analytics acknowledge the following sales force investment dynamics:

- **Sales force investment has diminishing returns.** Greater investment drives more sales, but at a diminishing rate as the marginal salesperson hired will have to dig deeper into the universe of customers to drive sales.

- **Sales force investment has multiyear impact.** This year’s sales force effort affects sales this year—and in future years. It is critical to consider the future revenue stream resulting from sales force effort. Otherwise, a financial model will understate the optimal sales force investment.

- **Sales force investment can be optimized through resource allocation.** Analysis that looks at economics across an entire product portfolio enables understanding of the optimal allocation of sales effort across products, as well as customer segments and sales activities, at any given sales force size. Often, it’s possible to significantly improve financial results simply by reallocating sales effort to the right products,
customer segments, and sales activities without changing the size of the sales force.

A pharmaceutical company conducted a sales force sizing analysis that acknowledges all of these dynamics. Figure 4-15 shows the results. The analysis involved analyzing historical data to understand the relationship between sales force effort and sales for each of the major products the sales force sold, estimating product and sales force costs, and measuring year-to-year carryover sales for each product. The analysis provided insight about the one-year and three-year profit impact of alternative sales force sizing decisions.

These examples of sales force sizing approaches are among the many approaches that are appropriate in different situations. For more detail on how to implement these and other customer-focused sales force sizing methods, see *Sales Force Design for Strategic Advantage* by Andris A. Zoltanners, Prabhakant Sinha, and Sally E. Lorimer (Palgrave Macmillan, 2004).

**Sales Force Structure**

Designing a sales force structure requires determining what sales roles and responsibilities are appropriate for meeting customer needs effectively (with high impact) and efficiently (for less cost). Structures can include many different sales roles, including field salespeople who are generalists, product
specialists, or technical specialists, as well as inside salespeople and key account teams.

Determining the right sales force structure is complicated. It’s easy to make costly mistakes that create unnecessary customer disruption, reduce morale, and increase sales force turnover. Companies increase the odds of choosing the right sales force structure when they use decision frameworks to organize and reduce bias in their thinking. Frameworks can help companies engage in rigorous scenario analysis and debate about the customer coverage and financial consequences of structure alternatives. In addition to helping with designing a structure, analytic frameworks can help with understanding the costs and benefits of structure modifications and with managing any of the disadvantages inherent in a given structure.

Generalist or Specialist Sales Roles?

Should salespeople be generalists who sell all products and perform all activities for all customer types? Or should they specialize by product, market segment, or selling activity? The decision framework shown in Figure 4-16 can help companies answer this fundamental sales force structure question.

Whether and how to specialize depends on two factors:

1. **Bandwidth of salespeople relative to the diversity of customer needs and sales process complexity.** Consider the sales process at IBM. Many complex and diverse competencies are required for selling the company’s broad line of computer hardware, software, and services to a wide range of businesses all over the globe. A single salesperson, no matter how intelligent or hardworking, could never master all of these competencies. To deliver the needed expertise to customers, IBM must have a highly specialized sales structure that includes dozens of types of market, product, and activity specialists.

2. **Company strategy.** A strategy to drive growth and penetration within an industry segment might suggest the use of industry specialists. A strategy calling for focus on one product within a broad line might suggest the use of product specialists. A growth strategy that requires developing many new customers might suggest a “hunter” specialist role. A strategy calling for maximal efficiency may suggest using generalists. A solution selling strategy may be best served by using account managers who have overall customer responsibility plus specialists to provide focus and specific expertise.
Figure 4-16. A framework for designing sales force structure
The questions listed in Figure 4-17 can help companies assess sales force structure considerations. The assessment will help the company evaluate sales force structure alternatives on different dimensions to help determine the right combination of generalists and specialists to effectively and efficiently execute the critical selling activities for each target segment.

Key Account Management and Inside Sales Roles
Over the past several years, increasing complexity of the sales function has contributed to growth in the magnitude and importance of two specific types of sales roles: key account management and inside sales.

<table>
<thead>
<tr>
<th>Control and Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Will important products, customer segments, and selling activities receive sufficient selling effort?</td>
</tr>
<tr>
<td>• Does the structure have attractive roles that enable talent acquisition and retention?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the structure align with the company’s sales strategy?</td>
</tr>
<tr>
<td>• Does selling certain products require specialized skills and knowledge?</td>
</tr>
<tr>
<td>• Will customers get the expertise they need for addressing their business needs throughout the buying process?</td>
</tr>
<tr>
<td>• Does the structure align the best talent to the highest-value opportunities?</td>
</tr>
<tr>
<td>• Does the structure enable effective sales coaching?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Complexity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the structure encourage role clarity and clear reporting relationships and accountabilities?</td>
</tr>
<tr>
<td>• What coordination requirements and execution complexities does the structure introduce?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Does the structure increase the cost of sales, e.g., multiple salespeople calling on the same customers?</td>
</tr>
<tr>
<td>• What are the territory size and travel implications of the structure?</td>
</tr>
<tr>
<td>• Are there specific products, customer segments, or selling activities that could be performed by lower-cost channels, such as inside sales?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Flexibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>• How much disruption to customer and sales organization relationships will the structure create? How can the disruption be managed?</td>
</tr>
<tr>
<td>• Is the structure adaptable to future events?</td>
</tr>
</tbody>
</table>

Figure 4-17. Key questions for evaluating sales force structure
Key Account Management. Large, strategically important, and typically complex customers require and warrant focused attention from the sales organization. These customers represent a disproportionate percentage of company revenues and are commonly major drivers of sales growth. Key account sales structures vary widely across companies based on a number of factors such as account needs, buying processes, geographic span, and sales potential. Several objectives can underlie key account approaches:

- Assign the best salespeople to strategically important customers.
- Achieve better coordination for the highest-potential customers who value a streamlined purchasing process and a single point of contact.
- Develop more comprehensive solutions for customers who have broader needs spanning a seller’s full product and service portfolio.
- Develop strategic partnerships with key customers, often including joint business planning, mutual investments to create innovative solutions, and shared accountability for success.

When the objectives involve broader solution development or strategic partnerships with key customers, key account management is much more than a sales force structure decision; it is an organization-wide business strategy for driving growth. Given these stakes, it is critical to address key account management through fact-based, comprehensive approaches.

Sales analytics and decision frameworks can contribute to the design of key account management teams by:

- Selecting key accounts. Companies need consistent criteria and an objective process for deciding which customers to include in a key account program and occasionally which ones to remove. Decision criteria such as account potential, purchasing history, customer needs and buying processes, and geographic footprint are useful for determining which accounts are truly “key.”

- Articulating and supporting the key account team structure. Given the added complexities of key account selling, it’s critical to think comprehensively about the details underlying the key account team structure (including reporting relationships, accountabilities, coordination requirements, and authorities) and to provide the planning tools, processes, and metrics for supporting that structure.

Inside Sales. Increasingly, companies see inside sales as an important component of the sales force structure decision. Inside sales has always been an
efficient structure option and has more recently proven to be an increasingly effective channel in certain situations. Three primary factors are behind the momentum inside sales has gained in recent years:

- Sellers feel competitive pressure to cut costs and thus are seeking more efficient ways to sell.
- Buyers are becoming more comfortable purchasing and collaborating remotely; they use the web to research product information, are comfortable communicating and collaborating with sellers through email and conference calls, and in fact prefer these methods over face-to-face communication for some sales tasks.
- Technologies such as easy-to-use online web conferencing and video tools make it possible for inside salespeople to create customer intimacy without field interaction.

Inside sales teams can drive improved sales force performance in the following ways:

- By executing the entire sales process at accounts that don’t justify field sales coverage due to low sales potential, a remote geographic location, or a preference for buying over the telephone or Internet.
- By performing select stages of the customer engagement process. With certain types of accounts, inside sales may execute activities at different stages of the sales process (for example, lead generation or customer renewals), allowing more expensive field sales and key account team resources to focus on activities that benefit most from a face-to-face approach.
- By selling select products or services. Certain offerings and solutions with lower buyer risk lend themselves to more transactional selling that can be accomplished by inside sales, allowing more expensive field sales and key account team resources to focus on more complex products and services that require a consultative approach and customization.

The sales analytics function can play a key role in identifying those customer segments, selling activities, and products that can be moved to inside sales to drive efficiency improvements, often with little or no loss of effectiveness.

Increasingly, field salespeople are leveraging email, social media, and web and videoconferencing to maximize their own productivity and enhance the customers’ experience. In this regard, the line between field sales and
inside sales is blurring, and the sales analytics group is in a position to help the sales force adapt to optimize its efficiency and effectiveness.

Using Analytics to Evaluate Sales Force Structure

Every sales force structure has costs and benefits. Developing a scorecard that evaluates the sales productivity impact of these costs and benefits helps narrow down the choices and highlight the best one. A medical device company developed the scorecard shown in Figure 4-18 to evaluate the expected costs and benefits associated with moving from a generalist to a specialist sales structure. In this case, the company expected the benefits of the specialist structure to more than offset the increased costs.

Following implementation of a new sales force structure, it is useful to track metrics that reflect the extent to which anticipated costs and benefits are realized. Figure 4-19 shows some sample metrics.

Managing the Disadvantages of a Sales Force Structure

Every structure carries with it some advantages, but also some disadvantages. Companies must recognize this and can use analytics-enabled support systems and processes to sharpen and leverage the advantages while

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**Figure 4-18.** A scorecard for evaluating sales force structure at a medical device company
reducing the impact of the disadvantages. For example, a risk in a generalist sales structure is that salespeople may undersupport a key product that is difficult to sell. A well-designed sales compensation program (see Chapter 7) and a dashboard with key metrics for the product (see Chapter 9) can reduce this risk and keep sales effort appropriately focused. Figure 4-20 on page 82 shows some common sales force structure disadvantages, along with strategies for minimizing their impact.

**Conclusion**

Sales force size, structure, and allocation are high-stakes decisions that have significant impact on customer coverage and on a company’s financial results. Sales analytics and decision frameworks can play a key role in the
The Power of Sales Analytics

## Diagnosis of Sales Resource Issues and the Design of a Sales Force that Supports the Execution of the Company’s Sales Strategy

Sales analytics can help advance the sales organization from intuition and gut feel to fact-based, data-driven, and comprehensive decision making that will lead to increased sales effectiveness and higher sales and profits.

<table>
<thead>
<tr>
<th>Structure</th>
<th>Common Disadvantages</th>
<th>Ways to Minimize the Impact of the Disadvantage</th>
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| Generalist | Nonoptimal effort allocation to products or customer segments | • Goals, incentives, metrics, and coaching aligned with strategy  
• Information and tools to improve customer targeting |
| Product or activity specialists sharing customers | Insufficient product expertise | • Better product training, information, and sales tools |
| | Customer confusion and lack of coordination | • Joint planning sessions with salespeople who share customers  
• Clear team roles and responsibilities  
• Sales specialists reporting to common managers  
• Information and tools (e.g., CRM) to support coordination  
• Territories aligned to facilitate coordination (e.g., mirrored alignments)  
• Team-oriented salespeople and a teamwork culture |
| | Lack of cross-selling (with product specialists) | • More cross-selling incentives and team rewards  
• Better cross-product training |
| | Poor geographic coverage | • Inside sales, generalist, or hybrid roles for outlying areas |
| Any | Disruption (with change) | • Realignment of territories using a structured process that builds sales force commitment  
• Customer relationship transition program  
• Bridge compensation for salespeople |

**Figure 4-20.** Sales force structure disadvantages and strategies for minimizing their impact