

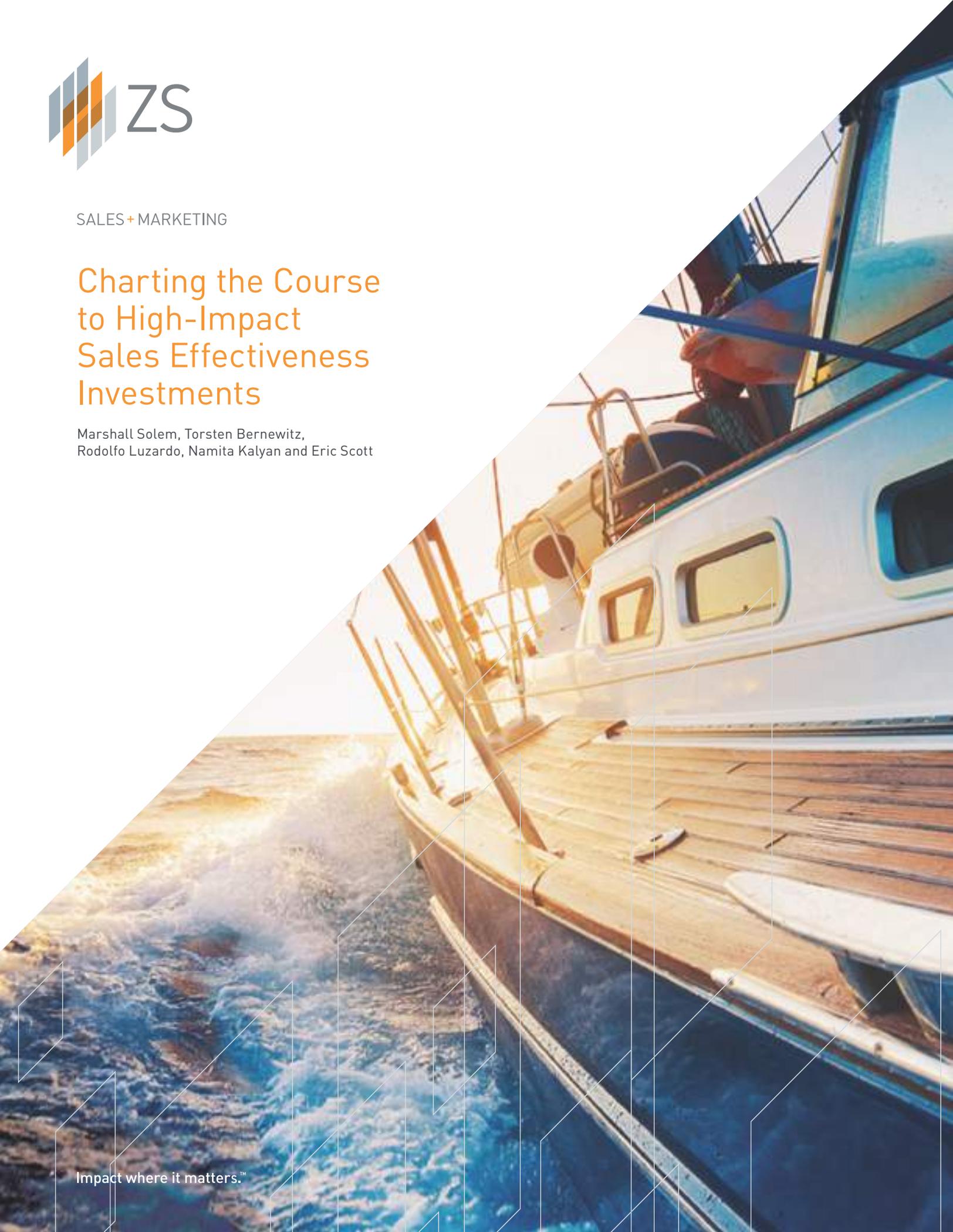


SALES + MARKETING

Charting the Course to High-Impact Sales Effectiveness Investments

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Methodology

In the spring of 2014, ZS conducted qualitative interviews with 20 leaders of sales force effectiveness, across industries, to gauge their perceptions of SFE initiatives and their impact. We then conducted a quantitative study, in partnership with the Sales Management Association (SMA), in late 2014. That quantitative, online study received 85 responses. We also conducted an extensive literature search of academic journals, white papers, trade publications and other business media on the topic of SFE—searching, in particular, for data on quantifiable gains in performance. Finally, we collected case examples from ZS’s work in helping clients implement various SFE initiatives. All of this information was compiled into a database with approximately 800 data points across more than 171 companies (see Figure 2).

Does this situation sound familiar? Across industries, organic growth is a common imperative. Yet growth is becoming more difficult in a sales environment that is evermore challenging and complex, where sales functions seem to have the deck stacked against them: Buyers are increasingly sophisticated, with professionalized procurement departments that have access to more information and greater transparency on pricing. Greater numbers of stakeholders are involved in procurement, meaning more approvals before a purchase order is signed. Globalization is a factor as well—as borders are opening up, companies are no longer going up against competitors in the same market but against those in the entire world.

Sales leaders know that they need to invest in sales force effectiveness (SFE) initiatives, yet such investments often carry a steep price tag and often require a clear business case that can be challenging to make. Why challenging? There are few objective benchmarks available regarding typical performance gains attainable through SFE investments. Sales leaders know these investments will help, but without good benchmarks, they find it difficult to build the business case. They’re essentially asking the company to sail into uncharted waters.

To finally penetrate the mystery of the impact of SFE initiatives, ZS launched the Explorer Study—an extensive analysis conducted over the past year—to answer the elusive question, “What is the impact of investing in SFE initiatives?” Ultimately, our study has found that when companies invest in a broader sales transformation across several drivers, they can improve their performance by as much as 20% or more within one year. This improvement is reflected across a number of metrics, including revenue, sales force activity and profitability. Even in situations where companies need to focus on individual SFE initiatives (versus a broader SFE program), our research still found that they can improve their performance by 4% to 8% in one year.

To reach these findings, we conducted qualitative research with sales leaders across industries. We followed this with a more detailed quantitative survey, in partnership with the Sales Management Association (SMA), as well as an extensive and robust literature search, and an in-depth analysis of ZS’s client work in sales force effectiveness over the past 30-plus years. In the aggregate, the Explorer Study research led to detailed data from 171 companies, with more than 800 specific data points on the impact of various SFE initiatives. (For more details, see the methodology sidebar.) Through this research, we mapped the potential benefits available to companies from investing in SFE initiatives.

In terms of ROI, the numbers are even more compelling. For example, consider a company with annual sales of \$1.5 billion that invests \$3 million on an SFE program or transformation. A boost in revenue of 8% translates to an incremental ROI of more than 1,400% in the first year (assuming 35% gross margins). Even a smaller, incremental revenue increase of only 1% equates to a one-year return of 175%. The bottom line: Companies that don’t invest in SFE are likely leaving money on the table. A lot of money.



To be sure, some of the factors that determine the potentially feasible performance improvement are outside of a sales leader’s control, such as the market environment and the company’s competitive position. However, leadership factors, such as selecting the right SFE drivers to focus on, championing decisions, spearheading change management processes and, most important, ensuring the quality of implementation determine how much of the feasible performance improvement a company will actually capture (see Figure 1).

Five factors predominantly dictate where a company is likely to fall in the range of observed impact.

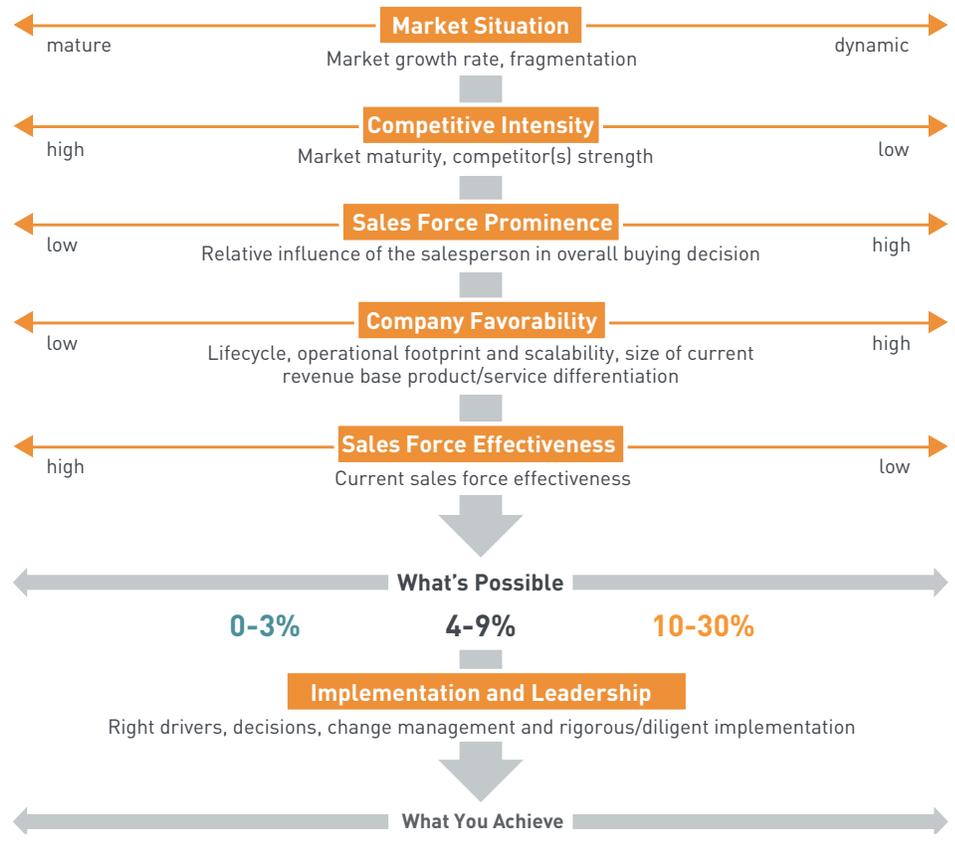


Figure 1: Five factors determine the potential upside from SFE investments, while leadership factors determine what companies actually achieve relative to that potential.

In a more complex sales environment, the Explorer Study findings provide companies insight into the range of impact that various SFE initiatives can have, helping sales leaders build a strong business case for the needed investments. This is the first of several publications that we will use to present our findings. Subsequent articles will include deep dives with detailed analyses of this data set broken out by industry and type of SFE initiative. We will also provide guidance on how best to build a business case for SFE initiatives, and discuss the critical importance of execution and embedding an SFE mindset as a consistent part of a company's culture.

Distribution of Companies by Industry Sector

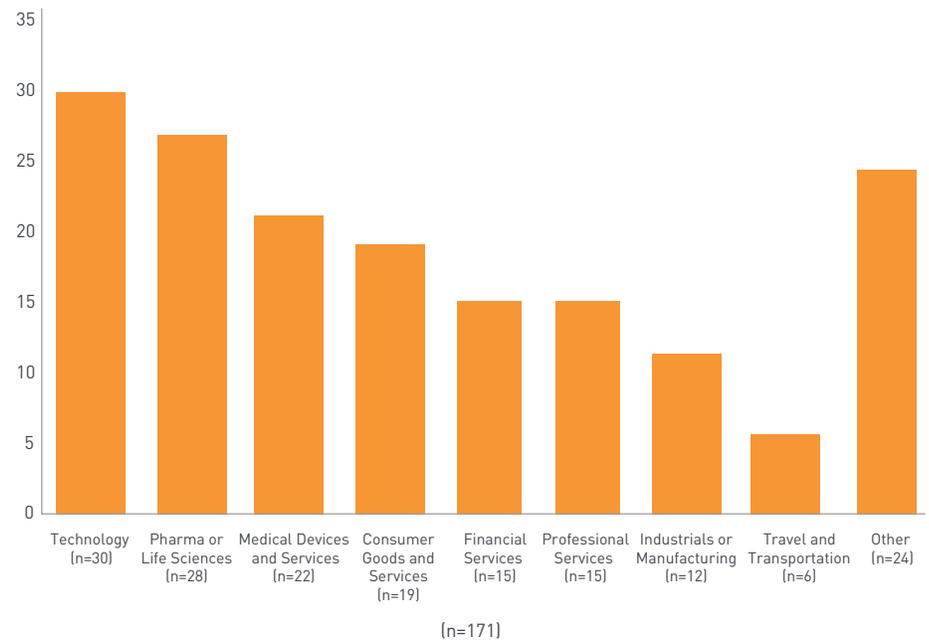


Figure 2: Our study analyzed impact of SFE initiatives by companies in a range of industries.

Explorer Findings

Our findings confirmed that companies typically invest in, and see impact from, four major categories of SFE improvement. Each category contains multiple sales effectiveness initiatives:

Ensuring the right customer coverage plan

- + Segmentation
- + Sales resource planning, structure, territory design
- + Account assignment to teams
- + Targeting, territory and pipeline management

Increasing the impact of each customer interaction

- + Sales process
- + Account planning
- + Sales tools and enablers
- + Competency model or role design
- + Selection and hiring
- + Training

Creating a performance-focused sales team

- + Coaching
- + Performance reviews
- + Metrics and dashboards
- + Goals
- + Incentives and rewards
- + Culture

Enabling efficient and effective sales operations

- + Data management
- + Analytics
- + Reporting and administration
- + Platforms and systems



Companies can invest in just one initiative within a category or, if they're embarking on a more ambitious effort, they can invest in an SFE program or transformation (defined as investments in at least two categories). While many companies struggle to measure the impact of SFE investments, many have one or two specific examples of impact from SFE initiatives that they feel confident in. The Explorer Study has taken those anecdotal examples and aggregated them into one of the most comprehensive reviews of sales effectiveness outcomes across industries and companies. We were able to identify outcomes benchmarks for both the smaller point initiatives as well as broader sales transformation efforts.

In terms of revenue, companies that launch SFE programs or transformations—i.e., investments across two or more categories—improve their performance in revenue by 9%, on average, in the first year. Regarding profitability, our data show that SFE programs lead to one-year increases of 10%. These results track with expectations: Efforts across multiple areas can often complement each other and lead to synergies.

When looking at SFE investments in a single initiative, the results still show that companies can generate a sales lift of 4% to 8% across the four individual categories (see Figure 3).

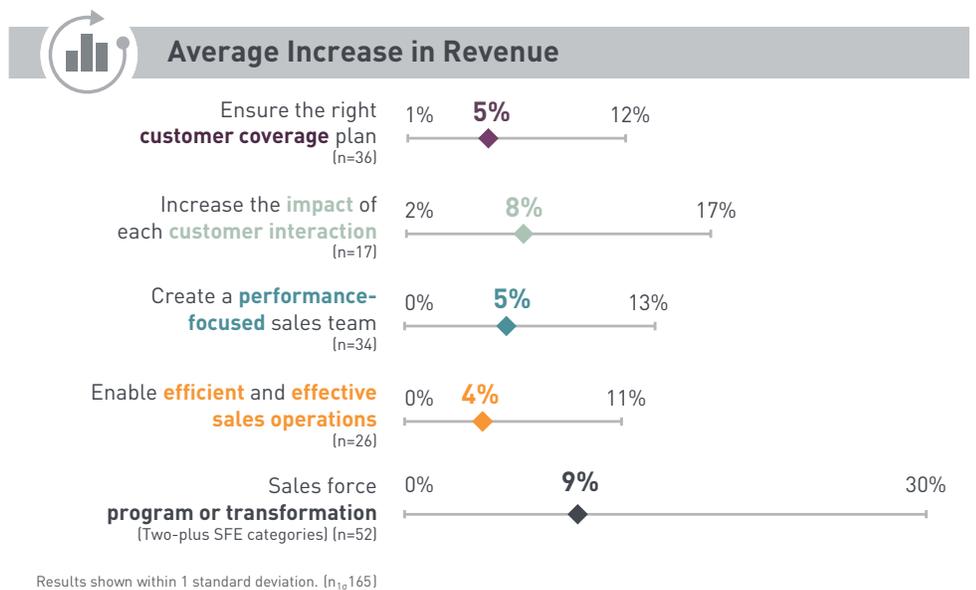


Figure 3: The average increase in revenue is 4-8% from a single category of SFE initiatives

And in terms of profit, SFE investments yield increases of 5% to 7% (see Figure 4).

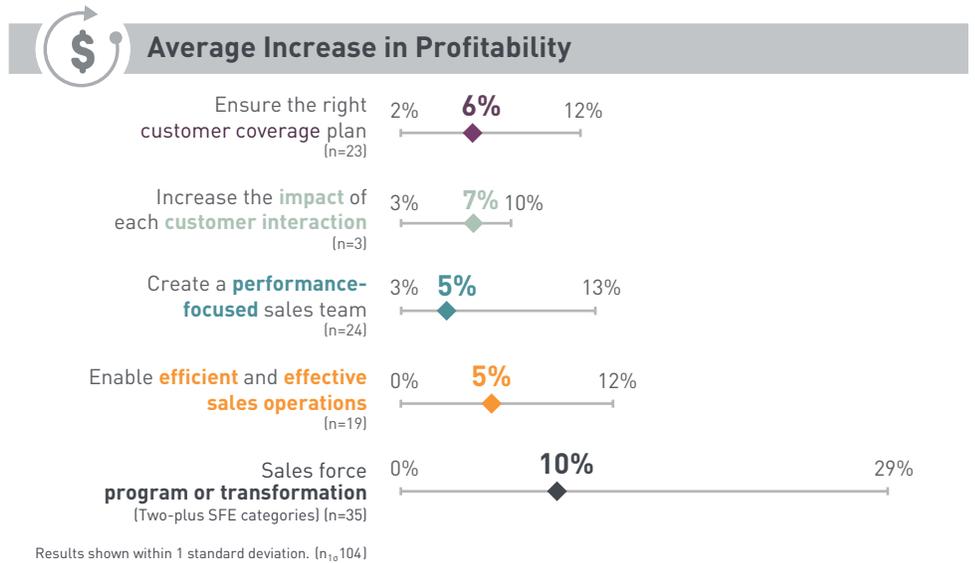


Figure 4: The average increase in profitability is 5-7% from a single category of SFE initiatives.

A Steady Hand on the Rudder

As a baseline, the median performance gains from SFE initiatives are significant. However, our study also found that there is significant variance in the range of reported outcomes. Some of the difference stems from a company's specific situation. Market-related factors such as the maturity, growth rate and degree of fragmentation all affect potential impact from SFE investments, as do the strength of competitors and the degree of concentrated buying power among customers. Similarly, company-specific factors play a role, such as differentiation of products and services in the market, geographic footprint, degree of maturity and starting level of SFE excellence.

For example, a startup in a high-growth industry may be able to generate significant gains from an SFE investment. Conversely, a large, mature company with leading market share in a stable industry may see a lower percentage impact, though its larger sales force and revenue base will mean a larger impact in absolute dollars.

Yet for all companies, the ability to capture the impact from SFE investments and generate a strong ROI is within management's control, and it stems from three specific factors: engaged leadership, quality implementation and effective

change-management processes. More specifically, our findings show that leadership alignment and sponsorship are crucial, along with a strong base of facts regarding the company's situation, sound analytics and thoughtful solution design. Regarding change management, companies also need champions within the sales force, along with field coaches and first-line sales managers who buy in to the initiative and can drive in-field changes.

A Call for Companies to Venture Forth

In a business environment that becomes more competitive each day, SFE is critical to a company's ability to meet organic growth targets. SFE should be treated with the same rigor as other major disciplines (such as Total Quality Management, Lean, Six Sigma and Agile, among others) in order to maximize the impact of the investments. The Explorer Study findings fill a critical gap, by arming sales leaders with the benchmarks they need to build a compelling business case to justify SFE investments. The findings show that there are clear performance gains available in most metrics, such as revenue, profitability and ROI.

In addition, among the 171 companies we considered, the best performers follow a clear path: They adopt a continuous mindset approach to SFE, with steady, incremental gains that are punctuated on occasion by more comprehensive sales force transformations. These companies identify a few key areas to improve every year, and they rigorously track the impact of those efforts to ensure quality execution.

As Jim leaves the business review meeting with his CEO, he cracks a smile. To prepare, he analyzed similar companies and industries and determined that the company could reliably increase both revenue and profitability by 5% through a program that focused on two of the company's most pressing SFE issues. Jim also had a clear implementation plan, with timelines and target objectives at each stage. As a result, his presentation to the CEO hit all the right notes, and the CEO signed off faster than Jim would have imagined. "But it's not just writing a check," the CEO said. "Your next challenge is implementation." On the way back to his office, Jim realizes the hard part is still to come.

About the Authors



Marshall Solem is a Principal based in ZS's Evanston, Ill., office. Marshall is the former leader of the firm's global Sales Solutions Practice and also spent five years leading the company's Midwest region with 225 consulting professionals. Marshall's client work is focused on helping companies improve commercial effectiveness through development of world-class go-to-market strategies. Marshall also helps clients to implement the new sales strategies by providing guidance on territory design, talent management, incentive compensation design, sales force effectiveness and commercial analytics.



Torsten Bernewitz is a Principal based in ZS's Princeton, N.J., office. Torsten has close to 30 years of experience as a management consultant and in business leadership roles. He leads the Global Change Management Practice and has worked predominantly with Fortune 500 companies—and their affiliates in the United States, Europe, South America and the Far East—helping them transform their selling organizations to achieve faster growth and superior execution. His experience also includes sales and marketing roles with IBM and work for the Commission of the European Union in Brussels.



Rodolfo Luzardo is a Principal based in ZS's Chicago office. Rodolfo has extensive experience advising companies across industries and geographies. Rodolfo's expertise is in B2B sales and marketing strategy and effectiveness, with a focus on large-scale commercial transformations relating to go-to-market strategy, sales effectiveness initiatives and integrations, and pricing optimization. Rodolfo's experience spans a diverse range of commercial topics, including multiple sales models, go-to-market redesign and pricing. He has broad industry exposure spanning specialty chemical, industrial, basic materials, distribution, retail and private equity.



Namita Kalyan is an Associate Principal based in ZS's Philadelphia office. She is the global lead for the Sales Force Effectiveness Practice and her focus has been in sales force strategy, design, and effectiveness. She has worked with Fortune 100 companies to evaluate and improve sales manager and rep effectiveness, including multi-country sales force training.



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About ZS

ZS is the world's largest firm focused exclusively on improving business performance through sales and marketing solutions, from customer insights and strategy to analytics, operations and technology. More than 3,000 ZS professionals in 21 offices worldwide draw on deep industry and domain expertise to deliver impact where it matters for clients across multiple industries. To learn more, visit www.zsassociates.com or follow us on Twitter (@ZSAssociates) and LinkedIn.



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