

## Goodbye, Willy Loman

### *Effectively managing sales in the 21st century*

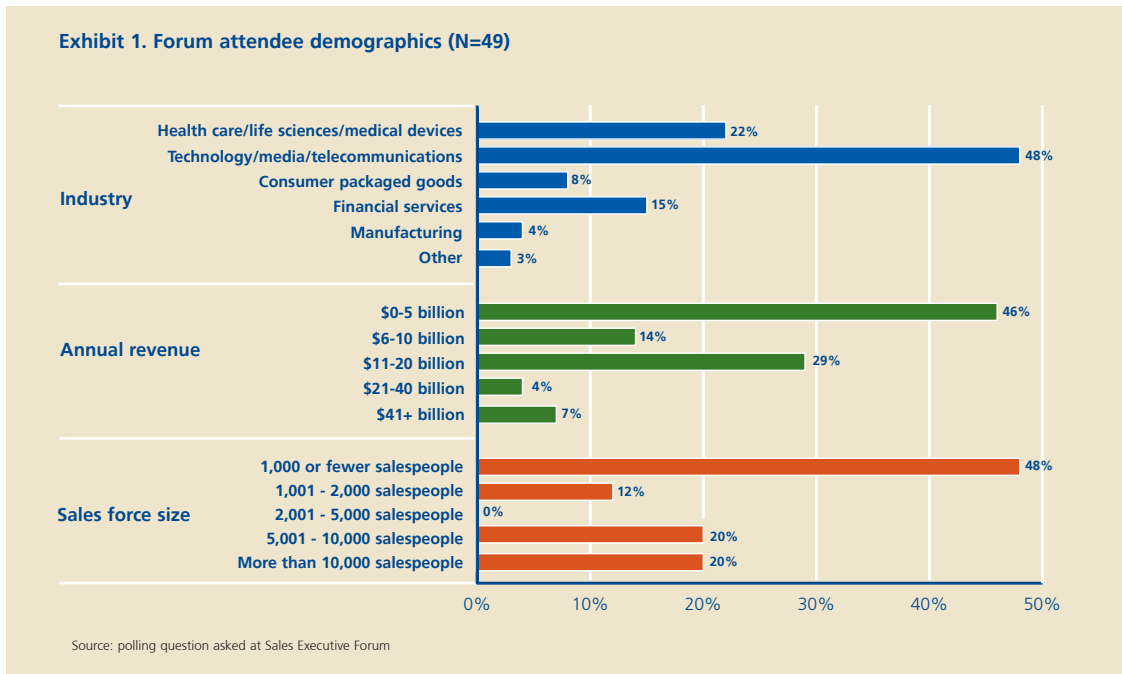
#### Spectrum

Spanning the realm  
of business issues  
and solutions

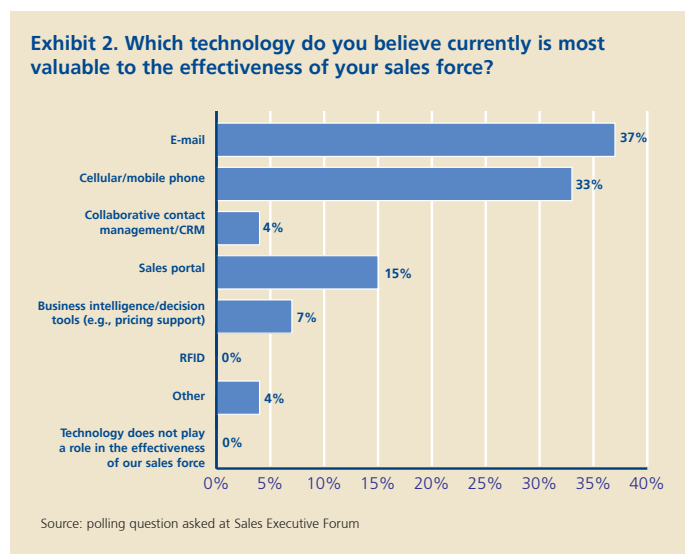


Ask the average person what he or she thinks of salespeople, and it's likely to be unflattering. The powerful stereotypes presented in Arthur Miller's *Death of a Salesman* (1949) and David Mamet's *Glengarry Glen Ross* (1984) endure today. Miller's Willy Loman is an iconic figure of failure and despair; Mamet's salespeople are manipulative con men out to cheat both each other and their customers. Shaped by portrayals like these, popular culture depicts salespeople as superficial, often desperate individuals operating in an intense, pressure-filled environment, using personal charm and manipulation to push inferior products on unwilling customers to satisfy sales managers' relentless demands to make quota.

But don't tell that to the nearly 50 senior sales executives, more than half of them from companies with over \$5 billion in revenue and more than 1,000 salespeople, who attended the Deloitte Consulting LLP (Deloitte Consulting) Fourth Annual Sales Executive Forum in April 2006! From their hundreds of years of combined experience, they know that the old stereotypes are not only mostly false, but rapidly losing whatever grain of truth they once held. The realities of today's business environment are often a far cry from those of 1949 or even 1984. A more crowded marketplace, better-informed customers, more diverse channel options, and increasingly complex products and services are shifting sales from its historic focus on "star performers" to an approach that also depends on star coaches, world-class infrastructure and processes, and tight alignment with the rest of the enterprise.



Not too long ago, many thought Customer Relationship Management (CRM) technology was the answer to helping sales organizations thrive in this new environment. But like any tool, CRM only works as well as the organization that deploys and supports it. Many early CRM adopters who did not realize the business value they expected from their implementations now understand that technology is no substitute for good sales management. While CRM may help salespeople to manage their leads online, it can't persuade them to enter the data in the first place. CRM might make it easier to manage customer segments or monitor sales performance, but it can't tell you how to segment your customers or what performance metrics to track.



Without effective sales management to make and to help enforce effective policies and decisions, a technology implementation cannot bring a sales organization to its full potential. In fact, our survey of participants in this year's Sales Executive Forum suggests that basic technologies like e-mail and mobile telephony are far more valuable than seemingly more advanced tools.

What does "effective sales management" mean in the 21st century?

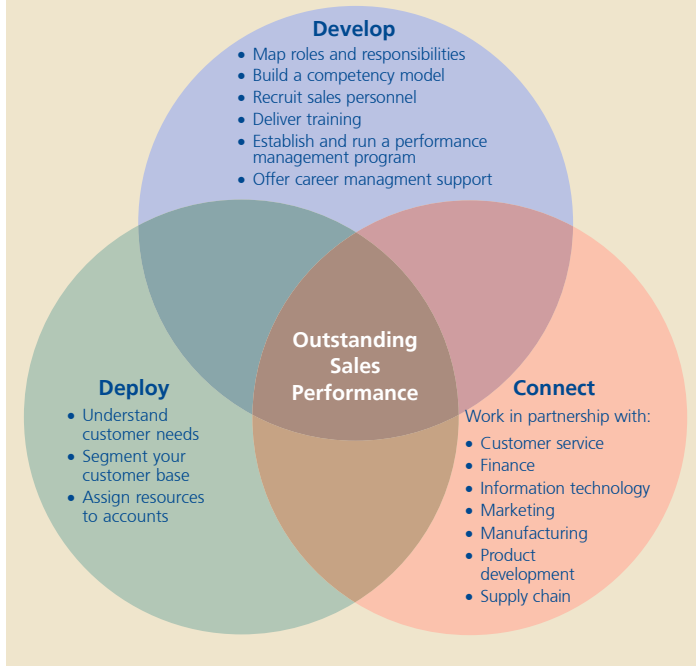
Deloitte Consulting believes that the management challenges facing today's sales executives and organizations can be effectively addressed using a three-part framework: develop, deploy, and connect (Exhibit 3).<sup>1</sup>

- "Develop" refers to achieving clarity around various sales roles and their responsibilities, as well as finding better ways to select, train, evaluate, and motivate the individuals who fill these roles.
- "Deploy" refers to tailoring the organization's sales strategy and tactics to its customers' needs, preferences, and characteristics; appropriately selecting and segmenting the customer base; determining an effective sales approach for each segment; and deploying the right sales talent to the right customers.
- "Connect" refers to the need for sales to work hand in hand with the rest of the enterprise to achieve the company's growth and profitability goals.

What follows are our observations about leading practices in each of these areas, highlighted by the experiences and insights shared by this year's Forum speakers and participants.

<sup>1</sup> Robin Athey (Deloitte Services LLP), "It's 2008: Do You Know Where Your Talent Is? Why Acquisition and Retention Strategies Don't Work," Copyright © 2004 Deloitte Development LLC. All rights reserved. Athey's "Develop-Deploy-Connect" model, originally used by Deloitte Consulting LLP's Human Capital practice to refer to talent management, is particularly applicable to sales organizations.

**Exhibit 3. The "develop, deploy, connect" sales management framework**



## Develop

"Develop," as we use the term, refers to two distinct, yet interrelated, challenges. The first is the seemingly obvious challenge of finding talented salespeople and helping them to develop their skills. The second challenge, which we feel is equally important, is to clearly define the sales organization's roles and responsibilities: who sells what products to which customers, who within the sales organization "owns" which customer relationships, how salespeople from different departments should support each other in pursuing a common sale, and so on. The ultimate goal, as several of our speakers pointed out, should be for both the sales organizations' roles and responsibilities and its efforts to train individual salespersons to be driven by the company's overall sales strategy.

For many of our speakers, "solution selling" – selling integrated packages of products, professional services, and/or support services, not just individual products – is critical to that strategy. Unfortunately, today's sales executives may be at a disadvantage in this regard compared to their counterparts a decade or so ago. As one participant noted, the high-tech boom of the '90s created a culture in which salespeople didn't need "solution-selling" skills to be successful. Customers had money, demand was high, and many salespeople who entered the field during that time learned to take a transactional, product-focused selling approach. Now that the boom is history, some companies trying to position themselves as business advisors to their customers face a shortage of salespeople who can cultivate a relationship, understand their customers' strategic issues, and bring appropriate services, products, and/or solutions to the table. Effective sales training programs are essential to helping companies overcome this talent challenge.

Sales training isn't a one-size-fits-all affair. It's important to align each salesperson's training with his or her role in the sales process. An account manager may need a broad view of the company's services, products and/or solutions, as well as exceptional relationship-building skills. A technical specialist, on the other hand, may receive in-depth training on only a limited number of services, products or solutions. In fact, the only constant in sales training may be the need to teach each salesperson how to work with his or her colleagues in other sales roles. "We want to make sure everyone knows what they're accountable and responsible for," said one Forum speaker from a high-tech manufacturing company.

Perhaps nothing is more challenging from a "development" standpoint than a merger or acquisition, in which a company not only has to quickly integrate two sales organizations into a well-functioning whole but also must equip salespeople from both legacy companies with the knowledge to handle the newly expanded service, product and/or solution mix. That's exactly the situation one of our speakers, the SVP of Client Solutions at a global IT systems company, described. Having recently acquired an organization with a complementary product line, the company needed to harmonize the combined sales organization's roles and responsibilities without running roughshod over the acquired salespeople's sensibilities, while also bringing the entire sales force up to speed on the company's expanded offerings.

The SVP of Client Solutions took several steps to defuse these potential post-merger change and talent issues. First, he took care to acknowledge and respect the acquired organization's existing account teams and customer relationships. Second, existing reporting relationships in the acquired organization were initially kept intact. "If you try to make the acquired salespeople subservient to you, the top performers disappear overnight," he explained. "We have created a structure where we take the acquired sales organization and plug it in to ours as a block. Because of that, we are able to communicate more easily, bring stability, and explain how we work together in the larger organization." Rationalizing the new sales organization's reporting relationships, he said, could wait: "You can't change the tires while you're driving down the road."

Finally, to give the merged sales force the product and service knowledge it needed, the SVP of Client Solutions decided to support the existing account managers with specialists who could advise them on specific products and services. In this way, the company was able to "make the acquired company's specialists part of the front line of selling," he said. The company also established a phased training program to teach its sales force about the merged company's products and services in decreasing order of profitability, so that the salespeople learned about the company's biggest profit generators early on.

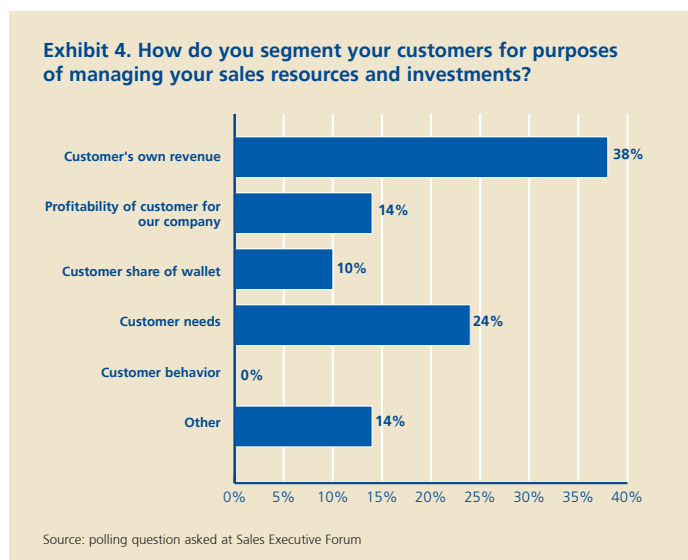
Based on our consulting experience, and the experiences of the speakers in this forum, we have identified the following leading practices in the "develop" area for sales organizations:

- **Clearly align sales roles and responsibilities with sales strategy.** You don't want your salespeople stepping on each others' toes and confusing the customers. To help avoid this, explain to everyone the sales organization's go-to-market strategy as well as his or her contribution to it. Lay down clear rules of engagement for everyone's interactions with the customer, as well as with each other, and drive accountability through appropriate performance evaluation and compensation programs.

- **Support sales strategy and roles with hiring and training practices.** Establishing structured roles and standard sales methodologies is one thing; teaching salespeople to fulfill the roles and follow the methodologies is another. Sound training and development programs can go a long way toward making this happen.
- **Carefully consider the timing for sales integration after a merger or acquisition.** A merger or acquisition normally causes enough disruption for both salespeople and customers without having to adjust to new bosses, new direct reports, or (for customers) new account managers right from the start. Often, adjustments to account coverage and reporting relationships are easier to make after everyone has had a little time to get used to the new state of affairs. (One exception to this rule may apply when sales executives need to take advantage of a catalyzing event to make needed changes – a subject we'll touch on later.)

## Deploy

An effectively deployed sales organization allocates its investments across its customers to help increase the potential total return. With proper deployment, the cost to sell should closely track the potential profitability of sales to each customer, thereby boosting overall profitability. One powerful tool to accomplish this is through careful customer segmentation. But of all the possible ways to slice the customer base, which ones are the most useful for sales management purposes?



Many companies, including those represented by Forum participants, segment their customer base according to their customers' revenues (Exhibit 4). The reason is simple: the more money a customer has to spend, the more potential sales revenue available from that customer (and the more effort should be spent to chase it). While this line of thinking may be valid, similarly sized customers differ in their needs, preferences, and buying behavior. These different customers require different types of selling approaches and different sales roles to support each approach.

Consider the experience of a high-tech manufacturing company whose stagnating growth had prompted growing pressure from Wall Street to improve financial performance or change its corporate structure. Historically, this company had organized its sales efforts around the distinction between direct and indirect sales channels. But when its sales leaders examined its commercial customers' needs and buying behavior more closely, they realized that these customers tended to fall into two categories that cut across the direct/indirect distinction. One, a "volume" segment, was looking for lower total cost of ownership and ease of purchasing, and could be served by a lower sales cost structure. The other, "value" segment required additional increased value, more experienced sales resources and support, and "solution selling" at a higher sales cost structure. In what the company's VP of Strategic Initiatives called a "fundamental redesign of the sales model," the sales organization developed two distinct separate sales approaches – value and volume selling – to address these two segments' widely differing needs. As a result, the company has significantly reduced its global cost to sell in the two years since the effort began.

The company's transition to value vs. volume selling meant significant changes for its salespeople. Used to selling to both value and volume customers, the company's sales force, according to the VP of Strategic Initiatives, was "too expensive for the volume business and not skilled enough for the value business." The company spent a year aligning sales force coverage with its value/volume segments, rewriting roles and responsibilities and, where possible, re-assigning each salesperson to either value or volume accounts. It also revised its sales training programs to fully align with the value/volume distinction.

In addition, the company changed its sales incentive compensation structure to support the desired behavior in both value and volume roles. Said the VP of Strategic Initiatives: "By splitting customers into value and volume segments, we were able to align sales force compensation with the sales strategy much more easily." "How?" asked another Forum participant, who happened to be from a relatively close competitor. Laughing, the VP of Strategic Initiatives replied, "I can see why you'd be interested – but all I'm going to tell you is, it didn't happen overnight."

Naturally, it's important when segmenting along customer needs and behaviors to understand what customers *actually* need and prefer, which may be quite different from long-held assumptions. One Forum speaker from a large consumer products company, for example, said that its sales organization had long made a point of sending account managers to each of its customers, no matter how large or small, to take restocking orders. When sales leaders conducted a detailed customer survey, however, they were surprised to learn that many customers saw little value in the account managers' visits.

"In one fell swoop," said the company's senior sales executive, "we blew away the myth that selling our product is about meeting our customer face to face."

This discovery gave the company a huge opportunity to reconfigure its sales spend without losing ground with its customers. It stopped sending account managers to many of its customers, inviting them instead to place orders through the company's newly established centralized call center. For selected strategic customers, on the other

hand, the company not only continued the in-person visits, but refocused those visits to be "real customer development sales calls, not just order-taking," the company's senior sales executive said.

"Until about a year ago, we would have said, 'Segmentation? We don't need no stinkin' segmentation!'" he continued. Because the company now sends account managers only to its most strategic customers, it has been able to reduce its sales force and make fewer face-to-face customer visits without suffering a loss of revenue. As it continues to refine its segmentation approach, the company expects to visit still fewer customers in the future – and, at the same time, increase the proportion of gross profits represented by those high-touch customers.

The lesson? Segmentation can be a powerful tool to align sales investments not just with the priority that customers "deserve" in terms of their potential to generate sales, but also with the value customers "need" to consummate those sales. Consider the following leading practices:

- **Segment customers based on their needs and buying behavior, not just on their size.** Customer revenue is a fine proxy for potential buying power, but other considerations should play into segmentation decisions as well. For example: What do different customers perceive as value added? What selling strategies do they respond to most often? How willing are they to enter into the type of relationship you're looking for?
- **Listen to your customers.** The key to finding useful answers to such questions is to work with reliable data. Do the market research needed to uncover customers' real, as opposed to assumed, preferences.
- **Put your resources where the profitable growth is.** Segmentation is only as useful as your ability to allocate the appropriate resources and activities to each segment. Mold the sales organization's people and processes around the desired segmentation approach, even if it means spending some time to decide which salespeople should cover which accounts. This helps you to avoid the pitfall that "one size fits all" and that all selling roles are the same.

## Connect

Selling in today's complex environment generally requires much more than just a great sales organization. It usually also requires close alignment between sales and the rest of the enterprise, beginning with customer service and marketing, but also extending to other functions such as human resources, information technology, supply chain, manufacturing, and finance. Exacting customer demands and fierce global competition are turning the battle for customer revenue into a battle for customer loyalty, and that means making it as easy as possible to do business with your company.

One large medical device company has made cultivating customer loyalty a central component of its growth strategy. "Customer satisfaction is worthless; customer loyalty is priceless," said its VP of Customer Support, quoting the title of Jeffrey Gitomer's 1998 book about building loyalty through customer service.<sup>2</sup> "We have more competitors than we need and they can all satisfy our customers. To move satisfied customers to loyalty, we're looking to create the value in our customer relationships that keeps them coming back."

That value, he continued, is created or destroyed by a customer's experiences, both positive and negative, in dealing with the company. So the company set out to deliver a great experience at all customer touch points, from sales through delivery through clinical application. To do this, the company's sales and support organizations are working in tandem to provide end-to-end support to its institutional customers. Led jointly by the VP of Sales and the VP of Customer Support, this effort involves revamping its customer support infrastructure and processes to give customers a dedicated service organization to resolve any issues – a task that previously fell largely on the sales force's shoulders.

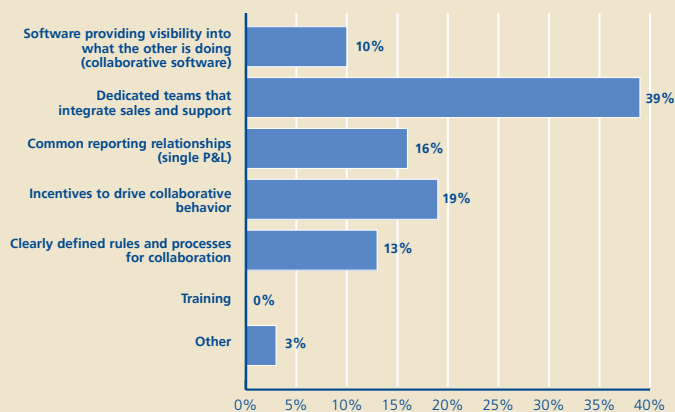
"Our salespeople used to be the only consistent contact our customers had with us," said the VP of Customer Support. "So any time a customer had a problem, from invoice disputes to missing shipments, the sales rep would get the call. Our sales force was spending fifteen to twenty percent of their time on non-sales cleanup work." Now, the shift to a "hunting and farming" model is expected to better help grow revenue by driving new sales, as well as by improving the customer experience. Using this method, the customer support organization ("farmers") takes responsibility for maintaining and cultivating old accounts, while the sales organization ("hunters") identifies and secures new accounts.

"The underlying concept is to make sure my folks in support do all they can do so the sales folks can do what they need to do ... and we're both doing what's most important to the customers," said the VP of Customer Support. To guide the effort, the company conducted extensive research to determine its customers' needs and preferences, then launched a "lean consumption" initiative aimed at optimizing the company's processes from the customer's point of view.

"We specifically map our own internal processes to the customer's processes; evaluate how well those processes are aligned; and assess opportunities for improvement," said the VP of Customer Support. "We look at each process, the desired outcome, and the metrics, and then work on our processes to eliminate as much waste as possible for our customers." For example, the company's research revealed that its U.S. customers were unhappy with the lack of consistency in their contacts with the company's service call center. The company's response was to divide the call center into several dedicated regional units that deal only with customers in that region.

<sup>2</sup> Jeffrey Gitomer, *Customer Satisfaction Is Worthless, Customer Loyalty Is Priceless: How to Make Customers Love You, Keep Them Coming Back and Tell Everyone They Know*, Copyright © 1998 Bard Press.

**Exhibit 5. What is the single most useful method or tool for driving greater collaboration between sales and support?**



Source: polling question asked at Sales Executive Forum

"Before, calls came into this huge group of people across the nation, and whoever picked up the phone first is who you got," said the VP of Customer Support. "Now, the same three people in our center in the Northeast will always answer the phone for our Northeast customers. They'll be a specific group of people who know the regional accounts."

The responsibility for delivering a great customer experience, added the company's speaker, extends past sales and service to the entire enterprise. "If supply chain doesn't get the product to the customer on time, we've still failed as a company – not sales, not service, not supply chain," he said. "We really need to embrace the idea that all of us impact the customer in a positive way."

Functions from finance to HR were also involved in the implementation of the value/volume segmentation approach by the high-tech manufacturer discussed in the previous section. To run its go-to-market initiative in an integrated manner, the company enlisted marketing to revise its customer programs and campaigns to follow the value/volume distinction; operations and IT to redesign sales support processes and tools; HR to appropriately source and train the required sales personnel and create compensation plans to drive the right behavior with respect to each segment; and finance to develop modeling tools to help determine classification and assign

coverage. "Sales transformation requires understanding and participation from all parts of the organization," said the company's VP of Strategic Initiatives. "It's important to evangelize the benefits and principles of the transformation on a consistent basis throughout the organization to gain momentum and buy-in."

Besides soliciting buy-in from various constituents, sales executives may sometimes need to ride the winds of change within the larger enterprise, as opportunity permits, to carry out a transformation. The high-tech manufacturing company, for example, originally planned to develop its value/volume segmentation approach in six months and implement it over the next 18. When its CEO was replaced after the first six months, however, the new CEO made it possible to move forward more quickly. "Taking advantage of catalyzing events can speed adoption," explained the VP of Strategic Initiatives. "Because of the new leadership, we were able to effectively implement many aspects of our transformation effort much faster than originally anticipated."

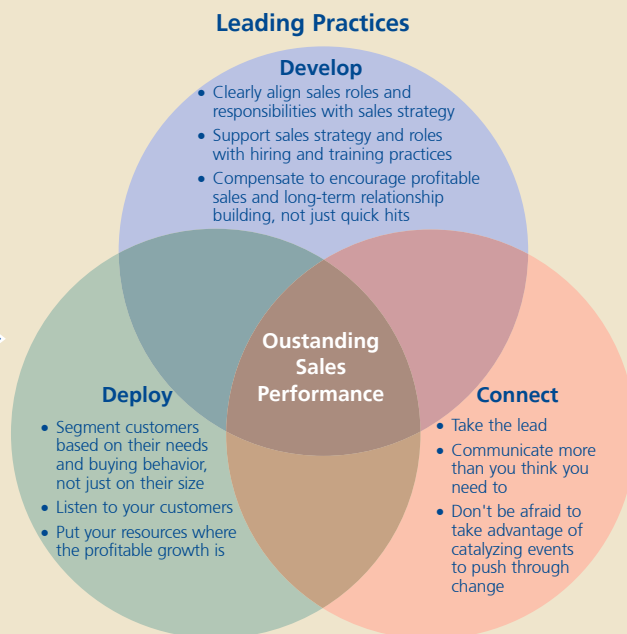
Connecting with other corporate functions to align them with sales can be a challenge for any sales executive. We have found the following leading practices to be effective:

- **Take the lead.** As head of the sales organization, you're bound to have more visibility than others into what needs to happen to improve sales performance. Take it upon yourself to engage other functional areas that may be open to supporting sales transformation efforts, but that might be looking for your guidance on how and where to start. Use your position to facilitate processes that expose the entire organization to the voice of the customer.
- **Communicate more than you think you need to.** It can take multiple messages over time to effectively promote and demonstrate the benefits of change. "I sent so many e-mails, went to so many all-hands meetings, and held so many Webinars, that I thought I was done," said the speaker from the IT systems company discussed earlier about communications during the company's most recent acquisition. "Then we ran a survey and found out that I hadn't done enough. Not understanding the reasons for it can be a big reason people resist change, so you have to communicate on a constant basis."
- **Don't be afraid to take advantage of catalyzing events to push through change.** A leadership change can provide the impetus for transformation; so too can a merger or acquisition, a new competitive threat, or other internal or external disruptions. Be alert for opportunities to leverage such events to facilitate needed changes both in sales and in other customer-facing functions.

## Exhibit 6. Sales management challenges and leading practices

### Challenges

- Recruiting the right talent
- Developing sales skills
- Understanding the right sales roles and responsibilities
- Placing the right people in the right roles
- Effectively merging sales forces
- Aligning go-to-market approaches with customer profitability
- Managing the careers of salespeople
- Getting the rest of the organization to effectively support customers



## Develop, Deploy, Connect: Making it happen

As a sales executive, you're expected to deliver results, but figuring out the most effective way to do this may not always be easy. We believe our "develop, deploy, connect" framework can be a useful tool to help you determine what might need to be adjusted to improve sales performance. Based on the insights offered by this year's Forum presenters, as well as our experience in working with the sales functions at some of the world's most prominent companies, the leading practices we've highlighted in each area have been shown to be useful for many sales executives working to transform their organizations. Here are our thoughts on how you might use them to your own sales organization's advantage:

- **Evaluate your strengths and weaknesses.** How strong is your sales organization in each of the three areas of the "develop, deploy, connect" framework? Where might there be room for improvement? Determine where your sales organization might benefit from change, and prioritize the issues to help you decide which to tackle first.
- **Gather data to support your case.** The more solid data you have to back up your case for change, the more convincing your case will be. Whether it's digging through sales performance statistics or commissioning a customer research study, it's usually wise to gather as much supporting information as you can before making your pitch to others in your organization.
- **Seek allies.** Which of your peers, subordinates, and superiors need to be part of your coalition to effect change? Seek them out, explain your thinking, show them the data, and bring them on board as early as you can.

- **Start planning now.** Research and planning can be a time-consuming process. Get a head start by starting the planning process now, even if you don't intend to execute for some time.
- **Decide on the timeframe for change.** We've found that it usually makes sense to start implementing changes as soon as planning is reasonably complete. However, in certain situations, it may be more advantageous (or practical) to wait – for instance, if you know that a merger is in the works, you may want to execute your transformation as part of the overall post-merger integration process. Obviously, the decision of when to start will also depend on factors such as your company's overall business plan, its appetite for change, and the urgency of the need.

Based on our experience, as well as the experience of those who participated in our Forum, effective sales management is all about the standard pillars of leadership: vision, courage, and commitment. As diverse as our speakers' challenges were, all recognized the importance of seeing what needed to be done, mobilizing the support to get it accomplished, and leading their sales organizations through pivotal transformations. They embody what could be the most important measure of an effective sales leader: the leadership skills to help "turn the battleship," in one speaker's words, and set it moving on a new and improved course. Sales leaders who can effectively apply similar principles at their own organizations, we believe, will be well placed to leave their less well-aligned competitors behind. Goodbye, Willy Loman.

## About the Sales Executive Forum

We have found that one of the challenges of being a top sales executive is having no one else to talk to – at least not about improving your sales force. After all, when it comes to that subject, you are the company's leading authority. And talking to yourself? Well, that's just bad for business. The Sales Executive Forum, hosted by Deloitte Consulting, is an invitation-only event that gives sales executives from some of the world's leading companies a rare opportunity to share ideas with their peers – and to discuss their most pressing issues with others who are feeling the same pain. It also features presentations by some of the world's leading authorities on sales and marketing. For more information about the Sales Executive Forum, please contact:

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