

Do better, not more.

THE UNCOMMON CUSTOMER EXPERIENCE



Challenger

WISDOM TO WIN



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Introduction

01

INTRODUCTION

CUSTOMERS HAVE CHANGED.

They've changed the way they think, decide and buy. This means they've also changed their minds about what they want from suppliers. Many organizations make the mistake of thinking more of the same is the answer to win with today's customers. More content highlighting features and benefits, more rapport building and more customer service exceeding expectations. But our research as part of CEB has shown, and our experience has validated, that more of the same with today's customers only leads to less. Less engagement, less loyalty, less movement in pipeline and less interest in discussing anything but price.

Challenger is about being different. It's about looking across your entire customer facing function - from marketing to sales to service - and together providing an uncommon customer experience. But doing this takes real effort at organizational, managerial and individual levels.

The purpose of this whitepaper is to explore the key components of this effort (shown in the framework below), each contributing to a differentiated and truly powerful customer experience.



Sales

02

SALES

CHANGE THE CONVERSATION.

True behavior change — that produces powerful sales experiences and stronger top line results — comes from a sustained effort across the sales organization. The effort involves five critical components:

1. The recruiting and hiring of sellers with a natural inclination to teach.
2. Formal training across the full organization on best practice sales behaviors.
3. Managers and leaders capable and willing to coach change.
4. A strategy for sellers to engage the right customer stakeholders.
5. A strategy for transformation application and measurement.



SALES

RECRUITING & HIRING

Only 17% of candidates have today's optimal EQ/IQ for Challenger selling. Screen for hires with a proclivity to teach and challenge the status quo.

Decision bias is always present. As a result, managers often get the sales hire wrong. Seeing a new face for just one-tenth of a second is enough to form a judgment, but when wrong, that judgement is very costly. It's a fact, subjective recruiting processes have not evolved to find the changing skill set that wins business today.

What does a bad sales hire do to your business? Let's say you hire 30 sales people in a year, with an average quota of \$2.5 million.

In this scenario, given the scarcity of high potential talent, wrong choices could cost you as much as \$6 million in lost revenue.¹ This doesn't include the direct costs of attrition and re-hiring replacements.

Hiring Challengers requires recruiting a different skill set, with not only traditional sales competencies (e.g. persuasion and persistence) but also new competencies like strategic thinking and business acumen.

We recommend using a pre-hire assessment to identify Challenger proclivity. You should test a larger and more diverse pool of candidates initially and let the screening assessment help you prioritize those with High Potential.



1. 30 hires x \$2.5M Average Quota x 20% Low/High Delta x 40% Frequency Change Hiring HiPos = \$6M



SALES

SELLER SKILLS

Sellers who don't perform powerful sales experiences won't engage today's customers. Embed in all sellers the foundational skills most likely to generate high performance.

Information is everywhere. Competition is fierce. Today's B2B customers reward their loyalty and purchase decision to sellers who provide an insight-led sales experience. While factors like product, brand and price matter, customers see them as undifferentiated. They don't motivate a customer to action.

This is evident when comparing seller performance. Those using legacy sales behaviors perform on average 14% points lower against sales target than sellers adopting behaviors today's customers look for. That's a lot of potential revenue left on the table.

What are the behaviors customers look for? Our research while part of CEB uncovered five behavioral profiles for selling: the Hard Worker, the Problem Solver, the Lone Wolf, the Relationship Builder and the Challenger. Most companies will find an even mix of each profile among their core performers.

But when looking at what differentiates high performers from core performers, particularly in a complex selling environment, one profile stands out. The Challenger. In fact, Challengers are 4.5 times more likely to be high performers in a complex selling environment.

This is because Challengers provide the insight-led sales experience customers want.

First, they Teach customers about hidden costs and risks in their business.

Second, they Tailor their messages to particular customer roles or communication styles.

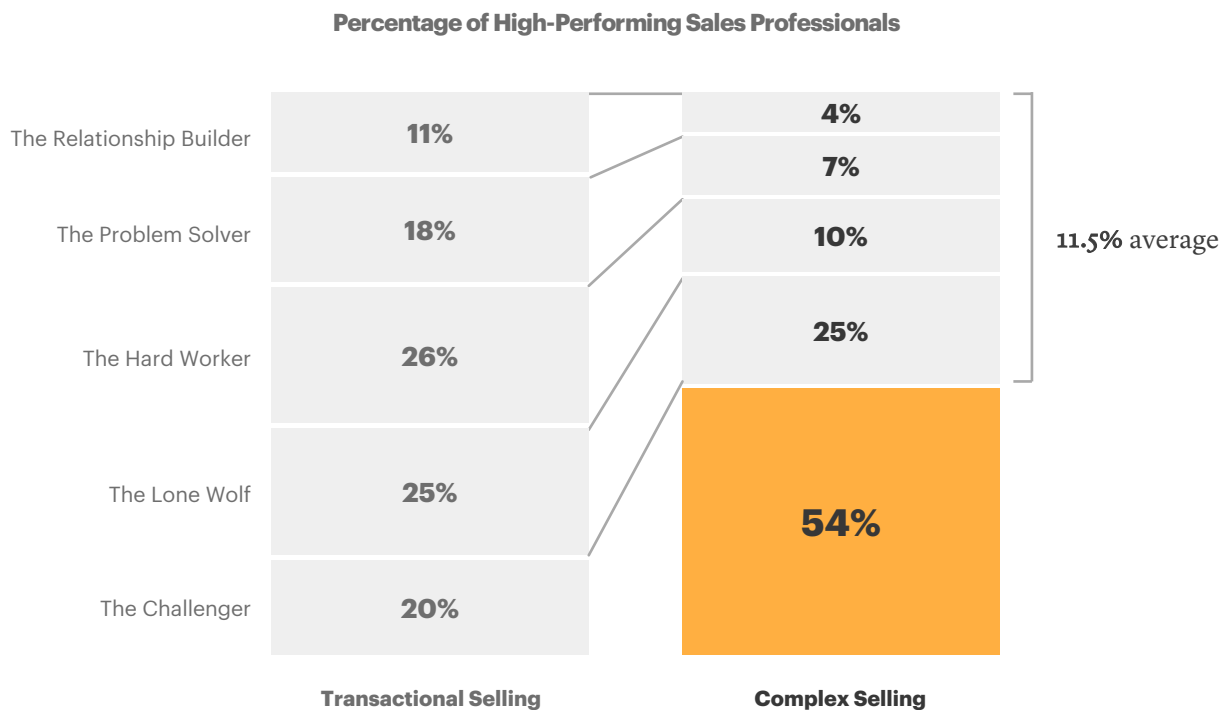
Third, they Take Control of the customer's decision making journey, coaching them through each step.

These skills together create an effective balance of **Constructive Tension** that motivates the customer to action.

Many sales leaders ask if Challengers are born or made. Although certain sales people have natural Challenger talent, entire sales organizations can adopt Challenger behaviors with the right training, tools and support. We recommend adopting a formal Challenger development program across your entire sales force to move as many core performers as possible to a higher performance level.



SALES SELLER SKILLS



Create Constructive Tension

Shift behavior to compel the customer to take action.

Teach for Differentiation

Deliver commercial insight in a rational and emotionally compelling way.

Tailor for Resonance

Customize the sales message to individual priorities and goals of the customer.

Take Control

Guide the customer through the buying process, reinforcing value and verifying movement.



SALES MANAGER COACHING

When managers fail to coach, team performance suffers and transformations don't stick. Develop coaching skills and hold managers accountable for using them.

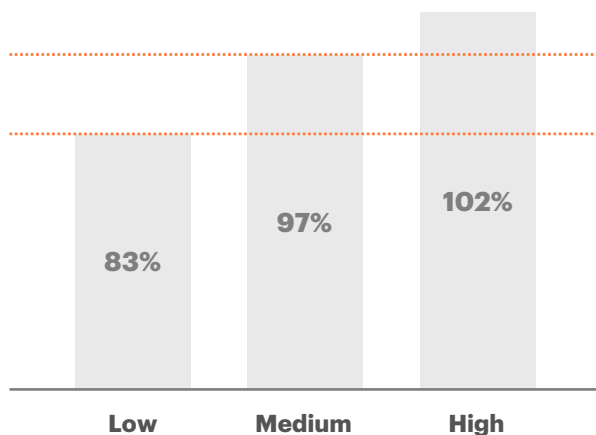
Today's sales manager is often yesterday's star performer promoted for his/her ability to sell. This leaves many organizations with a significant coaching and managerial proficiency gap. What's more, this gap exists at a time when seller behavior change is necessary to give customers the experience they demand. Without effective front-line coaching, this change won't happen and managers will struggle to engage/retain top performers and hit sales targets.

What does a lack of effective manager coaching cost? The answer is a lot. Let's start with performance against sales target. Teams coached by low effectiveness managers perform up to 19% points below teams coached by high effectiveness managers. That's almost \$4 million dollars in missed revenue on a \$20 million team sales goal. We also see lower team engagement and higher turnover on teams receiving low effectiveness coaching. Finally, when trying to develop a seller's skills, most of what is learned in training (87%) is lost in 30 days if not reinforced by effective manager coaching. That's a significant scrap learning rate and missed improvement opportunity.

We recommend manager coaching be a constant priority in any sales transformation, with particular focus on skills that improve a manager's coaching posture. These include:

- i. **Preparing** for each interaction
- ii. **Affirming** a relationship of trust
- iii. **Understanding** observed behavior to know what to coach to
- iv. **Specifying** behavior change in a way that motivates action and
- v. **Embedding** new behaviors through consistency and follow up.

Account Manager Percentage to Goal
by Coaching Effectiveness



Average Account Manager
Attainment to Goal



STAKEHOLDER MANAGEMENT

Customers easiest to talk to may not be the best to sell to. Find the optimal stakeholder profile to best progress your opportunities.

Today's customers move as far down the decision making journey as possible before engaging sales people; usually more than half way. When they do engage, they already have an abundance of information and are working to build consensus with a buying group.

Most sales conversations that begin at this late stage focus heavily on price and commodity comparisons. Organizations spend tremendous resources pursuing deals already unofficially awarded to a competitor.

Rather than wait and react, sellers must engage early in the customer's decision making journey and influence emerging demand. But doing so requires finding the right customer stakeholder to engage.

When part of CEB, we conducted profiling research, similar to that done on sales people, to find customer profiles most beneficial to engage early in the buying journey. We ultimately found seven profiles that segment into three general categories (Mobilizers, Talkers and Blockers).

A few interesting points stand out in the research.

First, a significant difference exists in the likelihood of a Mobilizer to drive organizational change vs. a Talker or a Blocker.

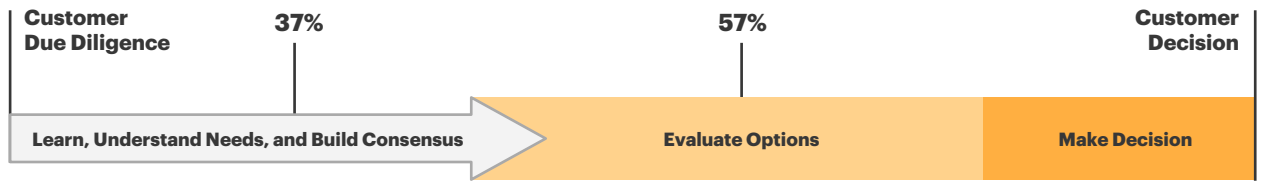
Second, Mobilizers may not always be the easiest customers to engage, particularly those who are skeptical. They ask hard questions and force sellers to make a compelling case.

Third, it should surprise no one that high performing sellers consistently engage Mobilizers, while core performers consistently engage Talkers.

If you're serious about transforming your sales organization around the Challenger concept and improving the quality of your sales experiences, we recommend you develop your team's capability to identify, flex to and work with Mobilizers, and to identify and avoid, where possible, Talkers and Blockers.

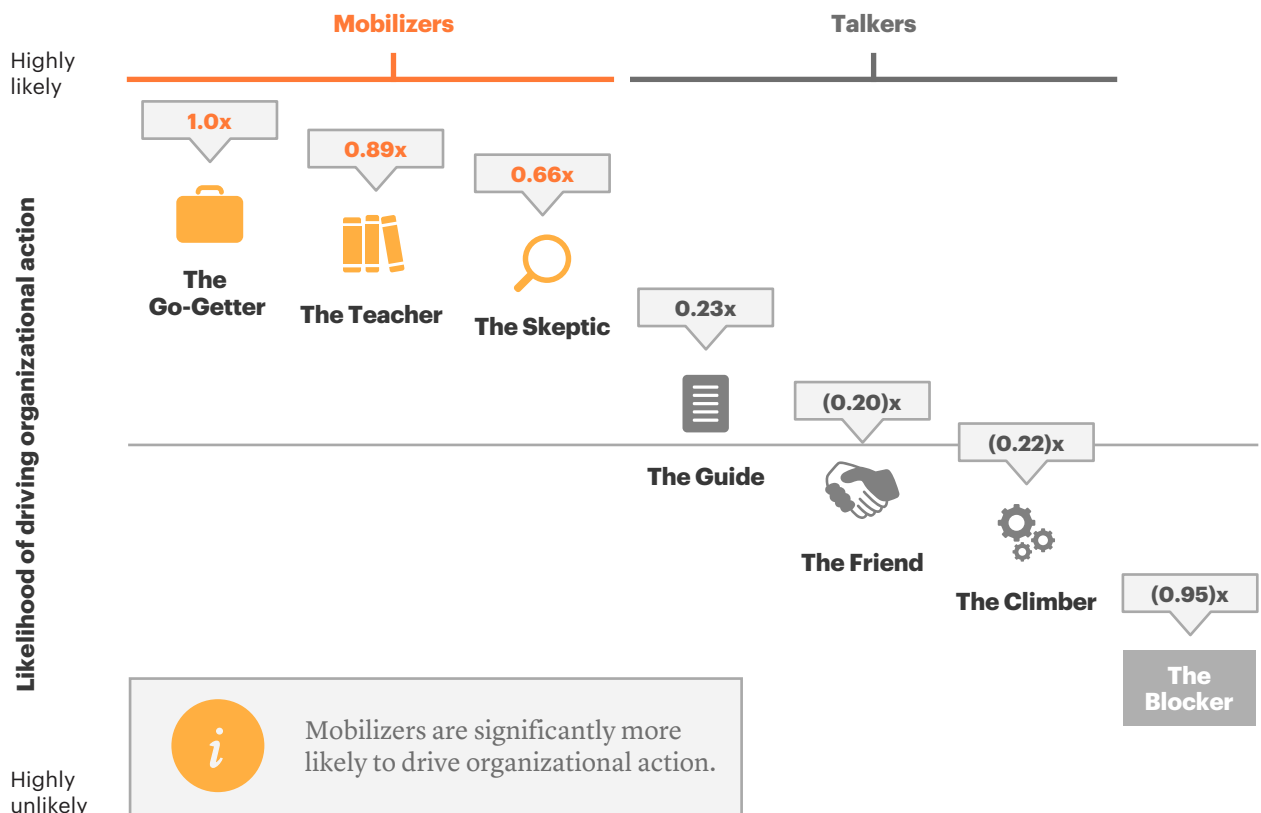


SALES STAKEHOLDER MANAGEMENT



n = 1,460.

i Customers build consensus at 37% and engage sellers at 57%.



SALES

APPLICATION & MEASUREMENT

New sales behaviors won't embed without dedicated practice, support and success sharing. Ensure that all levels in the sales organization play an ongoing/supportive role.

Not all methods for exposing sellers to new concepts like Challenger are equally effective at embedding behavior change. A strategy with multiple activities and formal success measurement is important. Failing to develop this strategy puts your initial investment at risk and leaves growth potential on the table.

Let's start with a few priorities of senior leaders:

Stay Involved, continually speak about the importance of the change. It's easy for leaders who made the initial decision to move on to other initiatives. This sends the wrong signal to those working to build new behaviors across months and years.

Be Vocal, use the terminology, reinforce the concepts and share success stories as broadly as possible.

Every organization will find varying benefit from different application activities. When implementing Challenger, we use a host of activities to sustain behaviors, including e-learning modules, podcasts, refresh videos, team meetings, individual skill work outs,

etc. to find what works best. Accountability is critical. Team leaders must ensure their direct reports use available resources.

Having a formal measurement strategy helps determine where change is working, where adjustments are needed and the resulting ROI. We recommend following the Kirkpatrick Model for learning effectiveness.

Kirkpatrick has four levels, each building on the previous:

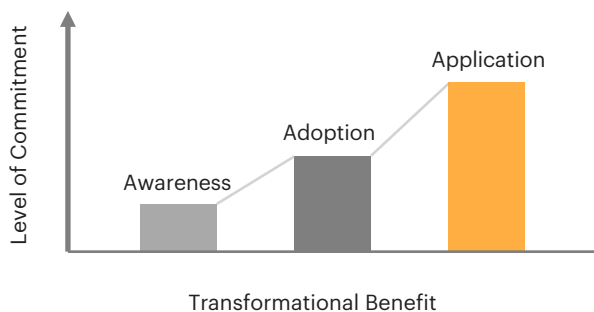
Level 1, measure individual engagement with the learning event.

Level 2, measure knowledge retention over time

Level 3, measure application of new skills in real account situations.

Level 4, measure financial impact to the business.

Reviewing each of these four levels provides visibility into true application and helps sustain behavior over time.



Marketing

03

MARKETING

THE RIGHT MESSAGE. THE RIGHT WAY.

Producing content that resets buying criteria and leads effectively to your solution requires both org-level strategy and individual marketer capability. It involves five critical components:

1. Designing a marketing strategy centered on Challenger.
2. Creating commercial teaching messages.
3. Activating commercial insight in your marketing content and campaigns.
4. Developing new capability among individual marketers.
5. Sustaining and measuring the results of each campaign.



MARKETING

MARKETING STRATEGY

Today's customers spend only 17% of their buying journey talking directly to suppliers. Engage them with content that helps them learn on their own.

Marketing organizations continue to spend more and more producing content. Most of this content falls into one of three categories: general information, accepted information, or thought leadership, none of which sufficiently disrupt a customer's buying journey. As more resource is invested to produce more of this content, it becomes increasingly difficult to prove marketing ROI.

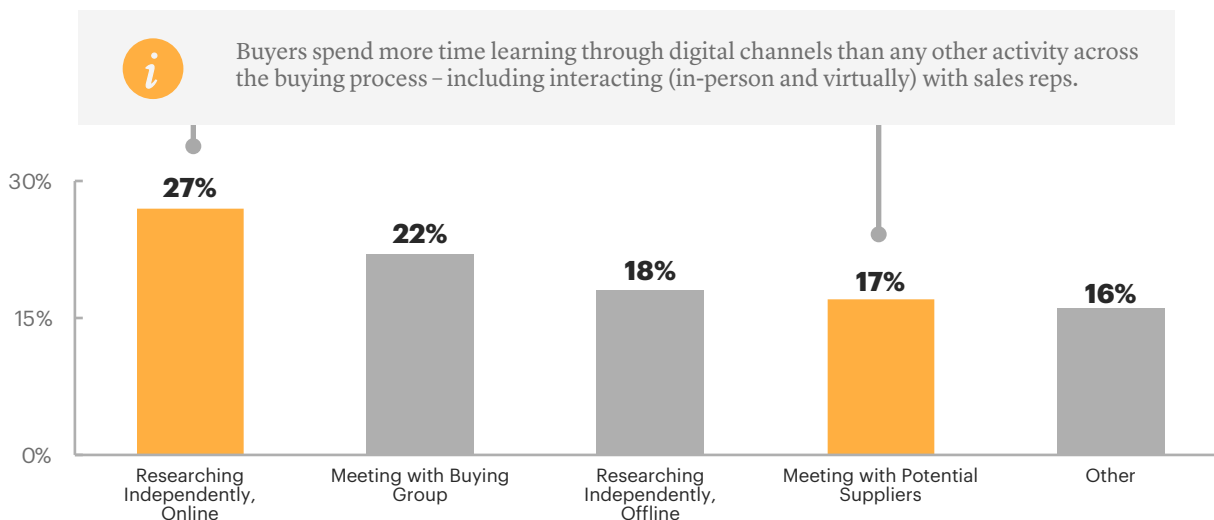
Engaging content must disrupt how a customer thinks about their world, but in a way that's favorable to the supplier's unique capability. In other words, content must be grounded in Commercial Insight.

Only Commercial Insight disrupts the customers' purchase decision and gets them to take action. This is done by teaching the customer something new about their business or industry and providing them with a compelling reason to change status quo thinking.

We recommend developing a strategy that will inject commercial Insight when and where the customer is learning. A sound marketing strategy ensures your content breaks through the noisy marketplace and captures the customer's attention. A sound strategy also ensures that the Commercial Insight is presented in a consumable way, allowing the customer to unpack more and more with each content piece. A customer who has traversed this learning path is a high quality lead, primed and ready for a Sales conversation.

Proportion of Time Spent in Key Buying Activities

n = 750 B2B buyers.



MARKETING MARKETER CAPABILITY

As many as 70% of marketing professionals report having no formal marketing background. Train and develop them to take a customer-centric approach to their work.

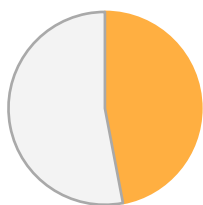
Marketers with no formal background on foundational marketing principles struggle to adjust to the new customer environment. In fact, 54% of marketers know content is important, but self-assess as unprepared to drive effective content marketing.

If marketing organizations continue on the current course and same speed related to their talent, they risk:

1. A missed opportunity to establish **Marketing's credibility** in the business
2. Continued **low conversation rates** of passed leads to sales
3. Continued **low utilization** of sales enablement materials (i.e. wasted effort)
4. An **inability to engage** customers where they are learning on their own.

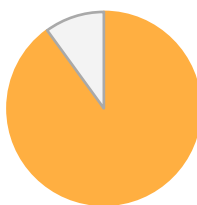
We recommend, in addition to a focus on building commercial insight, that marketing organizations focus on ensuring their team members are developing and certifying on the foundational skills necessary to engage today's customers.

Marketers and Leaders Alike Lack Confidence



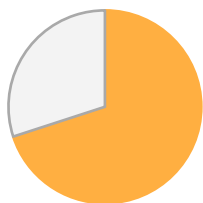
47% of functions

Increased investment in marketing analytics, but most marketers don't feel capable of delivering insight on that data.



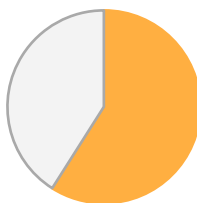
90% of marketers

Still believe an expert opinion is the most effective way to drive customer purchase. (Hint: it's not.)



70% of CMOs

Feel their marketing team is weaker or no better than other organizations



59% of marketing leaders

Indicate that their teams have missed "many to most" major opportunities to drive growth in the past two years.



MARKETING INSIGHT DESIGN

Marketers currently capture, at best, 12% of a customer's mindshare across the buying journey. Use commercial insight to cut through the clutter and drive change.

Customers learning more on their own across the buying journey have typically defined their problem, spoken with peers, researched online and compared multiple vendors by the time they engage a seller. This late stage conversation is often focused solely on price. In other words, the customer views the sales person as someone to help them get discounts and fulfill a transaction.

With so much independent learning and consensus building happening away from sellers, marketing content that captures only 12% of a customer's mindshare provides little support for the seller in doing a very difficult job. As a result, the working relationship between sales and marketing suffers and marketing lacks critical advocacy from sales in proving the ROI of content budgets.

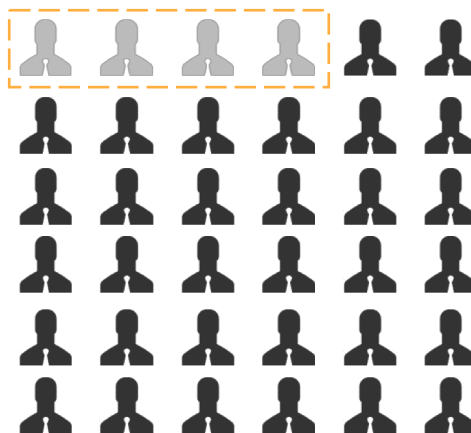
We recommend focusing on one tool used by Sales and Marketing to best influence customer learning, drive action and close deals. That tool is “Commercial Insight.” Only Commercial Insight disrupts the customer’s purchase decision by teaching them something new about their business and motivating them to take action.

Creating commercial insights is hard work and takes skill and resource investment. Otherwise, everyone would be doing it. But it's necessary in some way in every marketing touch point and every sales conversation if you want to truly engage the customer, differentiate yourself and win in today's noisy and complex marketplace.

Producing commercial insight that is scalable is a critical role of the marketing function. When done right, it can have tremendous benefit across the sales organization and demonstrate significant ROI from marketing efforts.



Suppliers currently capture, at best, only 12% of customer mindshare across the buying journey.



MARKETING INSIGHT ACTIVATION

Customers tune out the majority of content marketing and demand generation activities. Weave commercial insight into all touchpoints of your marketing ecosystem.

With an abundance of noise and available information, today's marketers must find new ways to influence and engage customers in the places and times sales cannot. Failing to do so results in significant content investment with little return.

It's critical to recognize that customer attention is not earned by producing more content, but by producing better content. This is why activating Commercial Insight in the form of a powerful content ecosystem is so critical, particularly when Inbound and Account Based Marketing strategies are increasingly used to engage customers.

We recommend a specific framework for embedding commercial insight in your marketing ecosystem called Spark, Introduce, Confront (SIC). This framework embeds well in Inbound and ABM strategies.

Spark pieces start by introducing the Commercial Insight to customers in a short, attention grabbing manner - like a blog or infographic.

Introduce content unpacks the Commercial Insight in greater detail - like an eBook or whitepaper.

Confront pieces personalize the customer's problem and highlight the cost and risk of status quo thinking and action - like a pain calculator or benchmarking tool.

By taking commercial insight and bringing it to life in a bite-sized manner where customers learn on their own, suppliers can influence and shape buying criteria, even without the presence of a sales person.

Customers Follow a Learning Path That Uniquely Favors you



MARKETING

CAMPAIGN MEASUREMENT

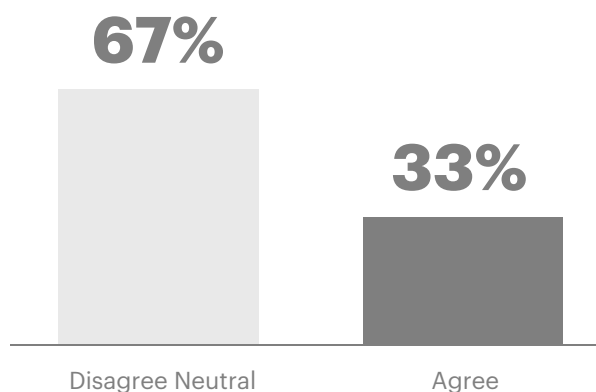
Only 33% of organizations are confident in the connection between their marketing activities and business metrics. Adopt a ruthless dedication to review and measurement.

Not every commercial insight is a winner and not every insight-based marketing campaign engages customers equally well. A successful marketing strategy must involve building a host of commercial insights and activating

those insights across different and evolving campaigns. Waiting to measure insight and campaign effectiveness with typical outcome metrics (e.g. number of leads, revenue achieved, etc.) could have the adverse effect of investing too heavily in one area for too long or missing a time-sensitive opportunity.

We recommend measuring success in the near, medium, and long term by establishing a basket of leading and lagging metrics and closely watching comparative performance among various marketing assets.

Q: "We are confident in the connection between content metrics^a and business metrics^b



n = 49.

Source: CEB 2016 Content Strategy Diagnostic

^A Such as clicks and shares.

^B Such as revenue, profit, or ROI.



Service

04

SERVICE

LESS EFFORT, MORE LOVE.

Only 35% of customer effort is driven by the service function's processes, cross-channel integrations or technologies – which impact what the customer has to do to resolve their issue. But 65% of total effort stems from how a customer feels in service interactions.

In particular, customer effort is driven by interactions with reps who don't have the capability to provide a low-effort experience because they have not been formally trained or coached in doing so. Centering your customer service strategy on reducing customer effort is the best way to keep your customers loyal and interested in expanding their relationship with you.



SERVICE

SERVICE STRATEGY

Service organizations overestimate the reward for exceeding customer expectations. Adopt a strategy focused instead on providing low-effort service.

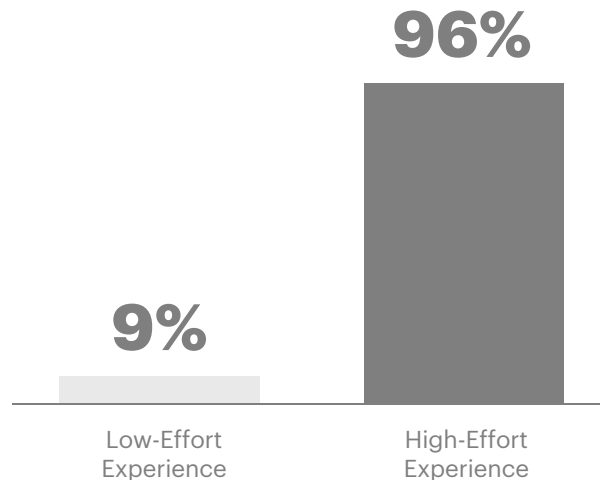
Creating a better, differentiated service experience to drive greater customer loyalty has been the highest priority of service leaders for many years. But at the same time, these leaders have felt pressure to reduce the cost to serve. Perhaps most frustrating to these service leaders, whether they've chosen to focus on quality or cost, is the fact that customer loyalty has been continually flat.

What most service leaders do not realize is that their service center is actually a cause of customer disloyalty. The customer service experience today is fraught with additional hassles and inconveniences that force customers to exert undue effort to resolve their issues. These hassles include repeat contacts, robotic service, channel switching, and other factors that, no matter how small they seem, can significantly hinder the service experience.

As a result, our research finds that customers are four times more likely to leave a service interaction feeling more disloyal to the company, rather than more loyal. Customer effort also has a significant effect on word of mouth. Our surveys show that 81% of customers who experienced a high-effort service interaction went on to speak negatively about that company.

We recommend building a customer service strategy based on providing an Effortless Experience™.

Overall Disloyalty



SERVICE REP SKILLS

Soft skills that focus on creating relationships do not reduce customer effort. Train reps on new-in-kind skills aligned to delivering a low-effort service experience.

When trying to reduce customer effort, 70% of service leaders focus on decreasing what the customer has to DO during the service interaction. These initiatives include process improvements or technology enhancements to encourage consistency in how customers are served. However, from the customer's perspective, this approach only affects one-third of the equation. The service rep actually has the greatest influence on customer effort and the overall customer service experience. Our survey of more than 4,500 customers revealed that 65% of a

customer's perceived level of effort is driven by how the rep made them FEEL during the service interaction. What the customer had to actually do during the interaction only accounts for 35%. Baseline customer service skills, such as professionalism and product knowledge, are required of any rep. Continuing to focus on developing these skills, though, is likely to elicit only minimal returns. Instead, to maximize rep performance in today's service environment, service leaders should prioritize the training and development of higher-level capabilities. These capabilities enable reps to take control of customer conversations, guiding them to win-win outcomes.

We recommend you provide your reps these different-in-kind skills focused on reducing customer effort in the service interaction.

Drivers of Customer Effort

What Customers Have to Do

34.6%

- ▶ Process improvements
- ▶ Cross-channel integration
- ▶ Technology advancement

Example investments



How it Makes Customers Feel

65.4%

- ▶ Reps with low-effort service potential
- ▶ Low-effort service capabilities
- ▶ Coaching effectiveness

Example investments



SERVICE

SUPERVISOR COACHING

Poor coaching hurts performance nearly twice as much as good coaching helps. Coach in the moment and focus on behaviors that drive desired outcomes.

Very little of the modern contact center resembles the call center of yesterday. Service is provided in a variety of channels that barely existed 15 years ago (e.g., social media, mobile apps). Customers are savvier than ever and expectations are a constant moving target. Simple inquiries have gone the way of self-service, and what's left are more complex live interactions for our staff to handle. Metrics have shifted from productivity-focused to quality-focused, and there is more gray area in what used to be a very black-and-white corporate function.

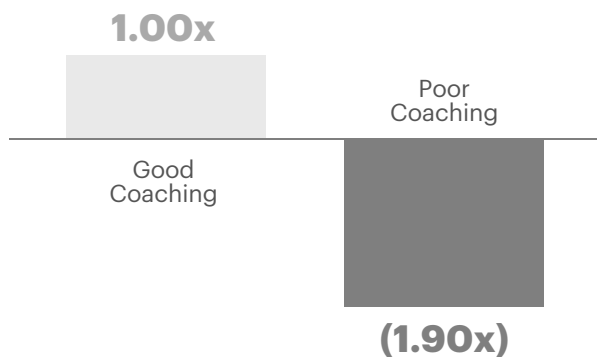
However, companies continue to fill their supervisor ranks in the same way that they always have — by promoting their top-performing reps into leadership roles that they are not prepared to handle. Coaching is the best way to drive rep performance, but it has to be done correctly to be effective. In fact, poor coaching hurts performance almost twice as much as good coaching helps.

The supervisors who drive outsized performance results from their teams spend a disproportionate amount of their coaching time providing in-the-moment, integrated coaching. In addition, they are focused on helping their reps improve behaviors that drive results instead of focused on coaching to the result itself.

We recommend you teach all your supervisors to follow world-class coaching methods.

Poor Coaching is Worse Than No Coaching

Relative impact of coaching on performance
Indexed



- ▶ Only 21% of supervisors practice good coaching.
- ▶ Poor coaching hinders performance almost two times as much as good coaching improves performance.



SERVICE

QUALITY ASSURANCE

The era of checklist-based QA is over. Adopt behavior- and trends-based evaluations to measure performance.

While the customer contact function has transformed across the last decade to become more focused on providing tailored, high-quality service, one critical piece of the strategy has remained stagnant: Quality Assurance. Even though companies now encourage reps to use their own judgment and make "human" connections, most actions are still governed by strict adherence to a rote, checklist-based approach to QA.

QA success relies on shifting your core focus away from rigid metrics and “checking the box” to customer-determined success factors. Leading organizations are using flexible, competency-based frameworks that evaluate meaningful trends in performance instead of simply monitoring for one-off mistakes. This type of approach eliminates that “big brother” QA reputation, all but eliminating appeals at many companies.

We recommend you build a QA process aligned with your unique talent development and customer needs.

Traditional Quality Checklist



- X Regimented performance criteria
- X Internally defined success
- X Isolated call evaluations

Customer-Determined Success



- ✓ Adaptable quality framework
- ✓ Direct customer input
- ✓ Trend-based call evaluations



SERVICE

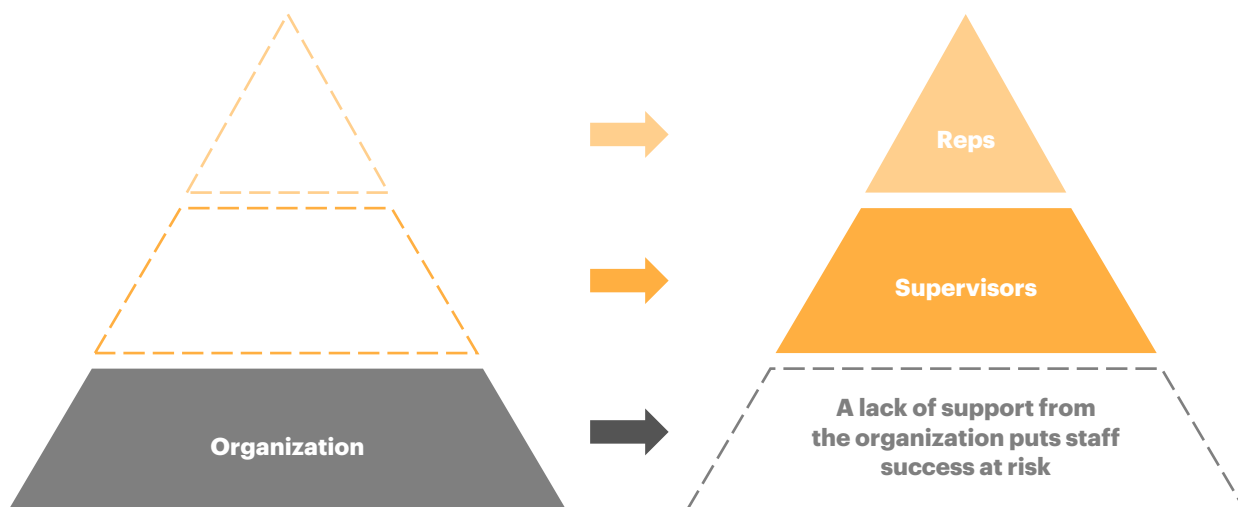
PRACTICE AND APPLICATION

New customer service behaviors won't embed without practice, support, and success sharing. Ensure that all levels in the service organization play an ongoing/supportive role.

Maintaining momentum is a critical factor in turning new skills or behaviors into lasting habits. However, even the most enthusiastic leaders can struggle to drive successful changes within their organizations. In fact, only 34% of corporate changes are deemed successful. To ensure that you are making the most of your investment, all of our engagements are designed with the long-term goals of sustainability and business impact in mind. We start with rigorous

preparations that includes communication planning, identification of business metrics to track, and a process to identify where roadblocks to implementation might exist. Removing these points of friction is key to enabling learners to practice and apply their new skills.

We recommend incorporating adult learning theory with a flexibility that can match diverse learner preferences and behaviors. Our programs are designed with skill reinforcement in mind from the get-go. Skills are introduced in the classroom, but reinforcement occurs through a variety of vehicles, including online learning modules, scenario-based role plays, action planning templates, coaching guides, and fun games and exercises to be used within teams and across the organization.



When it comes to enabling behavior, each layer provides the foundation for the one(s) above.



Closing

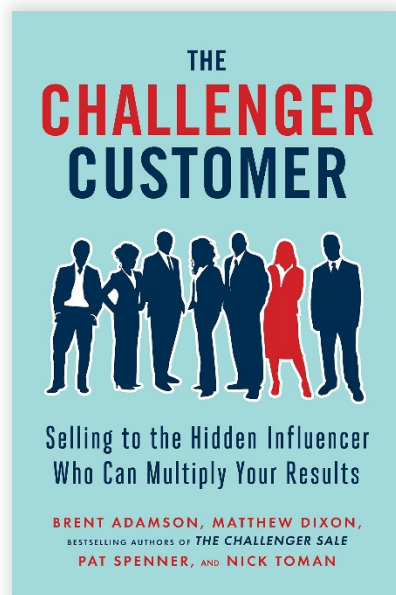
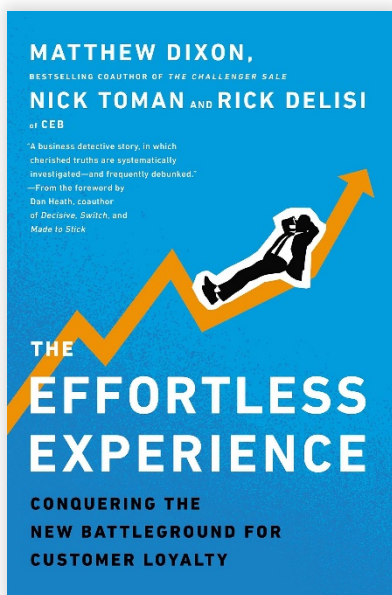
05

CLOSING

CREATE AN UNCOMMON CUSTOMER EXPERIENCE.

The powerful ideas captured in *The Challenger Sale*, *The Challenger Customer* and *The Effortless Experience* laid the groundwork for our Challenger suite of products and services. If you're not familiar with the ideas in these books we'd like to help you become so. Contact our team at challengerinc.com so one of our representatives can help you receive a copy.

Our Challenger portfolio of performance improvement solutions also includes (i) in-person classroom and workshop development modules; (ii) eLearning, workflow tools, and on-demand content; (iii) diagnostics and assessment tools; and (iv) go-to-market messaging and sales acceleration solutions. Offerings are typically bundled and can be flexibly deployed, either as fully digital or a combination of in person and digital.



Learn more at challengerinc.com.



WISDOM TO WIN



Challenger

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