

*Leveraging Information  
To Achieve  
Industrial Selling Results*

*Practices That Pay!*



**Commence**  
CORPORATION

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## Introduction

Today's industrial sales environment is characterized by intense competition, strategic sourcing contracts, online auctions, customer pressure for self-service, and the ongoing debate over fee-based services. To thrive in this environment, industrial distributors and manufacturers need more than leading technology or efficient warehouses to achieve long-term growth. Leading industrial organizations are looking outside their four walls to their customers for growth ideas. By leveraging the voice of the customer, these organizations achieve a competitive advantage in redefining sales and marketing, the all-important customer-facing portion of their operations.

In an effort to help industrial distributors and manufacturers sell more, more effectively, Commence Corporation has developed this compendium of more than 40 smart practices in industrial selling, culled from interviews with leading executives within high-growth companies, and building on a comprehensive review of published perspectives on smart industrial selling. Entitled *Smart Practices That Pay: Leveraging Information to Achieve Industrial Selling Results*, this compendium focuses on the three key elements of a successful industrial sales effort: marketing strategy, sales management, and sales optimization through technology.

Commence Corporation knows that the information technology investments of sales departments are often wasted due to failed implementations. This study focuses on the keys to successful industrial selling, all of which can be enhanced with proper application of technology. Based on extensive experience, Commence Corporation believes that the only path to success is to *first* develop consistent marketing and sales processes, *then* utilize these processes in a disciplined manner *reinforced* by dynamic training and *carried forward* through effective coaching. The right technology can help accomplish each of these steps.

Many industrial companies today are contemplating adding a centralized sales and marketing database system, sometimes called Customer Relationship Management (CRM), Sales Force Automation (SFA), Contact Management (CM), or a variety of other confusing names and acronyms. The purpose of this document is to ensure that these initiatives, by whatever name, succeed for industrial sellers and deliver the results promised.

## Methodology

This compendium of smart practices is rooted in a variety of sources. For more than a year, Commence Corporation has interviewed dozens of leading executives in high-growth industrial manufacturing and distribution firms in segments that include power transmission, fluid power, welding, electrical, safety products, industrial supplies, instrumentation, and building products. Commence has also hosted several Executive Roundtables to obtain additional input and feedback from key executives building on their dialog on the topic of industrial selling with one another. The following Smart Practices are a summary from the variety of these sources, combined with Commence's more than 20 years of experience and complemented with contemporary commentaries from more than 50 magazines, presentations, web sites and books.

Each of the major sections - Marketing Strategy, Sales Management, and Sales Optimization through Technology – include an Executive Summary, a set of Smart Practices derived from the research, and techniques to Leverage Information for results. Finally, the bibliography contains numerous reference materials that you may use for additional learning.

# Section One: Marketing Strategy

Experienced executives know that all good marketing starts with good strategy. Success in marketing is not about expensive advertising, big trade show booths, or slick brochures. Smart marketing begins with a strategic examination of your customer base:

- ❖ **Market Segment:** What customers do we serve better than anyone else?
- ❖ **Competition:** What are these customers' competing alternatives?
- ❖ **Value Proposition:** What value do we provide to these target customers better than any competing alternative in the world?
- ❖ **Branding:** How will we profitably communicate and deliver all of the above to our target customers?
- ❖ **Sales:** How will we convert all of this into new customers?

Throughout this compendium, these strategic questions will be examined in depth and from multiple angles. This first section focuses on three aspects of marketing strategy most often raised by our interviewees:

1. Focus on Defined *Market Segments*
2. Communicate Your *Value Proposition* Consistently
3. Organize *Sales* by Accounts, Not Territories

# 1.1 Focus on Defined Market Segments

## Executive Summary

One of the consistent themes that arose from our interviews involved a focus on defined industry segments. Rather than trying to be a generalist that can out-service or under-sell any competitor, the pattern among these smart companies was to choose a few specialty areas in which to become true experts. The key to success, over and over again, was to build upon existing successes that best matched the company's products, employees, and interests. With this narrow focus, companies can acquire or build internal competencies that are most highly valued and sought after by customers.

These smart practices stress segmented focus and differentiation. No longer is it reasonable for management to simply expect higher sales each year without a strategic focus. The specialization in a few defined segments gives the sales force some added expertise that is welcomed by tough-to-reach prospects, leading to improved sales over time. A market segment discipline leads to goals for sales activities and sales results that can be reviewed segment by segment. Training for each segment can address the language, buying processes, common objections, and competing alternatives of those with buying influence.

The focus on market segments yielded higher profit margins for many of our interviewees. We also consistently heard that customers were much more interested in seeing a salesperson who had the knowledge and reputation of being a specialist. As the segmentation strategy gains momentum in a sales organization, the company accumulates more and more knowledge and insight from the shared experiences and successes. This growing body of expertise becomes a true differentiator that isn't easily matched by competition. This leads to quicker sales cycles, since customers aren't simply comparison shopping for price.

## Smart Practices

- ❖ Assign salespeople to defined market segments instead of geographic territories, so the salesperson is perceived as an expert to that segment.
  - *We made the transition by taking our product-centered salespeople and having them focus on market segments...*
  - *"This approach has totally changed the way we operate – it is so much better for the customer because now we are experts."*
  - *"The customers tell us that they want a person they can talk to, if that person is an expert specialist in the field. The Internet is great, but..."*
- ❖ When assigning salespeople to a market segment, match the passion and experience of the salesperson with the needs of the market.
  - *"These segments use the products that the salespeople love, and now they become a champion of the market."*
  - *"It is better to create segments based on what [the salespeople] love to sell. This will be better for the customers."*
- ❖ An expert salesperson assigned to a segment can more readily focus on customer needs and spot valuable "turnkey" solutions, instead of just pushing the product.
  - *"Our biggest challenge is educating salespeople to know the difference between selling a commodity product and a turnkey solution."*
  - *"We need to get them out of the mode of focusing on the product and instead listening to the customer's needs."*
  - *"I was called into a meeting with a customer because of one line we carried. As the meeting progressed, it was apparent that the customer had a lot of frustration with the current process of buying components for their system from so many suppliers, and then having to deal with varying results. Instead of just talking about my component, I offered to help put the entire system together. That is what the customer wanted, and that's the big picture we now get our salespeople to focus on."*

- ❖ Like any good strategy, a market segment strategy should begin by leveraging the voice of the customer.
  - *"The big thing for us was to survey the customer and really understand the different channels and segments...Then you can further drill down into different segments and find ways to service and grow those various segments."*
- ❖ A segmented strategy makes good sense, but it is not easy; it requires discipline and ongoing effort.
  - *"Segmentation is a big buzzword, but it is very difficult to do. You can do a big effort with a big survey, and then two years have gone by and you haven't done anything with it yet."*
  - *"You need to develop an ongoing process for gathering feedback and further segmenting markets."*

## Leveraging Information

The simple coding of accounts to the appropriate market segment gives users and managers the ability to sort and view everything that is in the CRM system by market. The appointments, history, and opportunities related to a market can be easily tracked to be sure sales resources are being properly utilized relative to the strategic direction of the company. For example, if a company wants a sales engineer to allocate at least 25% of his time on the chemical processing market, the CRM system will help visually display what portion of time, activities and proposals are being generated for chemical processing prospects.

Another powerful CRM tool is a marketing campaign aimed at specific markets. If the accounts are coded properly (see above), a good CRM system will make it easy to send out personalized letters, faxes or e-mails to the contacts that work in the chosen market segment. Pre-approved and even customizable marketing materials can be stored in the CRM system so that a consistent message is delivered, and so salespeople don't waste time recreating documents that are available in the document library.

Inside sales people benefit from stored marketing dialog scripts which help probe the caller's specific needs by using the language of the target market to improve effectiveness of the call.

## 1.2 Communicate Value Consistently

### Executive Summary

A Value Proposition is not a mission statement or an advertising slogan or a clever branding message. A Value Proposition specifically answers the question: “What value do we provide to our target market better than any competing alternative in the world?” The Value Proposition must be laser-focused on a discrete and definable set of potential customers. These potential customers must see themselves reflected in that Value Proposition, so it must be stated in their language. To demonstrate value, there must be some element of quantifiable return on investment, usually in terms of increased revenue or reduced expenses for your customer. Smart companies are in touch with their customers’ needs and are only pursuing opportunities where they can truly add superior value to the customer.

Many of the smart practices in this section revolve around relentless internal emphasis on this Value Proposition and the importance of repeating it to the marketplace in a regular fashion. Companies must have a system to assure that every customer-facing employee can explain the Value Proposition message consistently. It is also imperative that management has a way to monitor that every activity, every investment of time, and every budget line item is aligned with the Value Proposition.

Many companies we interviewed admitted to the fact that they were still struggling with clearly defining what it is that makes them unique or even superior to their customers. Too many companies pursue multiple approaches to the market, copying what others have done and hoping that something will work. The Value Proposition needs to be specific, compelling, and something truly superior that the targeted customers care about. <sup>1</sup>

The Value Proposition also needs to be quantifiable. The term Value Proposition is widely overused and often “valueless” because it has no money associated with it. A simple template, if followed closely, will make sure that your Value Proposition will meet all of these criteria:

"Companies like yours [define target market] will be able to [improve what?] by [how much?] through the ability to [do what?] as a result of [what enabler, technology, service, etc.?] for an investment of [what relative cost?]." <sup>2</sup> For example:

Companies like yours, making high-end ball bearings for the U.S. "just-in-time" market, will be able to produce 20% more each day by changing your tooling and adjusting the angle of metal feeding as a result of using our cutting tools and process expertise, for an investment of \$100,000.

Without such a clear and consistent Value Proposition, sales reps will deliver a myriad of messages to your target markets, thus wasting precious time and perhaps even confusing and alienating legitimate prospects. Many companies have examples of lost sales or lost profit due to a salesperson's inability to differentiate the value that was being offered. Without a discipline of focusing on value, sales calls decline into commodity-style negotiations over terms and price.

Having a strong Value Proposition driving every sales activity will reduce the cost of sales. The key is to primarily allocate sales and marketing resources to only those opportunities that are likely to quickly recognize and value what it is that you have to offer. Taking the time to qualify opportunities against your Value Proposition leads to fewer wasted sales and marketing expenses and a shorter sales cycle. The result is:

- Less sales expense per sales dollar,
- Less marketing expense per sales dollar,
- Higher gross margin sales, and
- Shorter sales cycle.

If you stay focused on those companies that truly value what you are best at providing, you will need fewer salespeople to generate the same (or even higher!) gross margin.

## Smart Practices

- ❖ To begin formulating a Value Proposition, you should start by talking to customers.
  - *"First of all, we developed a very simple strategy statement based on customer input about why they chose us."*
  - *"We're using 'voice of the customer' surveys to drive innovation."*
  - *"We also do a lot of plant tours at customer plants. That's our version of customer surveys."*
  - *"Our corporate communications department has been working on this and has talked to a lot of different customers to figure it out."*
  - *"In-depth discovery about customers is important to uncover ways to create value."*
- ❖ This customer research will have the greatest impact if the executives of the company have an active role in talking directly with the customers.
  - *"Our senior management gathered the input, so they were in touch directly with the problems and priorities faced by our customers. Senior managers need to go out and talk directly to customers – salespeople always have an agenda."*
  - *"I think by putting senior people in front of customers to discover and create a strategy that is sharp enough to clearly drive salespeople, anybody can sell for your company."*
- ❖ Consistency is key: every person throughout the entire organization must know and understand the basic Value Proposition.
  - *"We had to have everyone discuss the same thing, no matter who they were talking to. So we created a simple strategy document – 5 or 6 bullet points – that made very clear what we're all about ..."*

- *"It's all about having everybody on the same page."*
- *"Everybody in the company can immediately tell you what the strategy statement is and how their daily work fits into that company strategy."*
- *"Our strategy, Value Proposition and overall story can be repeated in identical words by any 10 people you randomly pick out of the company."*
- ❖ Once the Value Proposition is defined, it must be "trained hard" on a consistent basis.
  - *"With a little training, everyone could learn it... and they better."*
  - *"We trained it very hard..."*
  - *"We really train on what we find through these customer interviews."*
  - *"Once we create a Value Proposition, it is important to have adequate training – we teach sales people how to talk about money, percentages, profits, etc."*
- ❖ After everyone understands the Value Proposition, it needs to be used consistently, every day.
  - *"The first slide of every presentation, the first page of every proposal is the strategy, and they all need to be able to explain it and talk about it."*
- ❖ Several high-growth distributors told us that they might use a slightly different version of the Value Proposition for each market segment, but noted that the overall Value Proposition does not change.
  - *"You can segment the Value Proposition to fit different market segments, but at the core it still needs to be the same."*
  - *"A Value Proposition is application by application. You have one for the whole company, for a particular market segment, and for an individual customer."*
  - *"One of our best practices is creating Value Propositions for individual products and customers and training our people to do that. And we need to quantify it to understand the value of the solution for our customers."*

- ❖ Many smart companies use a “Value Calculator” to quantify the monetary worth of the Value Proposition. The use of a Value Calculator can help speak to customers in their own value terms. If the customers input their own assumptions and numbers into the calculator, they “own” the resulting calculation.
- *“When you enter an opportunity, there is a place [in our CRM system] to calculate the value. We make sure the customer knows and appreciates the value. We show it to the customer, and we love it when our numbers are wrong. The customer then inputs their own numbers. We actually then have a better point of how valuable our solution is.”*

## Leveraging Information

The use of a centralized system for Customer Relationship Management will help achieve companywide focus on a specific, customer-focused, consistent Value Proposition. First of all, every form of marketing communications, from presentations to PDF files to templates for letters, can be standardized to reinforce the Value Proposition and stored in the CRM system for easy retrieval. To better track effectiveness, management can even monitor how often key documents are sent to qualified prospects.

Another way to use a CRM system to reinforce the Value Proposition is to have a profile of each opportunity, with a field that includes how you will provide value to the prospect. Having this field prompts the salespeople to think about this question before making a sales call and encourages them to document the conversation after the sales call. For example, one distributor in our study used a simple report to show each Value Proposition that had been delivered to each customer, along with the results of the sales call so that everyone could see at a glance the power of the Value Proposition consistently applied.

# 1.3 Organize the Sales Department by Accounts

## Executive Summary

Our research repeatedly underscored the need to have salespeople responsible for deeply serving a reasonable number of accounts, including a realistic set of target accounts that aren't yet customers. All reporting, planning and accountability is centered on these accounts. In some cases, compensation was tied to profitable growth in select accounts. Management had easy visibility into the status of these accounts through the use of tailored reports and software systems.

Many distributors and manufacturers are moving toward assigned accounts for their salespeople. Under the classic 80/20 rule, these companies know that the majority of their profits and growth will continue to come from their existing top accounts. In addition, there are a usually a few key "target" accounts that are not yet customers, but warrant a focused sales effort because they fit the profile defined in the firm's Value Proposition. There is less of a focus on "cold" prospecting, much less reliance on sales leads, and little or no concept of paying commission for sales based solely on geography.

The successful, profitable business relationship – if it is based on value and not just price – takes a committed effort to get started. This effort involves persistent attention to detail, follow-through and timeliness that is almost impossible to accomplish for more than a few accounts at a time. Once the relationship begins, there is another demanding set of responsibilities that the salesperson must fulfill in order to maintain and grow the business.

Growth is achieved by smarter deployment of sales resources and the improved success rate that comes from a focused sales effort. This approach to sales team structure works because it focuses the efforts of the most expensive part of the sales budget (the outside sales force) on the most productive and profitable activities. By only measuring and evaluating the success rate in a small number of accounts, the sales management can help the sales staff develop deep strategies for meeting the unique

requirements of these target accounts. Likewise, the resources involved in fulfillment of orders and delivery of services can be prioritized on those selected accounts. Otherwise, too many hours and dollars are wasted reacting to the requests of small, high-maintenance accounts with no framework for directing the choices of how the sales reps manage their time.

## Smart Practices

- ❖ To improve focus and reduce wasted efforts, assign a limited number of accounts, not a broad geography.
  - *"It is unrealistic to expect a salesperson to service 500 accounts in a geographic territory. We assign 100 accounts, no more – and we expect a focus only on the top 25 of those accounts."*
  - *"The salespeople have to extract what we call the 'Active 5' and they work those five major companies for 100 days. They have to make five sales calls on five companies in 100 days and then they report on that. We've put complete focus on it. Now, 43% of all our opportunities are Active 5, and they comprise 70% of all the sales dollars."*
  - *"Our success depends on getting more and more of our key product lines into our top 25 accounts. The average salesperson makes 3.5 sales calls per day, for 3-4 days per week. Much more time is spent on research and understanding the needs of the top accounts."*
  - *"That's the problem with salespeople. They visit a customer in July, and then don't go back until next August. And they wonder why they don't get the business! Then when you go to do your forecast at the beginning of the year, the same companies keep appearing, and it's ludicrous. We make people 100% accountable for fewer accounts."*
- ❖ Once you limit the number of accounts, the sales team should be encouraged to spend more time with each account and to be creative problem-solvers.
  - *"We know that when the focus is on quantity, the sales call ends up being a quick drop off of literature, a reactive response, and no insight or knowledge about what the customer is doing; what our customers want is someone*

*who can ask the right questions, to help get to the solution to a problem they can't even articulate."*

- *"We don't want our salespeople to react, but instead, to create. Our customer base is shrinking, not growing."*
- *"A few years back, this thing bothered the hell out of me. We'd give out leads and nothing would happen. I saw a statistical inference that 48% of salespeople make one call and don't go back. 25% go back twice. 12% go back three times. 5% go back four times. But 80% of all industrial orders are gotten after the fifth call. So we make sure to do at least five calls to each account. You can't do that with a thousand accounts."*
- ❖ These target accounts need to be treated with a particular emphasis and a focused energy.
- *"Due to this focus, our salespeople are able to develop very thorough profiles of their accounts – how they buy, when they develop budgets, what projects are in development, changes in personnel, and the overall goals of the company. Discovering and capturing these insights allows a highly-tailored recommendation of products and services that is much more likely to win."*
- *"We create special marketing and incentive programs [aimed at our target accounts]."*
- *"We do whatever we can to let everyone in the company know what accounts we are targeting. Even with something as simple as a black dot on the invoice as it goes through the company, everyone will know that it's someone we want to especially impress."*
- ❖ Many organizations use sports analogies to help the sales team understand the concept of targeted accounts.
- *"I was watching the 49ers in the 1980s when they won all of those Super Bowls. I really studied why they could do that, and I found out they were the only football team at the time that scripted their first 15 plays. So... we put a playbook together. It has 72 plays, and we write up on a flip chart the plan for each account and script them for the next 100 days."*
- *"So when you take all of your sales people and see where the opportunities fall, we see which ones are in the red*

*zone. We don't waste a manufacturer's time until an opportunity is in the red zone. The manufacturer does not make sales calls for us. He will only come in when we are inside the five yard line and need his help to get to the end zone."*

## Leveraging Information

The database tools and reporting capabilities of a strong CRM system can be helpful in executing a successful target account approach to selling. First of all, sales management can use a simple dashboard to quickly review the completed and planned activities at each account by salesperson. Inside salespeople, customer service and even engineering and accounts receivable can easily identify contacts from assigned accounts, and treat them accordingly. For the individual sales professional, the account profile record allows for easy capturing and review of detailed information about the account and individual opportunities.

According to experienced industrial executives, the most powerful aspect of a sales automation system is the wealth of data accumulated after only a few short months of use. To mine this data, smart industrial distributors and manufacturers have followed these steps:

1. Identify the business problem.
2. Mine data to transform data into actionable information.
3. Act on the information.
4. Measure the results. <sup>3</sup>

For example, a sales manager at an electrical distributor instinctively knew that some customers were getting too much service based on their volume of annual sales. To verify his gut feeling, he mined data in his database to see the number of quotes, calls, and service tickets for each customer and compared it to the total volume of sales in the previous 12 months. It became obvious that about 25 customers in particular were taking up a lot of the sales team's effort, but delivering comparably little revenue. The sales manager then worked with each sales rep to come up with a plan to either increase the revenue from these customers or reduce the time spent servicing them. After three months of their efforts, he reviewed the data, and found that significant profitability improvements had been achieved.

## Conclusion

This compendium of smart practices will never stop growing, as long as successful sales and marketing leaders are willing to try new methods and to share their stories with their peers. We are constantly impressed with the number of innovative ideas being developed. We hope that the readers of this document will send us their new discoveries as they embark on the sales improvement journey.

The highlights of the research clearly point to proven ways to succeed in the adoption of CRM systems in the industrial selling environment. The stories of failed implementations can surely be traced to a lack of understanding of a few or all of the core principles outlined in the preceding pages. Smart companies that are clear about their market direction and focus, that are intentional about what they expect from the sales force, and that are deliberate in the step-by-step introduction of technology as a support tool – these companies can and are clearly using CRM as a strategic advantage.

Commence Corporation is committed to the continuing success of the sales and marketing efforts of industrial distributors and manufacturers. Please feel free to take advantage of our experience – go to [www.commence.com](http://www.commence.com), or call us at 732-380-9100.

## Footnotes

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