



# GROWTH AND SALES EXCELLENCE STUDY



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# INTRODUCTION

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Just mentioning the word “**Growth**” generates multiple images in the minds of business people: development, progress, improvement, revenues, profits, accelerating performance. In a highly competitive society, growth is synonymous with survival. And yet, while the meaning of the word may be obvious to business people, the strategies that sales executives use in pursuing growth vary significantly.

When Sales Effectiveness, Inc. decided to conduct this growth and sales excellence study, we were driven by a variety of interests. As professionals dedicated to helping organizations grow, we wanted to learn which growth initiatives are being emphasized by Vice Presidents of Sales today, and the best practices that support those initiatives. Specifically, we wanted to:

- Understand the priority that senior sales VPs give to various strategies around growth
- Understand how well sales best practices are being employed
- Prioritize the challenges sales VPs and their organizations are facing
- Suggest areas executives should focus on in growing their sales teams and driving consistent results

This study encompasses organizations who collectively represent sales forces of over 14,000 inside and outside sales people. The sales forces range in size from 10 salespeople to nearly 1,000, with an average of 157 outside sales professionals. From technology to pharmaceuticals, and from construction to financial services, industries are represented across the board. For this study, we interviewed VPs of Sales exclusively, as it was their perspective we wanted to obtain.

This report is organized into four sections. Each section provides data on how the VPs responded, followed by a few observations:

1. **GROWTH STRATEGIES** highlights where Sales VPs are applying emphasis today.
2. **BEST PRACTICES** rates those areas VPs consider important in building a systematic approach to Sales Excellence, and their own opinions on how well their organizations are doing in each of 18 Best Practice Areas.
3. **CHALLENGES** lists the top challenges Sales VPs are experiencing.
4. **CONCLUSIONS AND WHAT TO DO NOW** presents steps you and your company can take to keep moving the growth curve forward and raising the bar on sales performance.

We trust the ideas represented in this study will motivate you to reflect and think on how you compare to other sales organizations, as well as challenge you to act on *your* approach to Growth and Sales Excellence.



## GROWTH STRATEGIES

Study participants were asked to indicate the level of emphasis they are applying to 18 distinct growth strategies. They ranked their degree of emphasis as either “High Emphasis,” “Medium Emphasis” or “Low Emphasis.” The Growth Strategies below are ranked in descending order of participants who said they were placing “High” emphasis on the strategy. How does this compare to your areas of emphasis?

GROWTH STRATEGIES	LEVEL OF EMPHASIS		
	High	Medium	Low
<b>How much emphasis are you placing on:</b>			
1. Enhancing <b>CUSTOMER RETENTION</b>	84%	16%	0%
2. Establishing methods for <b>KEY ACCOUNT PENETRATION</b>	64%	20%	16%
3. Expanding <b>MARKET SHARE</b>	64%	12%	24%
4. Enhancing the <b>SKILLS</b> of the sales force	56%	40%	4%
5. Upgrading and <b>STRENGTHENING SALES MANAGEMENT</b> capabilities (with salespeople)	56%	20%	24%
6. Introducing <b>HIGHER-VALUE PRODUCTS AND SERVICES</b>	52%	44%	4%
7. Aligning <b>PRICING</b> to the “value” you offer	44%	44%	12%
8. <b>RE-ENGINEERING THE SALES PROCESS</b> to improve how well you sell	42%	38%	21%
9. Developing unique solutions for each <b>MARKET SEGMENT</b> you serve	36%	60%	4%
10. Investing in <b>TOOLS AND TECHNOLOGY</b> to increase sales productivity	32%	40%	28%
11. Developing <b>ALLIANCES AND STRATEGIC PARTNERS</b>	32%	32%	36%
12. Improving how you <b>RECRUIT AND SELECT</b> your salespeople	28%	40%	32%
13. Redesigning <b>COMPENSATION AND INCENTIVE</b> plans	20%	32%	48%
14. <b>RESTRUCTURING OR RESIZING</b> the selling organization	16%	28%	56%
15. <b>ACQUIRING COMPETITORS</b> or new lines of business	14%	36%	50%
16. Expanding <b> Globally</b>	9%	27%	64%
17. Improving <b>DISTRIBUTION</b> and <b>CHANNELS</b>	9%	41%	50%
18. <b>OUTSOURCING</b> components of your sales force	8%	12%	80%

## KEY OBSERVATIONS – GROWTH STRATEGIES

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- ◆ The two strategies receiving the highest emphasis, “Enhancing **CUSTOMER RETENTION**”, and “Establishing methods for **KEY ACCOUNT PENETRATION**” focus on retaining and growing business with existing customers. Compared to previous research efforts where new account growth has taken the top spot, the shift is clear. Losing existing customers significantly impacts the top line, and exploding growth within an account is essential to long term success. While these two strategies received “High” emphasis, VPs affirm that there is plenty of opportunity to improve the tactics and methods on getting there.
- ◆ While “Enhancing the **SKILLS** of the sales force” has always been a strategy applied by sales executives, we are beginning to see a change in focus, with the equally high emphasis being placed on “Upgrading and **STRENGTHENING SALES MANAGEMENT** capabilities.” Research has now conclusively shown that more than anything else, the *manager* is the key to sales team and individual excellence. It is how he/she recruits, coaches, develops, challenges and builds a motivating environment that catalyzes growth. While cost reduction efforts in the past resulted in greater span of control for the sales manager, the VPs in this study report that, on average, the sales manager to outside sales person ratio stands at 10.4 to 1 today.
- ◆ “Redesigning **COMPENSATION AND INCENTIVE PLANS**,” a common strategy of Sales VPs, scored relatively low in emphasis. This could be a function of the higher income levels VPs report their outside salespeople earn. For the salespeople represented by these VPs, 74% report annual earnings averaging between \$60,000 - \$100,000, with most confirming it is in the higher range of the band. 22% earned on average over \$100,000, and 4% earned less than \$60,000.
- ◆ A surprise for this study was the relatively low level of emphasis (28%) being applied to “Improving how you **RECRUIT AND SELECT** your salespeople.” While other sections of the study affirm the importance VPs place on having the right talent, this lower level of emphasis may be a function of turnover being experienced. 54% of these VPs report that their sales forces experience less than 10% turnover a year, 21% reported 10-20% turnover, and 25% reported having more than 20% churn in their sales organization.
- ◆ Considering the level of investment sales organizations have made in the past in the use of Tools and Technology, less “High” emphasis is being placed there today (32%). Conversations with Sales VPs confirm that while components of technology have certainly improved speed, expanded capability and knowledge sharing, they understand that technology is an enabler, not a creator of growth.



## BEST PRACTICES – IMPORTANCE VS. PERFORMANCE

The study then explored the extent to which Sales Vice Presidents are investing effort in developing selected “Best Practices.” The Sales VPs were given a list of Best Practices, and were asked to respond on the importance of each practice on a scale of “High,” “Medium,” or “Low.” The following highlights the practices in descending order of importance rating.

BEST PRACTICES	% RATING HIGH IMPORTANCE	HOW WELL ARE YOU PERFORMING?		
		Superior	Average	Weak
1. Salespeople knowing your points of <b>DIFFERENTIATION</b>	92%	38%	38%	25%
2. Understanding the <b>COMPETITION</b>	80%	50%	29%	21%
3. Salespeople’s ability to <b>APPLY YOUR PRODUCTS AND SERVICES</b>	75%	38%	63%	0%
4. <b>RECRUITING AND SELECTING</b> the type of salesperson you need	72%	13%	63%	25%
5. Ability to focus on <b>BIG ACCOUNT</b> deals and opportunities	72%	33%	54%	13%
6. <b>Having a DOCUMENTED SALES PROCESS</b> that outlines THE WAY YOU SELL	68%	17%	46%	38%
7. <b>FORECASTING</b> their pipeline	68%	38%	46%	17%
8. Sales managers <b>COACHING</b> practices	68%	29%	33%	38%
9. <b>TRAINING AND DEVELOPING</b> your salespeople	64%	17%	58%	25%
10. Salespeople being able <b>define their HIGHEST POTENTIAL PROSPECTS</b>	64%	21%	46%	33%
11. Marketing <b>GENERATING QUALIFIED LEADS</b>	63%	17%	38%	46%
12. Salespeople <b>UNDERSTANDING THE BUSINESS ISSUES YOUR CUSTOMERS ARE EXPERIENCING</b>	63%	25%	50%	25%
13. <b>SALES SUPPORT</b> team helping the sales force spend more time with customers	58%	33%	42%	25%
14. Competency in using <b>TECHNOLOGY</b>	54%	38%	46%	17%
15. <b>TRAINING AND DEVELOPING</b> your sales managers	52%	17%	54%	29%
16. Defining and executing on <b>TERRITORY GROWTH PLANS</b>	52%	21%	46%	33%
17. Conducting <b>FORMAL BUSINESS REVIEWS</b> to enhance retention of your BEST customers	50%	13%	50%	38%
18. <b>CONDUCTING WIN/LOSS REVIEWS</b> to learn where to improve	33%	17%	25%	58%

## KEY OBSERVATIONS – BEST PRACTICES

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- ◆ When comparing importance and level of performance, it is clear that these sales VPs recognize that there is opportunity for improvement in many areas, as no Best Practice received a rating of greater than 50% in “superior” performance.
- ◆ 92% of sales VPs rated “Salespeople knowing your points of **DIFFERENTIATION**” as a highly important Best Practice. Since so much in sales has become commodity-like today, it is understandable how articulating a company’s unique value proposition is essential in securing a customer’s attention.
- ◆ The practice that 50% of Sales VP’s deem as being performed in a superior way is “Understanding the **COMPETITION.**” Nevertheless, 21% still felt their teams were weak in this practice.
- ◆ 68% believe that “Having a **DOCUMENTED SALES PROCESS** that outlines the way you sell” is a highly important practice, yet only 17% feel they are doing a superior job there. The opportunity to get serious about this Best Practice is strong. Without a documented sales process as a roadmap, executives have to depend on the creativity, work ethic and luck of individual sales people and their managers to generate growth.

It is important to note the key message of this finding. Given that consistent double-digit sales growth is a desirable goal for many, sales forces must avoid any extraneous sales effort on wasted activity. Establishing a documented sales process, and executing effectively against it, represents a significant opportunity for differentiation and growth.

- ◆ 52% of VPs felt that “Defining and executing on **TERRITORY GROWTH PLANS**” and “Conducting **FORMAL BUSINESS REVIEWS**” were of high importance. This is surprising as these two strategies have indeed been proven to accelerate sales growth more than most other sales tactics. Territory Growth Plans and Business Reviews are at the root of Customer Retention and Key Account penetration initiatives, two growth strategies already highlighted as priorities.
- ◆ 29% of VPs felt their sales managers were doing a superior job in Coaching, with 38% acknowledging weakness here.
- ◆ 58% of Sales VPs said they are weak in “Conducting **WIN/LOSS** Reviews to learn where to improve.” Interestingly, many organizations that are considered “World Class” pay particular attention to this area. Since sales organizations today are able to conduct on-line briefings reasonably economically, it would seem that this is an area that could be exploited. Too often we find that sales organizations accept peripheral high-level views of why a sale was won or lost, instead of digging deep to assess the root cause as a basis for learning.

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## CHALLENGES

The last part of the survey asked the Sales VPs to list the top three challenges they face as senior leaders. Most executives readily listed their challenges, covering a wide variety of issues. Their responses were categorized into logical groupings. This chart highlights how frequently the statements were made and a sampling of their abbreviated comments.

CATEGORY	% MENTIONED	SAMPLING OF STATEMENTS MADE	
<b>SALES PRACTICES AND SALES PROCESS ENHANCEMENT</b>	<b>23%</b>	<ul style="list-style-type: none"> <li>▪ Focus on goal setting</li> <li>▪ Improve efficiency of sales process</li> <li>▪ Discipline with reps to execute sales processes</li> <li>▪ Changing sales process model to compete with larger corporations</li> <li>▪ Institutionalizing sales processes into daily routine</li> <li>▪ Redefining our value proposition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Sales process – staying on top of forecasting</li> <li>▪ Identifying the best buyer within an organization</li> <li>▪ Setting priorities for sales managers and sales teams</li> <li>▪ Creating efficiency and repeatability in the sales process</li> </ul>
<b>RECRUITING AND RETAINING TALENT</b>	<b>10%</b>	<ul style="list-style-type: none"> <li>▪ Having the right person in the right job</li> <li>▪ Finding good sales people</li> <li>▪ Attracting and retaining talent</li> </ul>	<ul style="list-style-type: none"> <li>▪ Identifying candidates</li> <li>▪ Rep retention</li> </ul>
<b>TRAINING SALES FORCE</b>	<b>8%</b>	<ul style="list-style-type: none"> <li>▪ Training the sales force</li> <li>▪ Allocating budget for the development of the sales team</li> </ul>	<ul style="list-style-type: none"> <li>▪ Training and development</li> <li>▪ Reeducation of senior leadership</li> </ul>
<b>CUSTOMER RETENTION</b>	<b>8%</b>	<ul style="list-style-type: none"> <li>▪ Getting back in touch with existing customers</li> <li>▪ Meeting needs of existing customers</li> </ul>	<ul style="list-style-type: none"> <li>▪ Customer retention in light of competitive nature of business</li> <li>▪ Level of coverage with accounts</li> </ul>
<b>FINANCIAL, COMPENSATION, AND PRICING</b>	<b>8%</b>	<ul style="list-style-type: none"> <li>▪ Generating profitable operations</li> <li>▪ Fuel cost containment</li> <li>▪ Compensation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Demonstrate ROI to owners in light of long sales cycles</li> <li>▪ Pricing issues</li> </ul>
<b>PRODUCT DEVELOPMENT AND DIFFERENTIATION</b>	<b>5%</b>	<ul style="list-style-type: none"> <li>▪ Rolling out three new products</li> <li>▪ Developing new innovative products</li> </ul>	<ul style="list-style-type: none"> <li>▪ Service / Product differentiation</li> </ul>
<b>ALL OTHER</b>	<b>37%</b>	<ul style="list-style-type: none"> <li>▪ Increasing regulation</li> <li>▪ Enhancing alliance relationships</li> <li>▪ Providing superior service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lead generation</li> <li>▪ Enhancing productivity</li> <li>▪ Competition</li> </ul>





## CONCLUSIONS AND WHAT TO DO NOW

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When all is said and done, what can we conclude?

First, the study affirms that expanding **MARKET SHARE**, **ENHANCING CUSTOMER RETENTION**, and establishing methods for **KEY ACCOUNT PENETRATION** are the top priority growth strategies. It also validates that the sales force's ability to understand competition, know their points of differentiation, and effectively apply products and services are integral Best Practices. Research and experience suggest that focusing on these practices will have a direct impact on executing the top priority growth strategies

Second, the study affirms an important point: there is **NO ONE** magic pill. However, it is our conviction that magic **does** exist if you approach growth and improvement *systemically*. Magic exists when you consistently raise-the-bar as a leader. Higher results ensue when you aggressively challenge your own assumptions and focus on improving two to three facets of your business each year, *and* when you make sales excellence a key part of your culture.

For high growth and consistent results to occur, consider the ten action items that follow. They are not listed in order of importance. We hope these ideas challenge you to think critically about your business, to be creative in differentiating your organization, to be aggressive in your approaches to growth, and to establish a **framework for SALES EXCELLENCE** in your organization.

### 10 ACTION ITEMS TO DRIVE GROWTH AND CONSISTENT RESULTS

- 1. DEFINE SALES LEADERSHIP PRACTICES** – Explicitly define the practices you expect of your sales leaders. Define expectations for their roles as **LEADERS, BUSINESS MANAGERS, COACHES, RECRUITERS AND TRAINERS**. Select sales managers not on their selling skills but on their desire to lead, teach and coach. Sales management excellence is essential to a sales team's motivation and success.
- 2. DEVELOP A DOCUMENTED SALES PROCESS** - It is the foundation for continuous improvement, measurement and focus. It is the roadmap and framework for coaching, for creating LIFT with the sales force, and for key account acquisition and growth. Launched and practiced effectively, a process approach to sales will differentiate you from the competition, and it will attract talented sales professionals who want to be a part of *your* team.
- 3. CLARIFY YOUR TOP FIVE STRATEGIES FOR GROWTH** – Spell out your top five strategies for growth *each year*. Pursuing too many strategies dilutes focus. Based on the study, “Enhancing Customer Retention,” “Establishing Methods for Key Account Penetration,” and “Expanding Market Share” are critical. In our opinion, these are table stakes. You *must* do these three. Pick two more from the list of 18, and then execute flawlessly.

**4. REPOSITION YOUR SALES FORCE** - Focus your sales force on strategies that help improve your customer's business results, whether it be revenue growth, profitability, or productivity. Be aggressive in *quantifying* the cost of the customer's problems and therefore what it costs them to NOT buy your solution.

**5. IMPLEMENT TERRITORY GROWTH PLANNING** - Establish accountability and discipline for achieving financial goals through Territory Growth Plans and Key Account Planning practices. Organizations that are rigorous around territory and key account planning and even *more* rigorous on execution at the territory management level *win more often*.

**6. SEGMENT YOUR CUSTOMERS** – Build intimacy and depth of experience through customer segmentation. Identify the critical segments for your business and report your data by market segments. Customers can be segmented in many different ways --- from similarity of characteristics, account size and industry, to how they make buying decisions. Create in-depth profiles of each segment and manage to the requirements of each segment.

**7. MANAGE WITH FACTS AND DATA** - Create deliberate measures that reflect both historical and leading indicators of performance. The number of measures you select will depend on your business and the level of rigor you need to apply for your sales force. We recommend you establish a minimum of 10 measures for a sales person or a sales team. Metrics should focus in three areas:

- **Customer Metrics** that reflect the value you deliver to your customer.
- **Results Metrics** that recap the specific results you expect from a sales professional such as revenue, profit, and market share growth.
- **Process Metrics** that indicate the quality of execution of the sales process, such as activity measures that reflect territory coverage, or pipeline measures that clearly indicate where opportunities are in the sales cycle.

**8. ENHANCE FORECASTING** - Establish a forecasting system that looks at the pipeline formally, and that becomes a primary topic of the monthly coaching conversation. Ensure your forecasting method communicates where each opportunity is in the sales process. Pipeline management reminds the salesperson to think as a business person, deliberately driving choices on where to invest time to move opportunities forward.

**9. BUILD A BENCH** - Actively recruit. Being reactive about finding talent hinders your growth. Seasoned executives affirm they are more constrained by the caliber and action-orientation of their people than they are by capital. The size of your bench should reflect at least the number of people you expect to turn each year. Reducing the effect of turnover is essential to sustaining double-digit growth.

**10. DEVELOP SKILLS MASTERY** - Be aggressive in developing and training your sales force. The quality of your front-line drives your business. Asking an outside speaker to come in every year to do a seminar doesn't cut it, and "letting them figure it out on their own" leaves too much to chance. Explicitly define the skills and behaviors required to win. Assess your team and all future hires against those skills and behaviors and invest seriously in sales force development. Teach the principles of business issue selling, as opposed to the traditional "how to make a call" workshop. Train, train, and retrain – from product knowledge to key account strategy to coaching. Investing in sales skills training and sales manager coaching are considered essential by sales organizations that commit to a long-term view.

## SUMMARY

We hope the results of this study challenged your thinking and will motivate you to act to enhance your selling systems as a basis for growth.

We encourage you to rigorously challenge your organization to build a culture of Sales Excellence at all levels. Ask yourself:

- ◆ Where is there *real* opportunity for improvement in our business?
- ◆ Where will we focus this year and next?
- ◆ What do we need to do to get *really* serious about our methods and the way we go to market?
- ◆ How do we make Sales Excellence a focal point of our organization?

If in the process of considering these ideas, you desire an *objective* perspective, or wish to explore how to accelerate growth and build a framework for Sales Excellence in your organization, we welcome your reaching out to us. We can help.

Our best wishes to you.





## ABOUT SALES EFFECTIVENESS, INC.

We help senior executives drive positive change in their organizations. We help them transform and accelerate growth by establishing focus and equipping them to radically improve how they work with customers. We help them create a cycle of continuous improvement that builds capability and consistency in results.

We are:

**TRANSFORMATIVE** – We are change agents, revitalizing teams, people and best practices

**ENGINEERED** – We engineer innovative solutions to inspire growth

**BOUNDLESS** – We demonstrate that continuous improvement has no limits

Our work focuses in the following areas of sales force effectiveness:

- Strategy
- Sales Process Execution
- Sales Management Practices
- Territory and Account Planning
- Professional Development
- Sales Compensation

*For more information, contact us at:*

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