

From Boxes to Solutions: is your

There's a real revolution unfolding out there and its ramifications affect us all: manufacturers, buyers, suppliers, and consumers. This revolution is none other than the product to service migration and it's changing the way companies package their offerings. Today, scores of industries—telecommunications, automotive, IT, consumer electronics, medical—capitalise on the services they offer, rather than just on products. Chances are, your business has started migrating too. Among the challenges ushered in by this migration is sales force readiness. When your offering becomes more service intensive you have to ask yourself, how armed is your sales force? Better yet: what does it take to structure your sales force to sell as effectively in a service-based reality?

There are no two ways about it: the value added driving growth in an increasing number of sectors is service. Companies no longer differentiate themselves through product features but through their service offerings, be it maintenance, consulting, training, product support, repair, 800 numbers or combinations thereof.

In IT, witness the classic case of B to B companies that once sold mainframes and servers—or B to C outfits that sold PC's and printers—most of them now reap the bulk of their revenues from advice and support. The same holds true for manufacturers of medical diagnostics tools. Once it was all about peddling machines, now it's hospital personnel training, home tele-consultation and more. And of course there's mobile phones, initially sold as handsets, now packaged as the ultimate way of improving reachability, proximity, time management, even family ties.

But what about the sales people who have to push a gradually evolving offering? If the skills and infrastructure required for selling services still appear, on the surface, comparable to the ones required for selling products, the reality of it is jarringly different.

TRIBES AND TRIBULATIONS OF TRANSFORMATION

When it comes to sales force effectiveness, how come so many companies seem to stumble on the road to becoming "service-centric"? The answer is that

many underestimate what it takes to sell services. We have observed many companies embarking on sales force redesign in light of a product to service migration, but we've only seen a handful succeed. Why? Through our experience we identified four common pitfalls:

- poor use of benchmarks
- misunderstanding of existing roles and responsibilities
- lack of consensus surrounding the sales force structure
- inappropriate incentives.

Poor use of external and internal benchmarks

Without the proper Best Demonstrated Practices a company cannot develop the right incentives and guidelines. Similarly with external benchmarks, which provide overall goal setting impetus and generate ideas for sales force restructuring.

Misunderstanding of existing roles and responsibilities

Surprisingly, we have often observed a blatant misunderstanding—even coupled with disagreements—of specific individuals' roles and responsibilities within the sales structure, which makes it that much harder to redesign!

The need to understand and clarify roles and responsibilities in the existing structure tends to be forgotten. Getting a grip on who does what in Sales, Marketing, Business Development, and Strategy requires a comprehensive database synthesising all this information.

No consensus surrounding new sales force structure

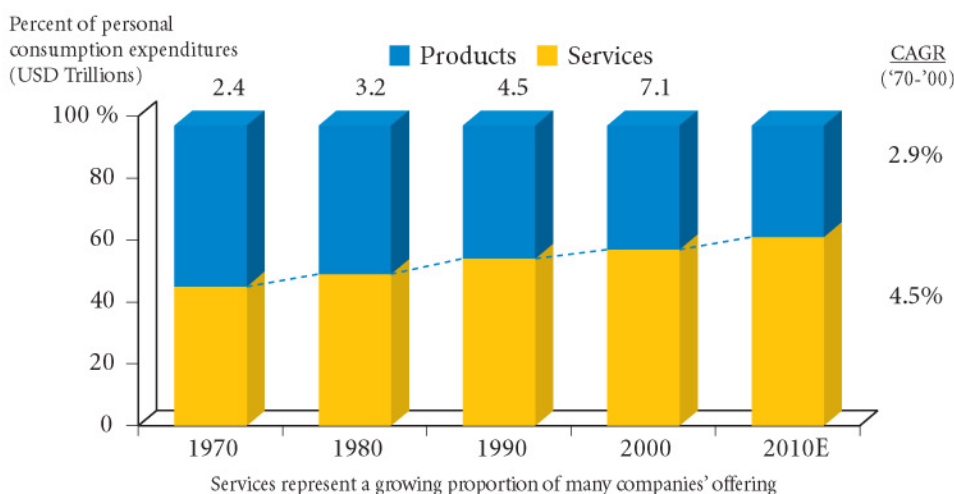
The implementation of a new sales force structure is riddled with challenges, which is why enthusiasm for the new structure is essential. Management must be able to drum up this enthusiasm, while building consensus for the new structure, at every level.

Inappropriate incentives

Even if a company garners the consensus and enthusiasm, defines roles and responsibilities and applies external and internal benchmarks, it can still fail to optimise its sales force effectiveness for having neglected its incentive system. Inherited from the past, incentive systems are hard to change, but only an incentive plan aligned with corporate objectives can contribute to profits. An incentive system built around sales volume doesn't apply to a service-minded environment.

FOUNDATIONS OF A SUCCESSFUL SALES FORCE

Ensuring your sales force's effectiveness in a service-based environment is not easy. Success depends on three, mutually reinforcing levers: your people, your sales set-up, and your unique selling proposition. All are equally important.



Sales Force Ready?

Qualified salespeople

Selling services can be a far cry from selling tangible products. It requires substantial sales expertise and extensive knowledge of the business—even of your customers' business. Your salespeople must be able to apply a customised approach to each major or potential customer, and manage projects over the long term. Training can help achieve most of this but solid experience is often more valuable than anything training can buy.

To be effective your salespeople must not only master cold calling techniques; they must have access to customers, particularly to key decision-makers. They must boast a broad network and remain pragmatic about teaming up with members of other business units or third parties. Ultimately, they must be excellent communicators, with an emphasis on persuasion, presentation and overall social skills.

A word on seniority. We have noticed that, to sell solutions to a business unit manager or other senior decision-maker, it helps to be in a more senior age bracket. The more senior the person you are selling to, the more necessary it is to have some seniority yourself. When you sell straightforward products your salesperson generally has to convince a—often younger—purchasing manager, rendering seniority less critical.

Sales structure and set-up

The team overseeing your sales restructuring must set strict, quantifiable metrics to monitor the success of the new structure. And the metrics on which you incentivise your sales force must evolve from volume and



Critical and mutually reinforcing levers for an effective sales force

acquisition-driven to new criteria, such as client satisfaction, number of claims, churn rate and multi-detention, i.e., how many products or services can your salesperson sell to one client. As a rule, the higher the multi-detention levels the greater the customer loyalty. Bain studies demonstrate that it remains more profitable to sell a second—or third or fourth—product (be it an insurance policy, credit card or electronic product) to an existing customer than to sell a new one to a new customer.

Similarly, consider revising your sales reporting system to offer quarterly but also weekly—even daily—data per customer and per sales person. Traditional, product-based sales forces receive feedback on number of products sold, pricing, effect of discounts. In a service-centric environment, your salespeople must receive feedback on satisfaction, churn and customer portfolio stability.

Selling services requires not only new incentive and reporting systems (though these are absolutely key), but also a revamping of your sales structure. From the get-go, your set-up must optimise the combined sales of separate product and service divisions. It must foster collaboration

rather than competition between divisions. On a team level, assign some the task of signing on prospective customers. Your teams must possess, or undergo, the training required to assess specific customer needs and develop tailored proposals. And no matter how trying it may be to design, your sales set-up must appear simple from the customer's vantagepoint.

Unique selling proposition

The third essential lever behind an effective sales force is a unique selling proposition (USP). This means an attractive offering, a resilient portfolio of stand-alone products and, above all, customised solutions addressing your clients' requests. Devising tailored solutions implies a thorough business and client knowledge, as well as a genuine spirit of co-operation between divisions and sales managers.

Your USP will only be as robust as the pricing structure behind it, so ask yourself:

- Is your pricing competitive?
- Is your pricing based on value?
- Does it include clear discounting policy rules on combined deals?
- Are your pricing conditions satisfying all your different stakeholders?
- Is your pricing attractive and

effective when it comes to multi-product deals?

Does your system permit you to deliver price quotes quickly?

The way you present your offering is also critical. Obviously, some effort will go into developing attractive sales packages and materials, but it's also important to drop the traditional focus on selling products. Your global offer can still encompass both if you label it to say "here's our complete offer, please choose only what you need."

GEARING UP NOW

Despite the accelerating momentum of the product to service migration, many companies have yet to begin preparing their sales force. In a number of companies, the incentive structure inherited from the past has hindered their ability to change. For many, the legacy of a product-minded culture is proving almost impossible to shed. Still, some have proven that it is possible by "retooling" their sales force to reflect a service-centric environment. While banks and insurance companies have been doing it successfully for decades.

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