

The State of CRM in Distribution:
**Best Practices in CRM –
Now and in the Future**

By Mike Marks



Part 1

Part 2

Part 3

Customer Relationship Management (CRM) systems provide greater insight into the customer journey. When used correctly, your CRM can enhance your sales-force effectiveness and enable customer-facing teams to be more proactive and knowledgeable.

In the first part of our series, we looked at why CRM solutions are so important and how distributor usage has evolved from 2017 to 2022. For this series, we surveyed 96 distribution industry professionals and found that although CRM usage has risen over the past five years, roughly 50% of sales reps and sales leaders still do not use their CRM every day.

All CRMs offer these five core processes:

- **Territory Intelligence:** This includes insight into which customers and prospects offer the highest potential to grow at the lowest cost.
- **Call Management:** Sales calls cost distributors up to \$250 per call. Call management provides insight into where you should spend that time.
- **Opportunity Pipeline:** This feature allows you to analyze significant transaction opportunities with the goal of increasing close rate across the business. How will you manage prospects and convert bookings into orders?
- **Performance Measurement:** Are your defined activities (such as closing sales) generating the desired results on a curve?
- **Coaching:** Coaching is essential to adjusting or improving performance. CRM enables you to pinpoint coaching opportunities and hold sales leaders accountable for improving their salesforce.

To design a truly effective CRM toolset, consider each of these core processes and determine what is critical to the success of your organization. Once you have done this, you can customize your CRM solution to meet your unique needs.

In this whitepaper, we will look at the five core CRM processes in more depth and how to optimize them for your business.

Data vs. Storytelling

CRM software improves the performance of customer-facing teams, primarily field sales and inside sales functions. It removes the need for storytelling and replaces it with data so salespeople better understand their customers and prospects.

For most distributors, 25% to 30% of gross margins are consumed by customer selling expenses. Because of this, allocating resources granularly via CRM provides cost savings and productivity boosts.

CRM enables sales teams to accomplish a variety of tasks, including:

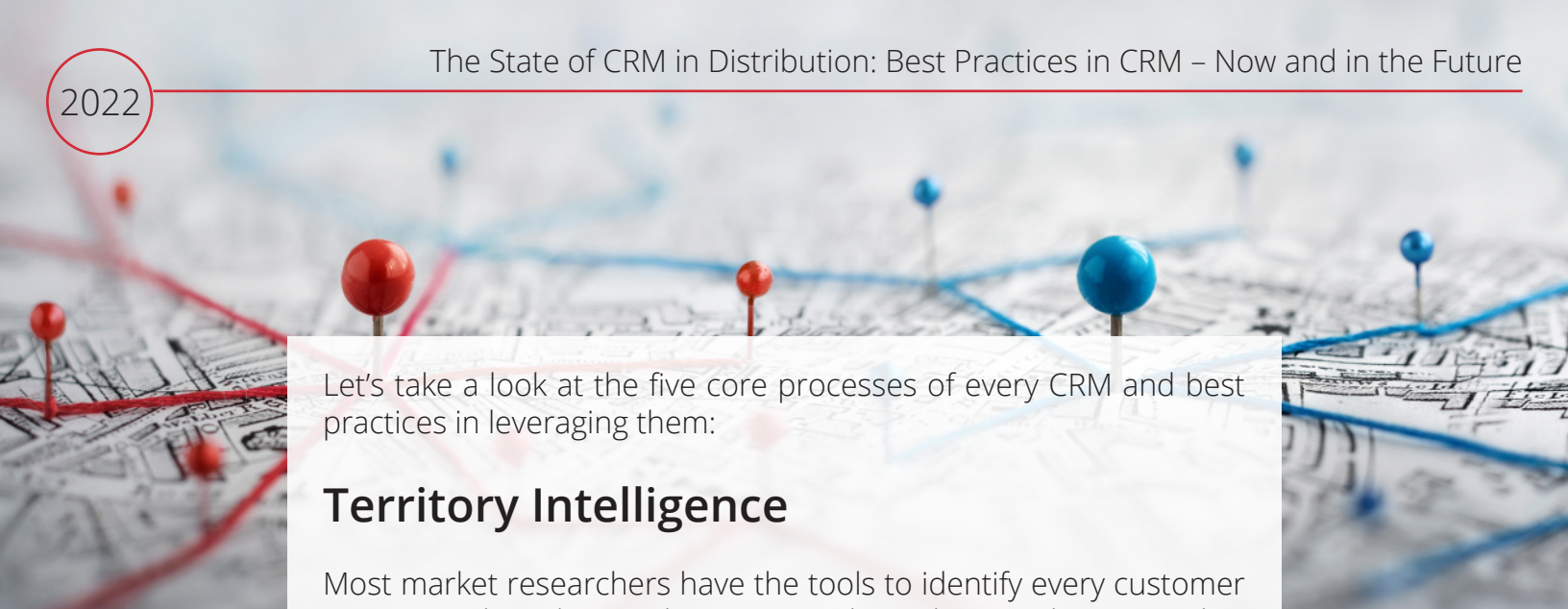
- A full territory analysis of prioritized growth opportunities over a longer-term perspective.
- Planning sales calls to balance short-term and long-term growth potential.
- Converting orders and backlogs to invoices.
- Adjusting to sales opportunities on the fly.
- Awareness with respect to how their skills compare to peers to address areas of potential development.
- A clear professional development path with effective coaching support.

CRM solutions give sales leaders the tools to:

- Reallocate team efforts to short-term threats or opportunities.
- Ensure the best alignment of selling resources to growth opportunities.
- Recognize where reps stand among their peers to encourage positive competition.
- Effectively allocate coaching time, making monthly incremental improvements in selling skills and capabilities.

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By focusing on coaching, your sales team will grow and improve over time. This ability to create a continuous performance improvement loop is one of the most powerful benefits of CRM.



Let's take a look at the five core processes of every CRM and best practices in leveraging them:

Territory Intelligence

Most market researchers have the tools to identify every customer in your market, along with estimates about their credit rating, what they purchase in each product category and who their key suppliers are. Unfortunately, the problem with territory intelligence doesn't come from not having enough information. It comes from not understanding what to do with it. The amount of data can quickly become overwhelming – making it difficult to put into action.

CRM solutions make territory intelligence more manageable. With a CRM, you can effectively divide the responsibilities in each department, with marketing and management focusing on the front of the funnel to find opportunities in each rep's territory and salespeople focusing on interacting with and closing qualified leads.

Salespeople shouldn't have to make cold calls or spend all their time qualifying leads. Instead, your marketing and management teams should provide this information to them, so they can apply their intelligence and judgment to closing deals and developing new customers.

Many sales reps don't see much value in wasting limited sales calls on unqualified prospects. Unfortunately, this results in sales reps chasing after more sales in their existing accounts rather than chasing after more customers. A CRM will not only help teams qualify leads on the front end of the funnel but will also help salespeople understand how to prioritize their time. It does this by allowing your teams to redefine how they view their customers.

With your CRM, you can see your territory intelligence in a central location, including where money is being spent, your competitive position and other key analytics. Then, you can use that information to categorize customers and leads by their potential to grow. After this, you can reallocate resources so sales teams can focus more on developmental customers rather than spending all of their time with already loyal accounts.

With CRM-based territory intelligence, your sales reps can see:

- Customer behavior alerts, such as if a customer has passed their usual timeline for reordering
- Recency, frequency and monetary (RFM) analytics
- Consumption ratios
- Web-based critical selling events, such as a competitor's customer visiting your branch
- Internal opportunity analytics, including top customer and supplier analytics and fair-share analysis

Call Management

Say your sales manager asks their reps to spend 30% of their time on high-growth target accounts, 50% on pipeline opportunities and 20% on solving customer problems. How will you monitor the time spent in each area?

Relying on sales reps to fill out call reports is not a reliable way to track how they spend their time. After all, they may not be entirely authentic in their reporting, or they may under- or overestimate the time they spend in different areas. Because of this, it can be difficult to accurately measure results until you assign accounts and tasks to your sales reps within the CRM.

Every sales call costs money. Your field sales, in particular, generate a higher cost per touch than inside sales and customer service reps do. Sales reps have a limited number of calls they can make each month. Between the high costs associated with making calls, and the minimal opportunities available to interact with customers, your sales reps must be strategic about how they allocate their time.

One of the best ways to redefine your call management strategy is by measuring sales-resource usage in terms of calls allocated to customers rather than actual costs. With the help of your CRM, you can calculate accurate ARW (attractiveness, readiness and willingness) scores. These scores help you visualize how attracted a customer is to your brand and how ready and willing they are to make a purchase. Customers with the highest ARW scores should be top priority and receive the most attention from your sales teams.

Your CRM should be a helpful tool for everyone.

Once sales reps use the CRM to track their calls for a while, they will better understand how many calls they can handle each month. Reps will know exactly how many calls they have available and can use that information to prioritize accounts.

In addition, by logging the number of calls and call types into the CRM, your reps will improve their time management and organization skills. Simultaneously, sales leaders will have more accurate insights into the daily movements of their teams.

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A few of the call-management tools included in CRM systems include:

- Call budgeting
- Call planning
- Call logging
- Call reporting

Remember, by using pull-down menus and typing-reduction tools (such as voice dictation), you can streamline data entry and encourage higher, more frequent adoption.

Opportunity Pipeline

The opportunity pipeline is an important but often misunderstood CRM tool. For most distributors, 85% of purchases come from customers reordering products. If your sales reps spend all their time inputting recurring business into your opportunity pipeline, their productivity will suffer, and your pipeline will become clogged with unnecessary information.

There are only three things that belong in a distributor's pipeline:

- A project that involves bid preparation and negotiation where winning is both uncertain and important
- An opportunity to significantly expand the share of wallet (\$10,000+ per year) with an existing customer where gaining a new service or product category is possible
- The initial capture of an entirely new customer

Marketing should own the front of the pipeline and only forward leads that have undergone a qualification process supported by sales leadership. Once the lead is passed along, it is up to the sales team to develop and close it.

One issue that often arises with the opportunity pipeline is gamification. Sales reps often game the system to make it appear that they have higher win rates than they actually do. For instance, a rep may wait to input a lead into the system until they are certain of closing it. Your CRM should provide greater insight into each sales rep's actual win rate, so you can accurately calculate your team's effectiveness.

Marrying anti-gaming metrics with coaching from sales leadership allows you to improve your sales team and enhance your opportunity pipeline. These metrics should benchmark individual reps against their peers with insights on MTD and YTD performance so the manager can coach those with the lowest performance.

Anti-gaming metrics to consider include:

- **Data Yield Realization:** The ratio of what dollar value was initially entered into the CRM compared to the actual realized result.
- **Win Rate:** The percentage of deals entered divided by those that were won. The result allows coaches to monitor reps who only enter deals in their later stages.
- **Stage Yield Rates by Phase:** The percentage of lost deals at each defined engagement stage to identify qualification skills and specific coaching opportunities.
- **Historical Error Rates by Rep:** The consistent percentage difference between forecasts and actual results indicate those that are overly optimistic and those that are extra cautious (sand baggers). These numbers can be used to build adjusted and more accurate forecasts.

With CRM, you can assign tasks with to-do dates and scorecards. This holds people in support functions accountable and encourages positive competition.

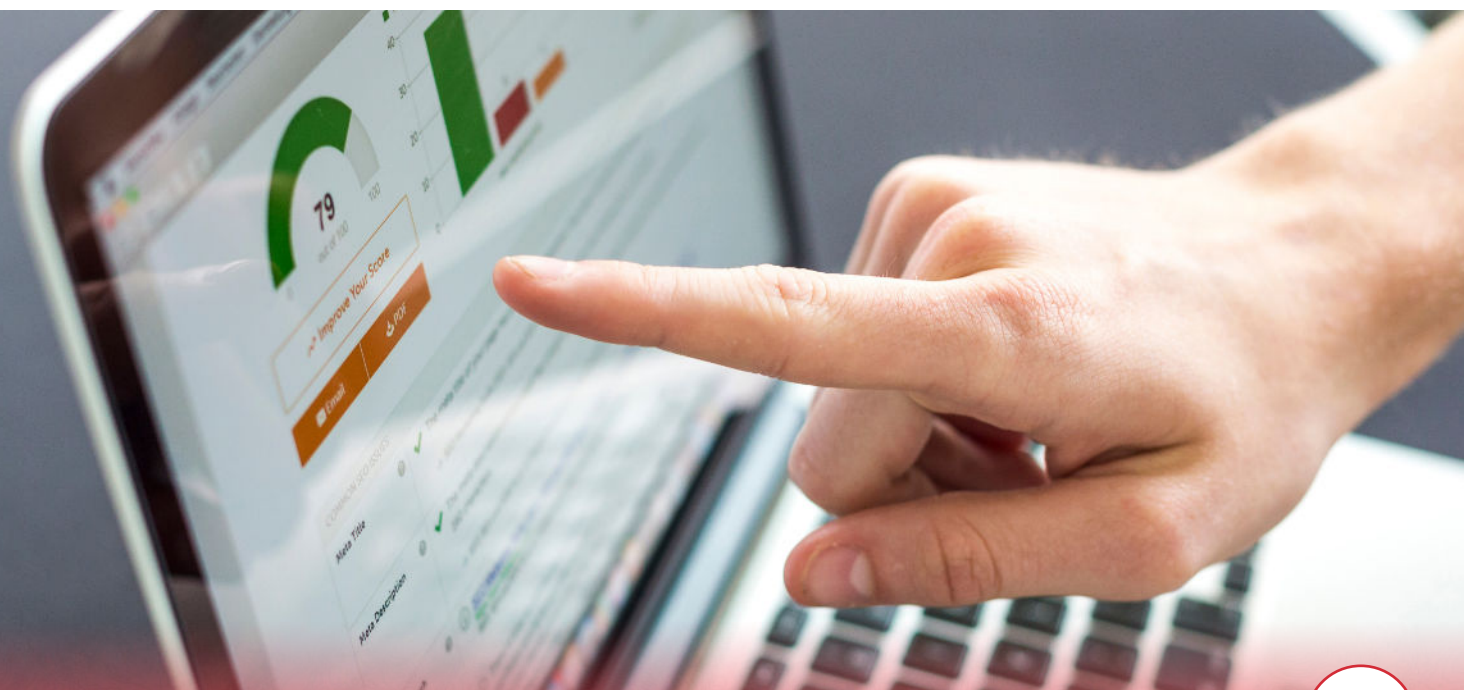
Performance Measurement

With a CRM, you can design performance drivers (the activities that generate results) and metrics to measure your organization's performance. Of course, this will look different for every distributor, so it is important to define what success looks like for your company.

As we mentioned in part one of our series, healthy competition is an excellent way to encourage sales reps to grow and improve. Once you agree on what success looks like within your company, gather sales reps' stats and place them on a list from best to worst. Every salesperson should be able to look at their CRM dashboard to see how they are doing in each criterion.

No one wants to be at the bottom of the list. Studies show that rather than discouraging engagement, benchmarking often results in an 18% to 22% improvement in performance. To take advantage of positive competition, provide each sales rep with a daily report that stacks their own performance against peers and company goals. To do this, connect your ERP to your CRM and set it to update nightly. When you do this, sales reps will be able to log-in in the morning and see how they (and their peers) performed the previous day. The term for this data is not real-time but real-enough.

Benchmarking not only encourages reps to do better but also gives sales leaders valuable insight into how their teams are performing. Managers can monitor performance and identify reps who need the most coaching and assistance.



Coaching to Improve Performance

In 2007, Indian River Consulting Group conducted a study for the National Association of Wholesaler-Distributors (NAW) and found that the highest indicator of share growth was a monthly performance discussion between the sales rep and their manager. Some respondents coached every week, some coached every month, and some every quarter; regardless of the frequency, respondents with the highest growth ratio had consistent discussions between the sales rep and manager.

If your managers have never taken coaching lessons, it may be time to invest in leadership training.

These one-on-one sessions can be short, but they must happen for your sales teams to improve. When coaching, managers should divide their time between the following topics:

- **Values:** How well is the rep representing the values of the company?
- **Performance:** Acknowledge good performance and identify areas from the scorecard to work on together.
- **Talent development:** Review their overall talent development plan and create a plan to work on their chosen area of improvement.
- **Reassess actions for the next 30 days:** Help the sales rep reprioritize their time and efforts. This is where changes in call plans and focus areas are agreed upon and documented.

Your CRM should help you track and document coaching sessions, monitor effectiveness and identify opportunities for future coaching. However, your sales leaders must understand how to coach for this process to be successful. If your managers have never taken coaching lessons, it may be time to invest in leadership training.



About the Author

Mike Marks co-founded IRCG in April 1987. He began his consulting practice after working in distribution management for more than 20 years. His narrow focus in B2B channel-driven markets has created an extensive number of deep executive relationships within virtually every business vertical in construction, industrial, OEM, agricultural and healthcare.

DISTRIBUTION STRATEGY **GROUP**

About Distribution Strategy Group

Distribution Strategy Group's thought leadership, research and consulting services are provided by a team with decades of experience in the distribution industry. They have helped more than 70 distribution companies build a solid foundation to win in today's changing market.

Distribution Strategy Group offers strategic guidance for distributors in the face of disruption, including:

- Independent expert content
- Digital and ecommerce strategy
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Founder Benj Cohen wanted to see that companies like his family's 90-year-old distribution business could use technology – instead of getting squeezed out by it. He teamed up with a group of engineers to build Proton, a cutting-edge AI-powered platform designed for B2B.

Your Challenges

- Reactive sales channels
- Siloed sales activities
- High cost to serve

How Proton Helps

- Gives sales reps the tools to be proactive
- Coordinates channels for cross-sell/upsell
- Increases profits, average order value and wallet share

Identify and target sales opportunities across every sales channel

Customer Service: Turn reps into revenue-generators on customer calls

Inside Sales: Guide reps on who to call, and what to sell them

Outside Sales: Put data at field sales reps' fingertips in a mobile app

eCommerce: Personalize customers' experience with AI-driven recommendations

How it Works

We create a complete view of every customer by consolidating data across channels. This gives us data-driven predictions about who is going to buy what and when. We use those to push a coordinated sales strategy so you can make targeted upsell and cross-sell pitches with every interaction, across every channel. **The result: Simply put, you'll sell more.**

Success Stories



A lawn and garden parts distributor increased ecommerce revenue per customer by 27%.



Turning telesales reps into order-makers, a dental distributor increased revenue per pitch by 13X.



An industrial MRO distributor added \$115K annual incremental revenue per Customer Service Rep

A woman with blonde hair in a ponytail, wearing a grey blazer over a black top, is looking down at a tablet computer she is holding. She is standing in a warehouse or industrial setting with metal shelving units in the background. The lighting is bright and even.

“The fact that
people at Epicor
live and breathe
distribution shows
in the products.”

*Kevin Reidle, Executive Vice President
Hodell-Natco Industries, Inc.*

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