

A New Sales Channel: Telephone-Based Sales Reps

By Mark Peck



Life is like a box of chocolates. And like the inside sales team in a distribution company, you never know what you are going to get.

Every company has a slightly different definition for the role of inside sales. Sometimes, it is an employee that works in the office and occasionally speaks to customers.

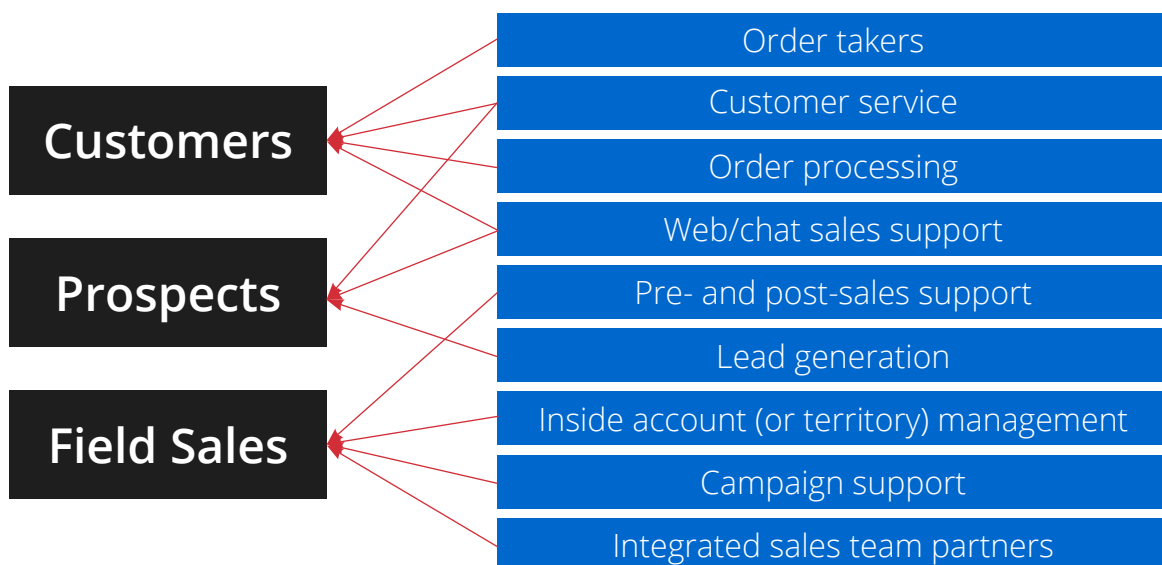
Sometimes, companies refer to order takers, order processors, customer service representatives, post-sales support, or even web/chat support as inside sales (Chart 1). In reality, many of these roles touch on the sales process, but most have very little to do with selling.

Here's a simple definition of what selling should be:

“The art and science of understanding a customer’s needs, applying your products to those needs, and convincing the customer to buy from you.”

If the role you call inside sales isn't doing this, it's not selling. It's clear there is a disconnect on how inside sales is viewed across various organizations.

Chart 1: The Many Faces of Inside Sales



Businesses must have clear expectations of this role if they want to maximize growth opportunities. Below, we touch on inside selling roles, including insights on roles, tools and assessments that can position your distribution business for long-term success.

3 inside sales models that sell

Here are three models that are working for distributors that want to build a more proactive role for their inside sales teams:

Inside account management model

This consists of an inside sales representative who develops and manages their own territory similar to how an outside sales rep would – but primarily through the phone. These can be categorized by the segments that are assigned to the inside sales territories:

- **Bottom feeders**

These are the lowest revenue-producing and least profitable accounts, which are often neglected. These territories are made up of accounts that outside salespeople don't want to spend time on. They typically don't offer the same opportunities as other accounts. One reason they are assigned to the inside is because the cost of selling to them through an outside sales rep usually exceeds the margin. However, in some cases, it is even difficult to profitably sell to these customers through inside sales.

- **White space**

This territory includes geographies, market segments or company types that aren't already assigned. These are accounts that nobody calls on today. While this can be a growth strategy, it is one that typically requires patience and a long-term view before a company starts seeing a positive return on their sales investment. This is a good market-maker activity, but companies with a short-term profit objective should avoid this strategy.

- **Middle market**

The middle market consists of accounts that may get a little bit of attention from the field reps, but not quite enough to maximize their potential. If nurtured, these accounts have an opportunity for significant growth. This can be a profitable growth strategy.

Campaign selling model

In this model, inside sales teams focus on selling products, services and product bundles through promotions and programs that include offers and specified timeframes. The campaigns have a start and end date and generate short-term sales and some profitability (when successful). Distributors don't often get a lot of leverage from campaign selling because each call is focused not on building a relationship, but on a transaction. Campaigns continually start and stop, and customers don't typically appreciate this approach. An example of this was early in the pandemic when a distributor would get hand sanitizer in, and would reach out to customers to sell until it was out of stock again. These programs frequently have some benefit but are difficult to sustain over time.

Integrated sales team model

This approach pairs inside and outside sales reps, who have joint ownership of accounts. They share relationships and territories. When integrated sales teams are implemented properly, they tend to offer sustained, and in most cases double-digit, sales growth. In fact, through a test with a large multibillion-dollar distributor, we saw a 14%-18% lift in sales using an integrated sales model compared with reps who did not participate. This is frequently a distributor's best bet to generate sustainable and profitable sales growth.

Analytical tools

Distributors shouldn't leave decision-making on who to target and what to target with to their inside sales teams. They should use data to decide, based on business needs, the sales models that are most appropriate. These analytical tools can help select and structure a selling model based on the gaps in their marketplace and available customer opportunities.

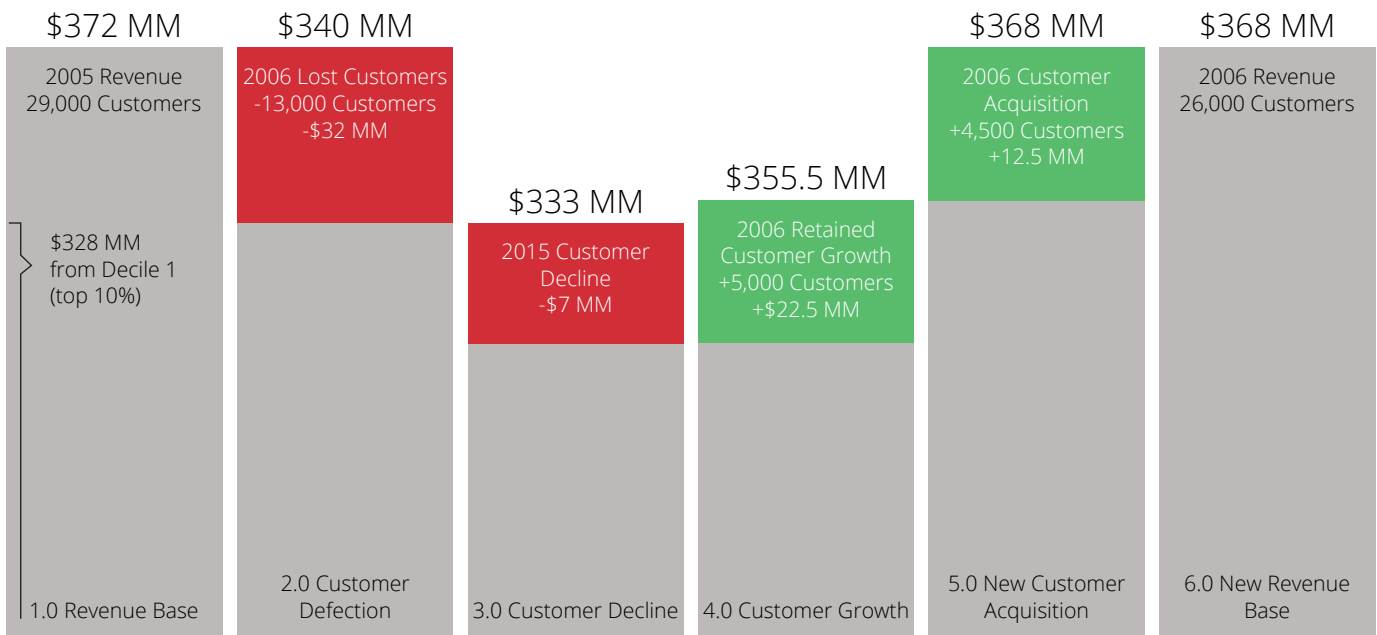
Chart 2: Decile Analysis and Coverage

Decile #	Customers	Sales	% Sales by Decile	Avg. Customer \$
1	1425	\$68,370,838	88.34%	\$47,980
2	1425	\$5,147,523	6.65%	\$3,612
3	1425	\$1,918,681	2.48%	\$1,346
4	1425	\$934,097	1.21%	\$656
5	1425	\$513,021	0.66%	\$360
6	1425	\$286,560	0.37%	\$201
7	1425	\$161,279	0.21%	\$113
8	1425	\$91,560	0.12%	\$64
9	1425	\$52,558	0.07%	\$37
10	1424	\$34,725	0.04%	\$24
Credits		-\$114,263		
Total		\$77,396,579		\$5,532

A decile analysis is the distribution of revenue across customers and value. We stack-rank customers from largest to smallest and separate them into 10 different groups (deciles). And then we evaluate the dynamics in each group. In Chart 2, the first position garnered 88% of their sales volume from the top 10% of their customers.

A decile analysis illuminates the disparity between the top-ranking customer set from the lower-value customers, with the top customers sometimes as much as 2,000 times the size of bottom-ranking customers (on average). We often find that the lower decile customers may be neglected, but if they were to suddenly leave the distributor the economic impact would be very little.

Chart 3: Revenue Waterfall



The revenue waterfall illustrates what happens in revenue from one year to the next; using these tools, distributors can answer a number of critical questions, such as:

- Is my customer base shrinking or growing?
- What's the customer defection rate?
- How much growth do I get from my retained customers?
- How many new customers am I acquiring?

Typically, retaining existing customers costs significantly less than acquiring new ones. That often holds true for defected customers, as well. However, distributors must consider the costs for winning back neglected customers. When a relationship is severely damaged due to neglect or mishandling, the cost may exceed the benefit.

Share of wallet

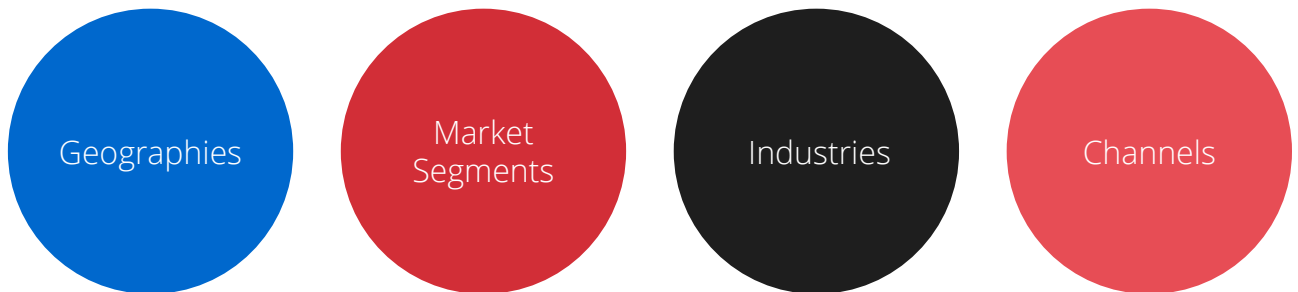
Some assessments of share of wallet can become complex, but essentially, it's the amount spent on your products as a percentage of the total amount your customer spends on that category. The goal is to provide more product to a customer and reduce that customer's need for a competitor's products. Some companies spend countless hours calculating share of wallet in the hopes of achieving a precise number.

However, that level of precision is impossible and unnecessary. Almost all distributors have substantial growth opportunities in share of wallet and should be engaging in share-of-wallet programs and driving these programs through your sales team regardless of share-of-wallet calculations.

Size of customer or revenue size combined with industry segmentation (SIC or NAICS codes) and sampling is an effective and efficient way to gauge share of wallet.

Market coverage

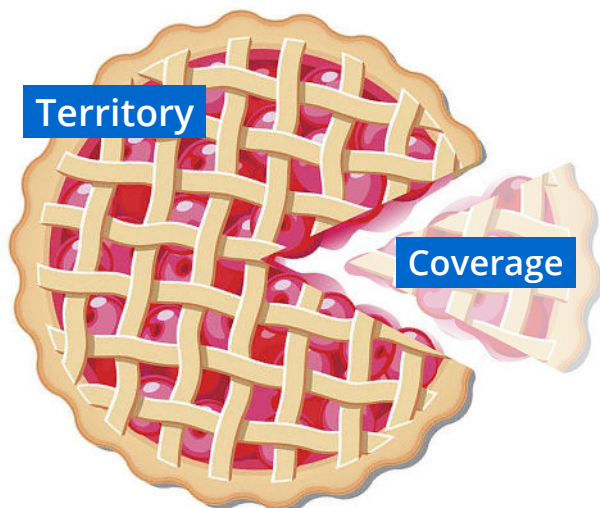
What portion of a market would be a significant opportunity for a business but is typically overlooked by existing sales channels?



Distributors often overlook (or simply don't have the capacity to cover) geographies, market segments and entire industries, but these are frequently opportunities for untapped growth. Distributors can assign inside sales resources to better understand, target and nurture these leads to carve out a new market in that space and increase market share.

How to evaluate sales territories

Many distributors have the mindset that more is better and often assign too many accounts to each salesperson. The perspective is that it's better to assign an account, even if it never gets touched.



They also overestimate a salesperson's ability to keep up with each account. The result is a lot of neglected accounts.

We see evidence of this in decile analyses of sales territories. Typically, a handful of customers drive the most sales, and salespeople spend most time calling on those 20% of customers that drive 80% of revenue.

The remaining low- and mid-level accounts are ignored. In defector studies they ask, "Why did you stop buying from this company?" The customer often answers: "I didn't fire them. They fired me."

The Impact of an Integrated Sales Model

The typical distributor is dealing with challenges that include:

- Territory coverage gaps
- Aging salesforce
- Labor-market challenges
- Intensifying competition
- Significant share-of-wallet opportunities
- Underdeveloped accounts

An integrated sales approach can help distributors tackle these. But to be successful, integrated sales programs should include:

- **Sales teaming model:** At least one inside and one outside sales rep, and in some companies, customer service and sales support reps.
- **Shared sales territories:** In these shared territories, inside and outside reps both take responsibility for all accounts, total territory performance, and engage in team territory and account planning.
- **Marketing support:** The marketing tools provide context and leverage for the sales teams, amplifying their efforts and supporting sales performance and customer loyalty.
- **Grading model and coverage plan:** These tools combine to inform an investment strategy in customers, with sales calls the investments a distributor makes in customers at

a volume that is commensurate with the relative economic value of those customers.

- **Customer-specific contact plan:** The overall coverage model will be applied to customers by grade level, and then (in many cases) adapted to fit the unique needs and preferences of individual customers.
- **CRM used by both inside and outside reps:** In many distribution companies, the inside rep is the primary maintainer of the account database. However, inside and outside reps share the responsibility for tracking call activity and opportunities.
- **Value-based communications and contact plan:** The premise behind value-based communications is that every contact (regardless of contact medium) with a customer should provide some value to that customer. This is one of the foundational elements of building strong customer relationships.
- **Measured with sales growth, customer retention, and customer loyalty:** Year-over-year sales growth provides management with a measure of the short-term impact. Customer retention and loyalty are strong indicators of the longer term impact.

Companies can experience a 12%-18% increase in sales lift as a result of implementing an integrated sales approach.

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About the Author

Mark Peck, Owner of Apexx Group

In 2002, Mark founded Apexx Group. Apexx is a business-to-business marketing and consulting firm. They aim for profitable growth from every one of their clients, whether that means branching into a new market, improving current marketing strategies, or putting a new product into the existing market.



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