# Reinventing Distributor Sales and Service: Integrating Field Sales, Telephone Sales and Customer Service

By Mark Peck

*Stagnant companies can survive a long time, but if they continue that pattern long enough, they will eventually become irrelevant. Companies survive and thrive through growth; that's why growth is the holy grail in a distributor's planning cycle.*

Growth initiatives usually fall into one of these four categories:

**Getting more out of what they have.** Or sometimes referred to as "squeezing blood out of a rock." These initiatives are designed to give the salespeople more selling time, make more sales calls and eventually close more orders. In sales organizations that aren't already stretched or those with gross inefficiencies, these initiatives can provide a short-term bump in sales, but they are not sustainable. And they frequently result in no sales increases.

**Introducing new programs.** These types of initiatives require a marketing investment. They can be product promotions, product bundling, price promotions, etc. To some degree, these are necessary elements to any growth model. They provide reasons for sales calls – giving the calls some substance and providing value to customers. Their value is amplified when they are applied to a new sales channel. However, they may not be enough to reach your sales goals without additional changes.

**Increasing sales capacity.** This is simply adding resources into an existing sales channel. This also can increase sales, but there can be a long ramp-up time to profitability. If the new salesperson is building a new territory, the ramp-up could take multiple years.

**Developing new sales channels.** These include independent inside sales channels and integrated sales channels. In our experience, integrated sales is the initiative of choice. It provides profitable sales growth, positive bumps in all sales KPIs, has a relatively short ramp-up and is sustainable over an extended timeframe. We have seen a double-digit sales lift over a three-plus-year period.

Unfortunately, when some of these strategies fall short, it leaves management frustrated, sales staff overwhelmed and sales territories underserved. Rather than relying on tired sales growth plans, it might be time to reinvent your go-to-market strategies and leverage an integrated sales team model.

Several diagnostic and analytical tools can help a company understand the potential impact of an integrated sales team model and design it. A salesperson lifecycle assessment is one of those tools. The profile of your salesforce will highlight the number and percentage of salespeople in the various stages in this lifecycle and provide a realistic perspective of the sales team's capacity for growth and innovation. In addition, the customer lifecycle (and how your customers navigate it) is key to understanding how to design a sales model that maximizes customer lifetime value.

These two diagnostic tools can provide the rationale for and help to inform the design of an integrated sales model.

## Evaluating Salesperson Lifecycle and Resource Allocation

Squeezing more out of your sales team (more selling time, more contacts and more closed orders) is a difficult way to increase growth. Why? A salesperson's capacity for growth is largely dependent on how seasoned they are and where they reside in the lifecycle outlined below. To maximize potential, we need to understand the lifecycle of the salesperson and their capacity for growth.

### Chart 1: The Lifecycle of a Salesperson

**2 Growth**

- Continuing to add accounts & grow base
- Looking for organizational support
- Upsell & cross-sell
- Working relationships
- Balancing prospecting & account management
- Growing compensation

**Maturity 3**

- Strong account base
- Account penetration
- Optimizing referrals
- Comfortable compensation level
- More account management than prospecting
- Looking for leverage

- Ambitious & enthusiastic
- Prospecting machines
- Drive to grow compensation
- Naivete
- Willing to take risks
- Rejecting resilient

**1 New Salesperson**

- Protecting the franchise
- Limited prospecting & new accounts
- Margin management
- No innovation
- Unwilling to take risks

**Aristocracy 4**

- **New Salesperson:** Assuming you have done a reasonable job selecting the right salespeople, these are prospecting machines, full of enthusiasm, resistant to rejection and willing to take risks. They may not always get it right, but they have enough energy and enthusiasm to make up for the imperfections in the selling process and messages.
- **Growth:** This group of salespeople have some experience and are highly motivated to grow their territories through nurturing and developing relationships with a good balance of prospecting and account management.
- **Maturity:** They have a strong account base and are comfortable with their compensation level. They typically provide more nurturing to existing accounts rather than prospecting for new ones. Sales volumes (of salespeople in this stage) frequently begin to plateau, and these individuals can quickly fall into Aristocracy.
- **Aristocracy:** These are your salespeople that feel that they have "paid their dues," and some of these individuals have a strong sense of entitlement. They are well-established within the company and customer base and are frequently unwilling to take risks that could affect the company or accounts. They can be effective in maintaining an account but are unlikely to pursue or achieve much growth.

Most companies have a blend of sales professionals in each stage of this lifecycle. This blend can provide a balance of enthusiasm and innovation with knowledge and expertise. If not too far out of balance, each stage of development can be a critical component of company growth, but leaders must be clear on the strengths and weaknesses of each, as well as potential challenges and opportunities.

When planning for growth, distributors must first evaluate current resources and how and where they are allocated. Let's look at an example of how sales coverage plays out.

A distributor has 1,000 customers and 10 salespeople. Each salesperson has 100 accounts in their territory and makes about 600 sales calls per year. That means, on average, each customer gets about six sales calls per year. However, in this case, the average isn't very meaningful. The top 10% of the accounts need a weekly call, and, of course, the company is willing to provide that because this group accounts for 80% of the revenue. So, if we take care of the top 10% first, we use 5,200 of those 6,000 available sales calls and have 800 left for the other 900 customers and a multitude of prospects that we hope to turn into customers.

With this example, it's easy to see that sales calls are a precious and limited commodity in a typical company. This is what makes coverage planning (the allocation of sales calls to customers and prospects) such an important task for distributors. This is also why companies need a broader perspective (broader than an individual salesperson and territory) when developing their coverage models.

A sales coverage model should be designed to address the following questions:

- What is the account base?
- What is the sales capacity?
- What is the cost of a sales call?
- How well can the sales capacity cover that account base?
- How can the business optimize its return and coverage investment?
- What coverage can the business afford to provide to customers?

However, distributors are often left wondering how to grow sales in low-attention markets when doing so would take calls away from top-producing accounts. Distributor sales reps have limited capacity and rarely have sales calls left over that can be devoted to nurturing underserved accounts or prospecting for new ones.

This commonly occurs in top-heavy revenue distribution models when 80% of the revenue comes from 20% of the customers. This ratio is even more extreme in many distributor cases with 10% of customer accounts generating 90% of distributor revenue. In a typical sales model, if a rep visits 10 top-performing accounts weekly, they have little time to prospect for new accounts, not to mention nurturing the other 75-100 lower-revenue accounts in their territory.

An integrated sales team model involving field sales, telephone-based sales and customer service representatives, combined with a modern website, can offer multiple touchpoints to the customer, alleviating these challenges so that distributors can optimize current customer relationships and start to build prospect relationships.

## Chart 2: Applying Limited Resources to Precious Commodities

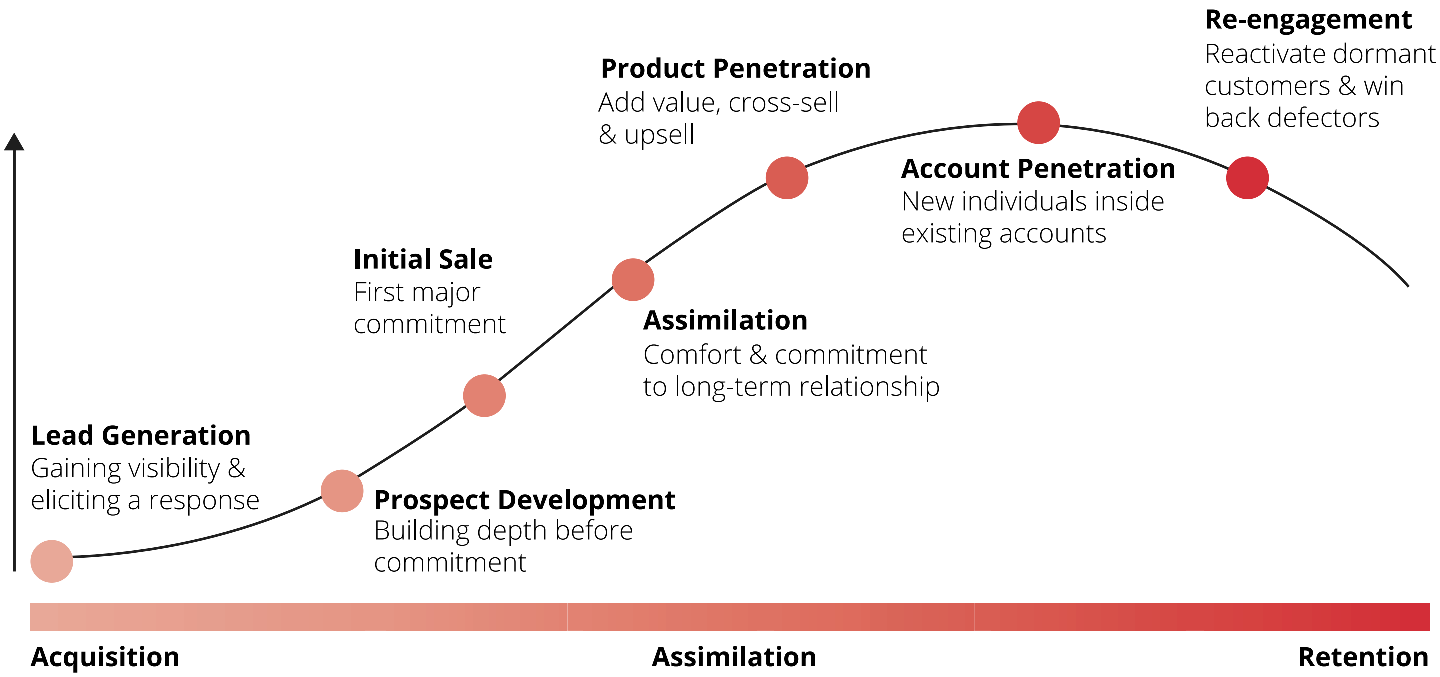
| Account Base | Sales Capacity | Coverage Allocation |
|---|---|---|
| 300 existing customers (purchased within the past 12 months)<br><br>Prospecting to add new customers | 2-3 sales visits per day<br><br>200 days in the field<br><br>400-600 field sales calls per year | Top 60 accounts – 480 sales calls<br><br>Other 240 accounts – 120 sales calls<br><br>**Prospecting – ?** |

## Dissecting the Customer Lifecycle for Growth

To overcome limited resources when planning for growth, distributors must have a deeper and more meaningful understanding of prospecting and how a prospect becomes a customer.

If a distributor is going to invest additional resources into their selling model, it is critical to understand where they are a strong performer and where they are a weak performer in the customer lifecycle. Here are the four distinct phases associated with the customer lifecycle:

## Chart 3: Customer Lifecycle




1. **Customer acquisition phase** - Distributor provides frequent and proactive touchpoints during the initial phase of new relationships. Customer-level analytics would include the length of time between initial orders and subsequent orders. The shorter the gap, the more indicative of the customer's lifetime value.
2. **Honeymoon phase** - Distributor enables customer assimilation where the customer habitually buys more from their representative over time.
3. **Growing phase** - Distributor cultivates and nurtures the relationship to encourage future growth through product and account penetration.
4. **Customers for life** - Distributor effectively manages accounts for long-term growth and retention.

Some companies are great at acquiring customers but don't apply the same effort to retaining customers. Other companies just don't prospect enough and subsequently don't acquire enough new customers each year. And some companies don't get growth from product and account penetration with existing customers. Understanding these gaps and weaknesses can help a distributor know where to invest in the sales process and customer lifecycle.

By understanding the customer progression from prospect to long-term buyer, distributors can position members of an integrated sales team in the right roles to nurture the most customers throughout the lifecycle.

## Ineffective Customer Lifecycle Management: Why Do Customers Go Away?

Successful companies build mutually beneficial relationships with customers, ensuring a higher lifetime value. At each stage of the lifecycle, a distributor's sales and service teams are responsible for creating experiences that delight customers and encourage them to continue the partnership.

What happens when a customer leaves the distributor relationship?

Customer-level analytics help distributors evaluate this customer loss to understand why they ended the relationship and reduce customer churn in the future. One way to do that would be to perform a defector study (sampling and survey of lost customers) to uncover why the customer left.

Customer churn can occur for many reasons, including credit issues, mergers/acquisitions or even the customer going out of business. However, defector studies often show neglect is frequently a precipitating factor in the relationship's demise. Customers may say, "I didn't leave you. You left me. No one called me in the last two years."

Another example of ineffective customer lifecycle management is when companies grow revenue but not increase their customer base. Over time, the customer base shrinks despite having shown modest revenue growth. The result is a declining customer pool that eventually catches up with the distributor and compromises their platform for long-term growth.

# Leveraging an Integrated Sales Team to Increase Capacity

Distributors can overcome these challenges and grow sales by developing a proactive inside sales function and building an integrated sales team model. This injects new life into the existing sales model and improves how a distributor acquires and serves customers. Rather than relying on independent resources to meet customer demands, distributors can lean on teams to facilitate interactions in each stage of the customer lifecycle, reducing customer churn.

Because it is always important for a distributor to carefully apply the resource that they never have enough of (sales calls), distributors should build a grading model that provides an indicator of the worth of each individual customer (considering both historical worth and the potential worth of the account). This is a crucial tool in understanding how to apply those limited sales calls. This highlights gaps in coverage and shows where the distributor could benefit from additional coverage for each customer, whether that be inside or outside sales representatives or digital support.

## Chart 4: Integrated Sales Team Model

| Contacts per account per year | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **# of Accounts** | **Social** | **Direct Mail** | **Email** | **Inside Sales** | **Outside Sales** | **Per Account** |
| **A** | 6 | 2 | 12 | 24 | 48 | 47 | 133 |
| **B** | 10 | 3 | 12 | 24 | 48 | 24 | 111 |
| **C** | 15 | 3 | 12 | 24 | 18 | 12 | 69 |
| **D** | 20 | 3 | 6 | 24 | 12 | 2 | 49 |
| **E: Non-buying/ prospects** | 75 | 2 | 6 | 12 | 1 | 4 | 25 |
| **Cost/Contact** | | $4.00 | $1.00 | $0.20 | $12.50 | $100.00 | Total Cost: $123,707 |
| **Contacts Per Channel** | | 297 | 982 | 2,124 | 1,353 | 1,042 | 5,798 |

Here are eight elements for a world-class integrated sales model:

**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.

# Overcoming Objections to Integrated Sales Teams: Analyzing the Cost of Sales Calls

Some distributors may object to the idea of sales team integration and offer concerns such as:

- *"That's the sales force's job."*
- *"That's not how we have always done it."*
- *"The customer won't like it."*
- *"Our salespeople won't like it."*
- *"I don't want to pay double commissions."*

Distributors hesitant to implement an integrated team model may find themselves wondering if it is worth the investment – both in time and dollars. We recommend that companies start by developing an understanding of their customer economics. What is the cost of a sales call; what is the overall selling cost investment in a customer; and what is the associated sales and margin return to offset that investment?

This is started by calculating a fully burdened salesperson cost. The cost elements would include base compensation, anticipated variable compensation, benefits, auto expenses, equipment maintenance, training, travel and more. Similarly, distributors should analyze workload and productivity, including work schedules, vacations, holidays and sales meetings, among other variables.

After calculating the cost of a salesperson, the next step is to calculate the number of sales calls made in a year by a salesperson. The fully burdened cost of a salesperson divided by the total number of annual sales calls gives us a cost per sales call. For most distributors, we would expect to see a cost per sales call in the $100-$400 range.

## Chart 5: An Investment Model


## Compensation Concerns

As with all sales models and programs, compensation is a significant issue. A distributor considering an integrated sales model might suggest that if inside and outside sales share territories, they will have to pay “double commissions.” Obviously, when making a change of this significance, the current sales compensation plan needs to be analyzed and most likely will need some changes.

Best practices suggest that some portion of the compensation package be variable for both inside and outside teams based upon sales growth in their shared territories. Field sales is generally a higher-paid position than inside sales (based on many factors). As such, field sales may have a higher base or a higher commission payout on growth. However, both should be rewarded based upon shared-territory revenue growth performance.

# Did the Integrated Sales Team Model Really Cause the Growth?

Distributors may be skeptical when implementing new programs, wondering whether gains are a result of the program or just growth that would have occurred anyway. When running a new program, such as launching an integrated sales team pilot, distributors should define parameters for judging the success of the program compared with business as usual.

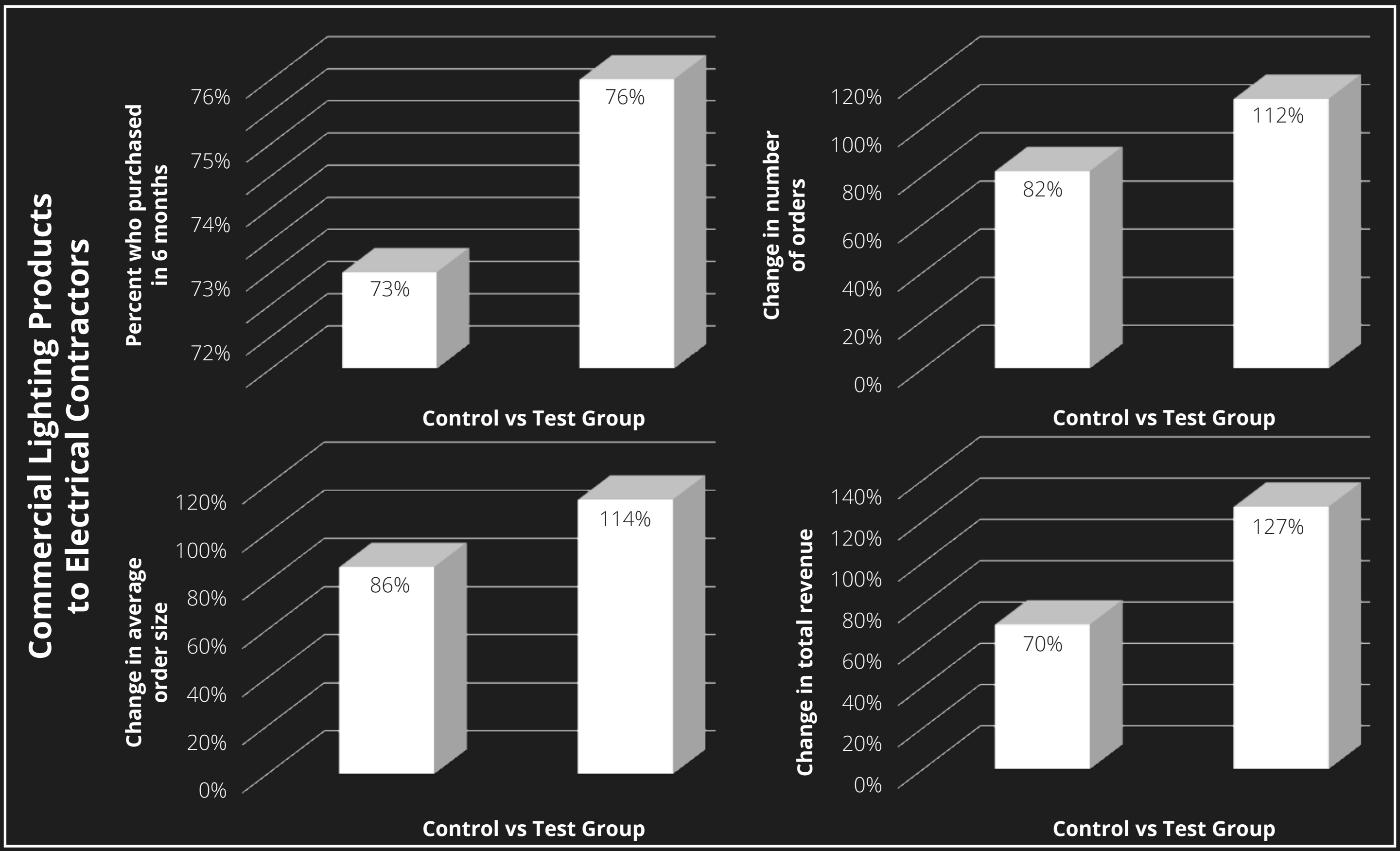
To do that, we recommend separating the program into a test group (integrated sales teams) and a control group (traditional sales teams) and tracking performance over time. Some examples of metrics:

- Year-over-year sales growth
- Percent of customers who purchased in 6 months
- Change in the number of orders (year-over-year)
- Change in average order size (year-over-year)

Comparing the programs this way eliminates confounding variables such as the economy, marketplace dynamics and seasonal changes because they are the same across the test and control groups. In the case shown in the graphs, all of these metrics from the integrated sales team outperformed the control.

## Chart 6: A Case of Following the Science

**NOTE:** Data is correct – graphical representations illustrative only



## What Should Distributors Avoid When Applying the Integrated Sales Team Model?

As in all business models, the performance outcome is a result of how you design and execute. Execution mistakes that can sabotage your program include the following:

**Using the same resources for inbound and outbound.** Inbound and outbound roles do not mix well. Productivity suffers in the outbound role, and service levels suffer in the inbound role.

**Converting customer service or administrative staff to inside sales.** The people that are successful in customer service and sales have a certain set of behavioral traits and skills which allow them to be successful. These traits and skills differ greatly from customer service to salespeople. It is rare to see a high-performing customer service person convert to a high-performing salesperson.

**Creating inside/outside competition for customers or revenue.** Having the inside and outside work together as a team is key to the success of an integrated sales program. Sales goals should be set as team goals, not individual goals.

**Separate revenue accountability.** Even something as seemingly benign as tracking whether an order came from the outside sales rep or the inside sales rep can cause unhealthy competition between the inside and outside. By their very nature, salespeople tend to keep score and tend to compete. You want the customer's ordering methods to be influenced by a few factors, including their preferences and your sales process and sales economics. You do not want their ordering method to be influenced by internal competition between the inside and outside.

**Sales accountability for customer accounting.** Salespeople bring a skill to your organization in managing customers and selling your products. As we already know, their capacity to apply those skills (in sales calls) is limited. If my salespeople are responsible for invoicing, I can calculate the benefit the organization can get from assigning that responsibility to another role by determining the increase in annual sales calls and the associated increased revenue from those sales calls.

**Applying a transaction model in a relationship business.** Sales programs that deliver sustained profitable growth are not designed to simply get the next order. They are designed to manage customer relationships, provide real customer value and service that customer over a long period of time. Placing too much emphasis on the next order (or short-term sales) can sometimes be a negative.

**Separate sales and marketing.** Marketing provides tools and leverage for both the inside and outside. As marketing is integrated into the mix, sales performance ramps up.

Integrated sales team models create an omnichannel experience for the customer. Distributors looking to drive sales growth through an integrated model should start by understanding the lifecycles of both their sales teams and their customers. The better they understand these key attributes, the more they can leverage existing resources to improve customer interaction and experience exponential growth.

Thanks to our sponsors:

Optimizely

optimizely.com

proton.ai

proton.ai

## 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.

# proton.ai

## Proactive, AI-Powered Sales for Distributors

**Integrate in 4-6 weeks and drive 10%+ increase in sales.**

**Request a demo:** welcome.proton.ai/demo
**Contact us:** welcome.proton.ai/contact
**Email us:** jill@proton.ai

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

## About Distribution Strategy Group

Distribution Strategy Group's thought leadership, research and consulting services are led by a team with decades of experience as senior operators in the distribution industry. They have since worked with more than 70 distribution companies to 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:

- Digital and ecommerce strategy
- Customer lifecycle management strategy
- Customer analytics
- Sales channel strategy

Contact us:

distributionstrategy.com | 303-898-8626 | contact@distributionstrategy.com