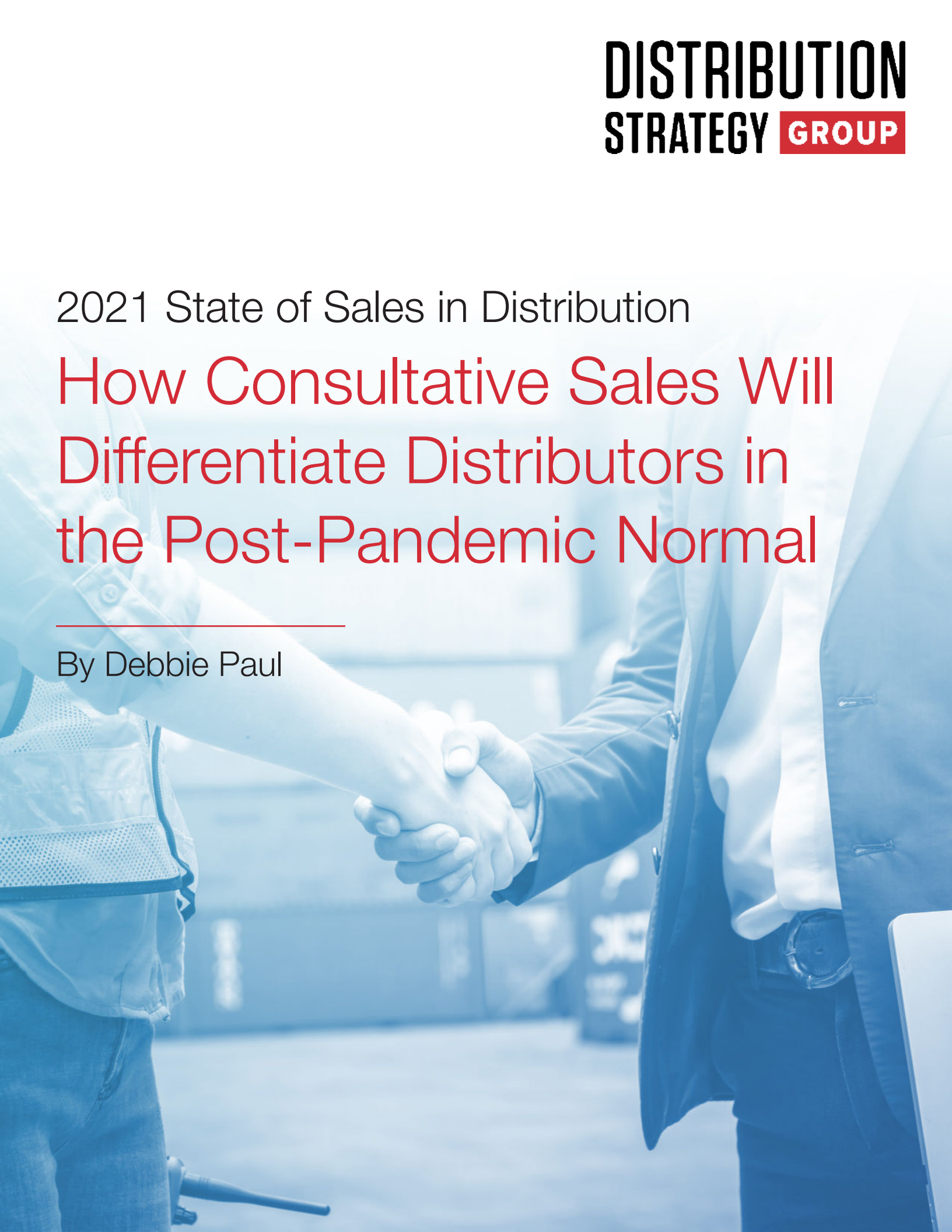


2021 State of Sales in Distribution

How Consultative Sales Will Differentiate Distributors in the Post-Pandemic Normal

By Debbie Paul



Distributors aren't very satisfied with their sales organizations' performance, according to the Distribution Strategy Group 2021 State of Sales in Distribution survey, conducted in January-February 2021. Less than half of respondents said they were very satisfied or satisfied.

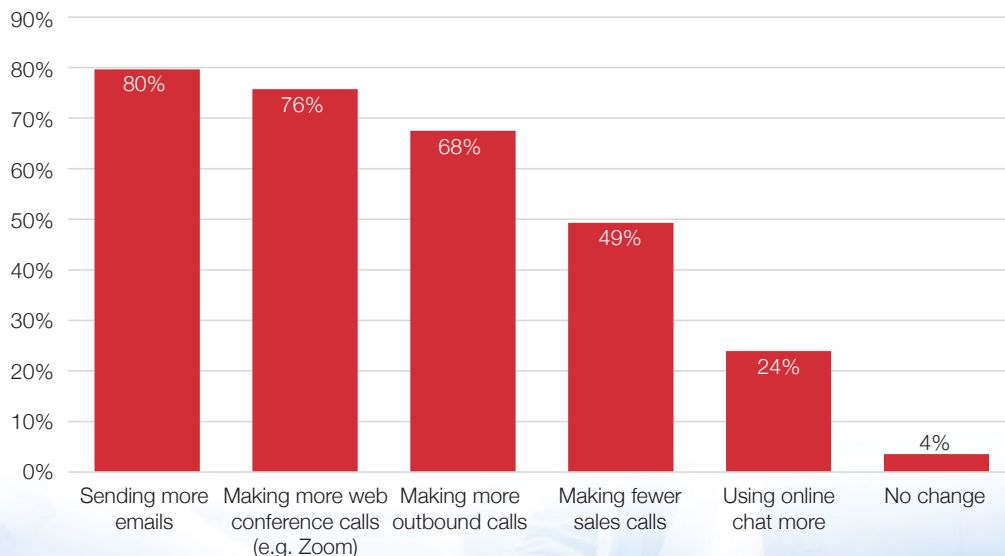
What does this mean? More than half aren't satisfied. Respondents cited:

- Sales teams' failure to sell the value of the company
- Inability to use multiple selling tools, including CRM, web conferencing, analytics and more

One of the drivers of dissatisfaction over the past year was the forced changes to sales processes in light of COVID-19 (Chart 1), including sending more emails and making more web conference calls, such as through Zoom. Sixty-eight percent said they made more outbound phone calls, with nearly half making fewer sales calls – not surprising as customers shut down prospect calls, limiting in-person visits to existing suppliers – if any at all.

Distributors said that they didn't feel like these replacements substituted well for face-to-face interactions, but this could be because many salespeople were not prepared for the change.

Chart 1: How have you changed your sales process in light of COVID?



Field salespeople are not typically comfortable making prospecting calls over the phone, and Zoom calls gained momentum as a result of COVID. Salespeople were essentially thrown into these new ways of communicating with little preparation or training.

Customers also moved more shopping and purchases online in 2020, as we found in our 2021 State of eCommerce in Distribution Survey, forcing distributors that had not yet prioritized ecommerce to catch up. The adoption of ecommerce by distributors soared a weighted 26.3% from 2019 to 2020. Surveys – ours and others – have reinforced the idea that while COVID-19 spurred this shift, most in B2B don't expect a full return to how things were pre-pandemic.

Obstacles to Effective Prospecting

As a result of these changes in customer behavior, field salespeople became inside salespeople, accountable for making more calls to their customers and prospects. One distributor wrote: “I don't think most independent distributors know what to expect in terms of prospecting time/results during the challenges of the pandemic.” I saw this, as well. Many field salespeople were at a loss on how to do prospecting during COVID, as the normal M.O. for field sales is to just “drop in” as they drive by.

This is probably why many respondents in the survey were not satisfied with the effectiveness of their prospecting today (Chart 3 on page 4). Because the majority of prospecting is done by field sales (Chart 2 on page 4), outreach came to a halt during COVID.

But even though they needed it most during the pandemic, distributors tended to have a less developed proactive inside sales function. In the survey, proactive inside sales was the least used (33%). And more than two-thirds in the survey said that field sales does the majority of prospecting within their organizations. Many field sales reps struggled with using the phone vs. in-person contact, and were forced to develop new skill sets. They struggled with understanding how to get past gatekeepers and get to the person they wanted to speak with. Many also simply don't like selling by the dreaded phone.

In some ways, field salespeople see using the phone as taking a step backward.

Chart 2: Who does the majority of prospecting within your organization?

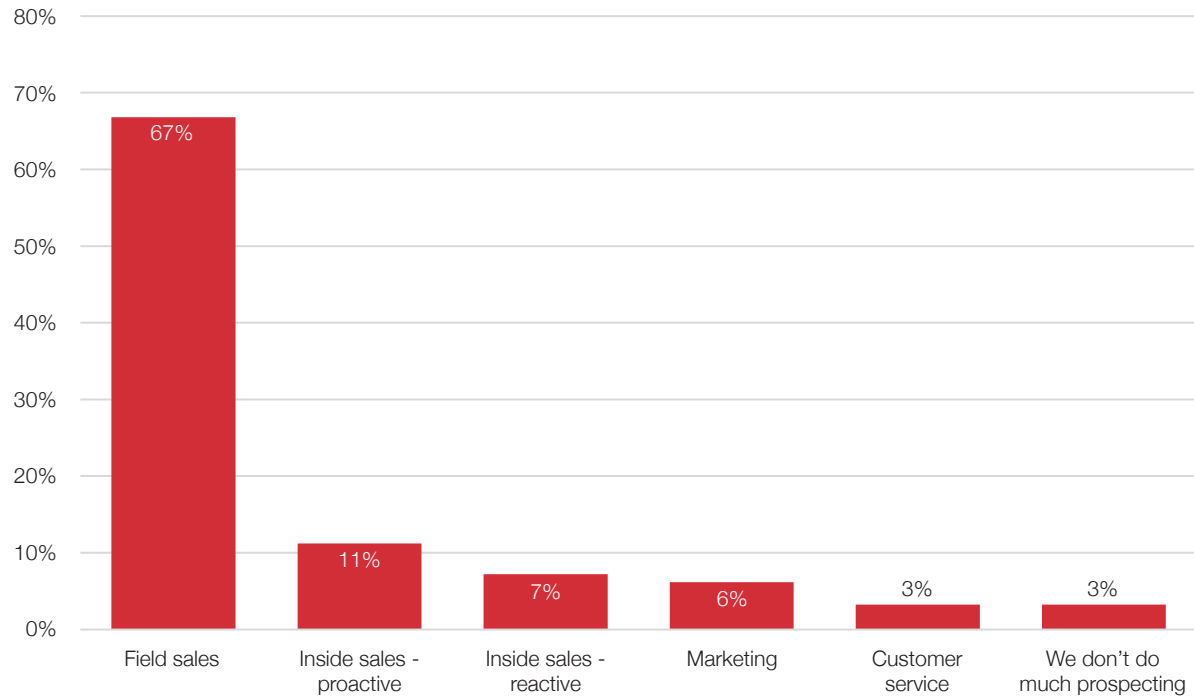
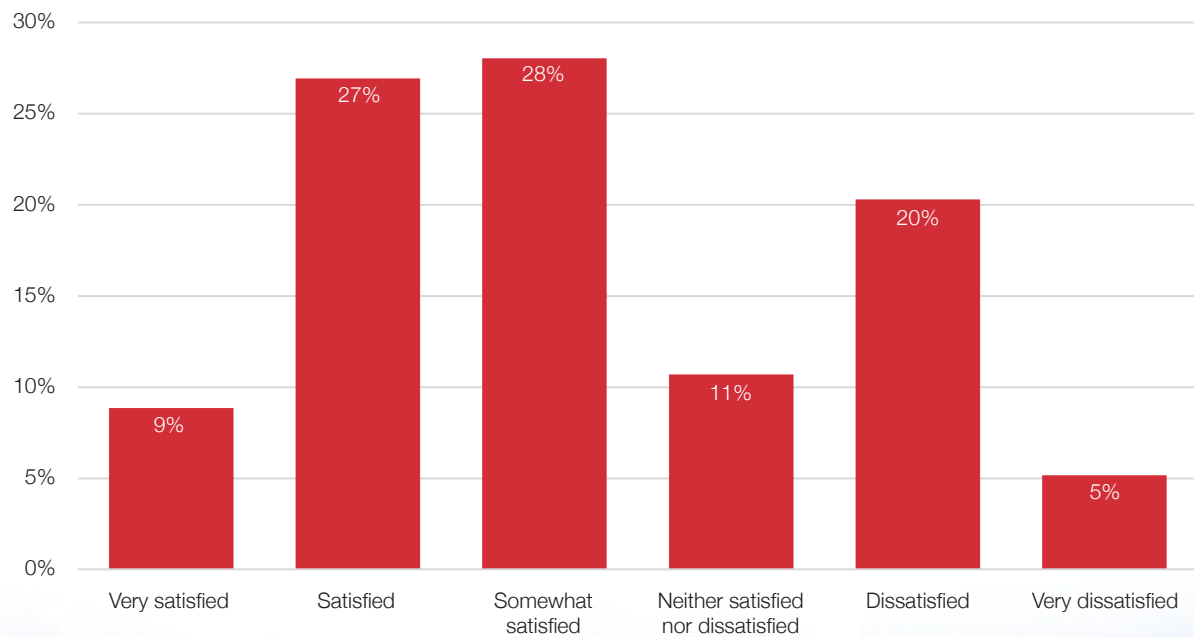


Chart 3: How satisfied are you with the amount of prospecting your sales teams are doing today?



As one respondent said, it was a “very mixed bag. Some reps prospect well. Others not so much.” This is true, and gets back to the idea of hunting vs. farming. Many field sales reps are more comfortable increasing wallet share with existing customers rather than finding new ones. Both are important roles, so the key is to figure out the best skills of each team member.

The expectation is that all field salespeople should be able to prospect, so when it doesn't happen, everyone gets frustrated. It is always difficult and stressful to be accountable for a function that one is not comfortable doing. So not only doesn't prospecting get done, it puts added stress on salespeople not comfortable doing it.

Distributors using a proactive inside sales team over the past year have had and will continue to have the advantage. An inside salesperson with the right skillset can make many more contacts to prospects in a day than a field salesperson dependent on face-to-face interaction. Dialing is always faster than driving to prospects. For example, an inside salesperson can make 20-25 contacts a day compared with three to four contacts for a field sales rep.

Distributors need to rethink how they are doing prospecting.

Many survey respondents recognized this. One wrote: “Actually, would like to shift dramatically to outbound inside sales and away from field sales.”

One respondent made a great point: “We want our team to focus most of their time prospecting within existing accounts and use our marketing to create new opportunities.”

This is how a good prospecting program should work. Warm leads up with marketing offers and promotions, along with a proactive inside sales touch or two to identify opportunities. Handing off a warm lead to a field salesperson is the most efficient and effective. Using marketing automation to create lead funnels through the use of email programs is also a key part of an effective prospecting program.

Field sales reps must also learn to reframe their process — perhaps by spending a morning at their desks actively making prospect calls. As stated above, they can make more contacts via phone than dropping by. The phone call can help them gauge opportunity, understand who they should meet with and even set up an appointment. A good tool to use is a sales call guide which can

help them plan their call more effectively. This is also a good way to prospect in those geographic areas that are farther out and not as conducive to an in-person call.

Understanding your goals and objectives, and the skill sets that help you achieve those, plays a key role in hiring a new salesperson, whether they are inside sales or field sales. For example, if the goal is to increase wallet share of existing customers, look for a farming skill set.

In the survey, distributors said that when they are hiring a new salesperson they focus mostly on finding individuals with industry experience and product knowledge. Of course, having this experience would be the best-case scenario, but oftentimes finding an experience match isn't possible. Obviously the ideal situation would be to have industry/product experience along with excellent sales skills, but when that isn't possible, hire for selling skills. Drive, proactivity and listening skills should also take precedence. You can always train for industry experience and product knowledge. As one experienced sales manager told me: "I can teach the skill, but I can't teach the will."

Sales Training and Tools

While most respondents said they are spending between one and more than two hours per month on sales training (Chart 4 on page 7), in our experience, many distributors equate coaching and one-on-one meetings with formal sales training. While this is valuable, we've found that these sessions aren't always held consistently. Distributors also tend to spend more time on product and application training, because this is what they find most valuable for a salesperson. While product training is important, it should not be done to the exclusion of ongoing sales training.

The biggest gap revealed by the survey and in our work was training on soft skills. This includes the ability to adapt by channel, which was apparent when COVID hit and field sales reps were forced to use tools and methods they weren't used to.

Tools are critical. Many survey respondents said that their CRM wasn't being fully utilized, which is common (Chart 5, Page 7). Often, salespeople don't see the value in using CRM. Salespeople sometimes view CRM as a way for them to "lose control" of their customers. In the past, keeping customer information close to the

Chart 4: How many hours per month does your company spend on sales training? (Not including product training.)

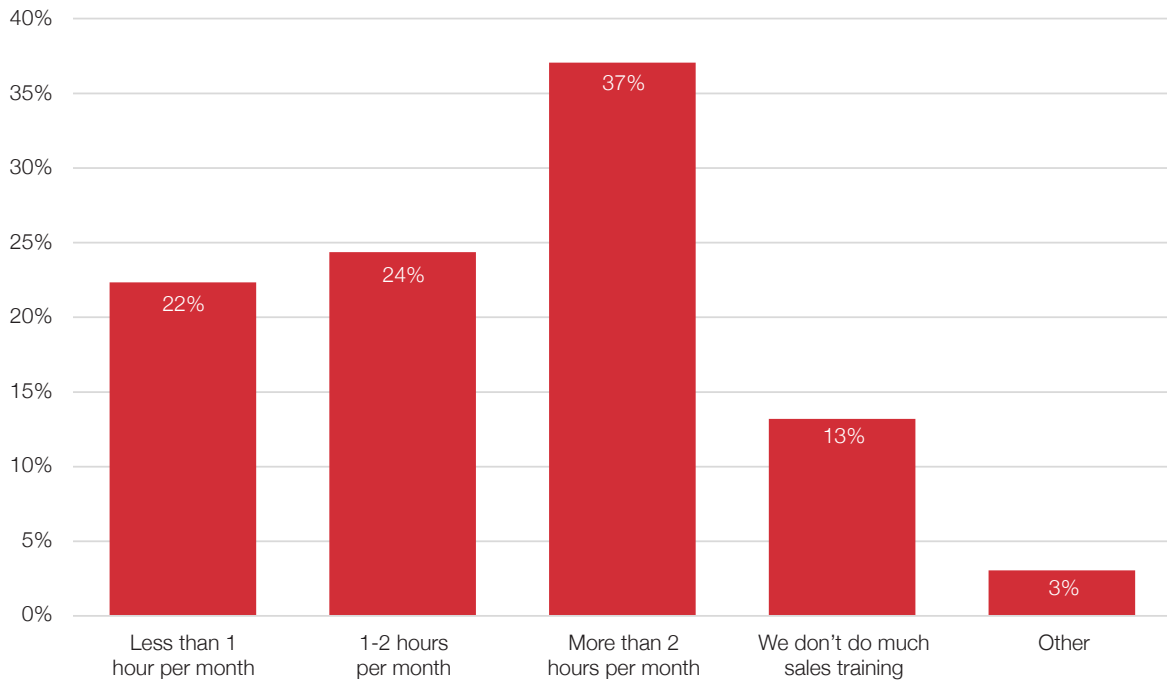
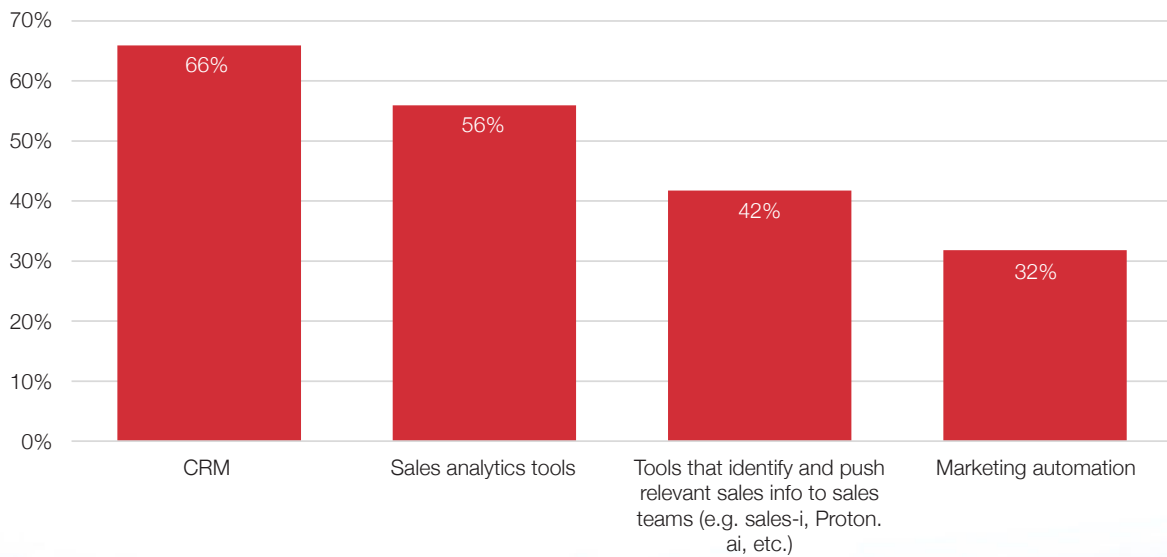


Chart 5: Which of these sales tools are you using today?



chest was a perceived form of job security. Putting this information into a CRM counteracts that and leads to limited usage. They also perceive it as added work.

In light of COVID, the value of CRM should have been apparent. For a distributor trying to implement CRM or increase usage, it is always a good idea to remember the importance of showing “what’s in it for me?” from the salesperson’s perspective.

From the survey data, there were still some respondents who were implementing basic CRM, while others were applying CRM, marketing automation and analytics in more sophisticated ways.

In the survey, many distributors said they would like to add social media (in particular, LinkedIn and BI tools) to their repertoire. More distributors also showed interest in marketing automation, which is software that allows you to market across channels and automate tasks including emails based on user behavior. Marketing automation is a tool that is critical to driving success with ecommerce and is a key tool in prospecting.

Distributors also said they wanted to add more proactive outbound calling, sometimes referred to as telemarketing, to their plans in 2021.

The goal, of course, is to grow sales and profitability with the use of these tools. Many distributors cited the efficiency that comes with using sales tools like these, including the ability to communicate more efficiently and reach out at the right times.

Another reason distributors are investing in these tools is to improve coordination across the sales channel, and to lower their dependence on their field sales teams for intelligence on individual customers. For example, with CRM, an outside sales rep could see the notes a customer service rep made about an interaction to provide a more complete story around a customer across channels. Distributors also said they wanted to have better contact with small and mid-sized accounts.

Areas of Opportunity to Add Value with Proactive Inside Sales

Most distributors don't view their inside sales team as a proactive sales force. It's relatively rare for inside sales reps to make outbound calls to generate more business or to employ active selling techniques. In fact, in a previous survey, nearly two-thirds of distributor respondents told Distribution Strategy Group their inside sales force spends less than 25 percent of their time proactively selling.

That means they are spending most of their time processing orders and returns, providing technical support, managing inventory or tracking orders. In fact, most distributor inside salespeople are actually playing the roles of customer service reps and don't have the skillset for a more proactive role. As a result, these distributors are losing out on significant bottom-line benefits and shareholder value. Here are areas of opportunity to create value with a proactive inside sales initiative:

Prospecting

To cultivate new customers, distributors start with leads. Many distributors will then hand those not-always-qualified leads over to their outside sales force to follow up on. The result? Distributors are devoting one of their most expensive resources – outside salespeople – to an activity that may produce the least return. A proactive inside sales rep can increase the return on that investment, with a cost of sales 25%-30% lower than that of a field sales rep. The most compelling reasons boil down to simple logistics: An inside salesperson sitting at a desk can easily make 20 contacts a day. On a cost-per-contact basis, prospecting through inside sales means significantly less expense.

Nurturing

As part of the proactive inside sales team's role, nurturing customer relationships can be effective at every phase of the lifecycle, from welcoming new customers to making mid-sized existing customers feel valued. Here are two examples:

Customer Retention

Followup by an inside sales rep is not just a courtesy. It can be a profitable move that can both protect and grow wallet share with customers. For some distributors, an annual increase of 1% in customer retention over each of 10 years results in a 20% increase in annual earnings.

Growing Mid-Sized Accounts

It's easier and more cost-effective to grow an existing customer than it is to get a new one. One of the highest-return activities an inside sales team can do is to grow mid-sized accounts with potential. If an outside salesperson has an account base of 50-75 accounts, chances are they are not paying attention to the accounts on the bottom. Without those touches, these customers will either continue ordering what they always have, or they will be picked off by the competition. A proactive inside sales force can focus on growing these accounts, connecting with customers to better understand their needs so they can cross-sell or upsell other products and services that could benefit them. These acorns could either grow into large field sales accounts, or solid and profitable inside sales accounts.

Building a Sales Force that Will Differentiate

So, in the post-pandemic world of selling, how can distributors stand out? Consultative selling is the answer if they want to truly differentiate. Gone are the days of picking up orders and dropping off products for a customer. Salespeople must do their homework and truly understand their customers' businesses, including their processes, challenges, goals, how they make money and more. It's all about providing real value to customers that can only be created by being truly engaged with their customers at all levels of the organization.

Consultative selling is a key differentiator against competitors. This is especially true when we talk about marketplaces such as Amazon Business. A knowledgeable salesperson who is entrenched in understanding their customers' business will set a distributor apart. Marketplaces will never be able to engage with a customer to the level that an engaged salesperson will be able to. In fact, when was the last time a customer was able to speak with a live person at Amazon?

Chart 6: Sales processes are becoming more consultative. How important is consultative selling on these topics?

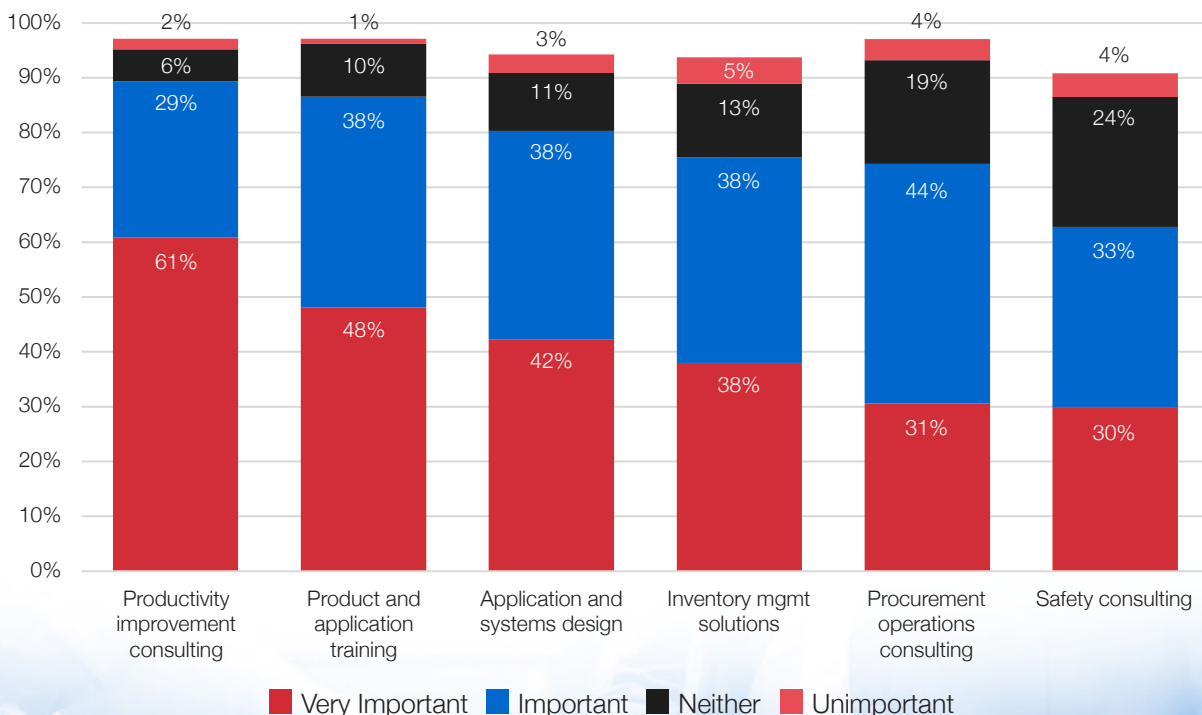
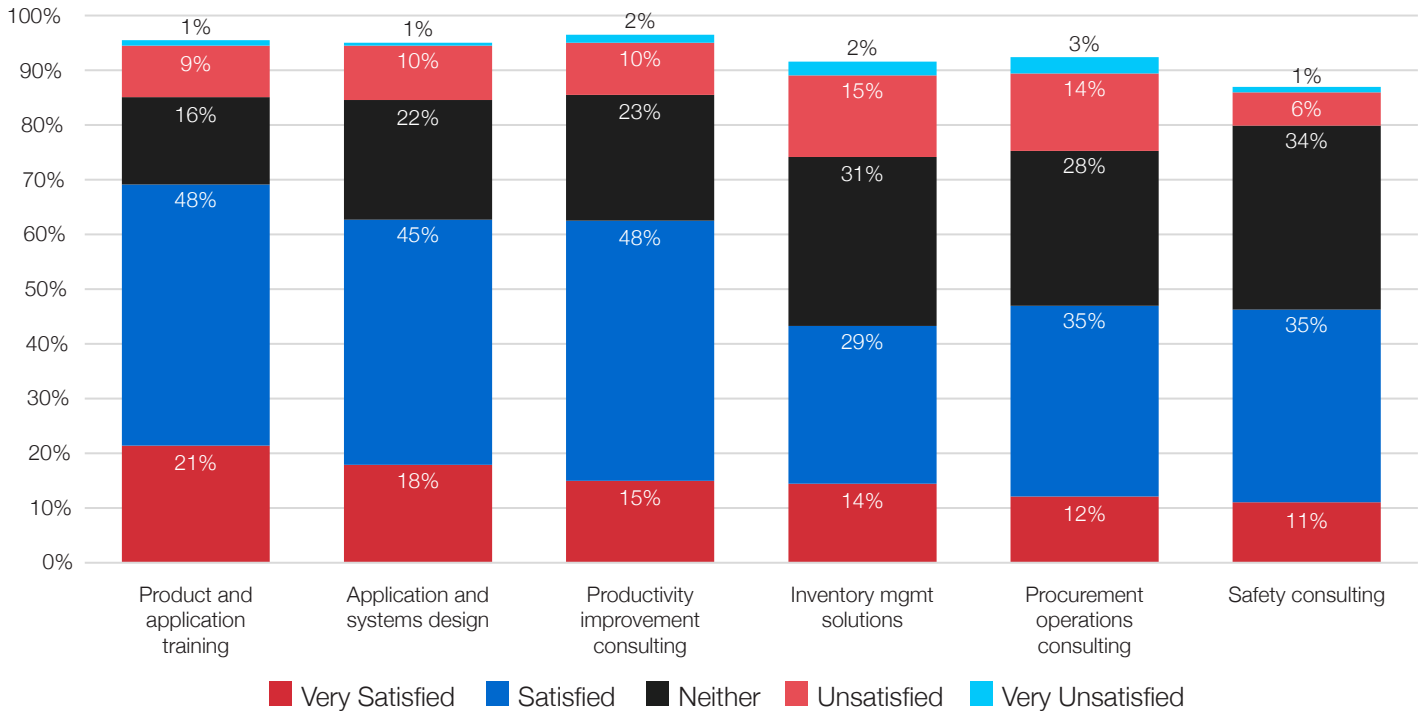


Chart 7: How satisfied are you with your sales teams' ability to apply consultative selling in these areas?



To define consultative activities, we asked how important (Chart 6) and how satisfied respondents were (Chart 7) with their salespeople's ability to engage in these key areas:

- Productivity improvement consulting: process recommendations, value-added products
- Product and application training: training on product usage in various applications
- Recommending products and configurations for specific applications
- Inventory management solutions: VMI, storeroom best practices
- Procurement operations consulting: order automation options and best practices
- Safety consulting: safety audits/inspections, using product safely and so on.

There were significant gaps between importance and performance in each area. The chart below outlines the results using weighted averages for comparison.

Topic	Importance	Satisfaction	Gap
Productivity improvement consulting - process recommendations, value added products	8.7	5.8	2.9
Product and application training - training on product usage in various applications	8.3	6.5	1.8
Recommending products and configurations for specific applications	7.7	5.8	1.9
Inventory management solutions - VMI, storeroom best practices	7.2	4.0	3.2
Procurement operations consulting - order automation options and best practices	7.0	4.3	2.7
Safety consulting - safety audits/ inspections, using product safely, etc.	6.0	4.3	1.7

Whether it is introducing a new product that is more efficient, or identifying ways to streamline processes, productivity improvement is always going to be one of the best ways to show value to a customer because it is a direct way to show cost savings. This is a key area where a salesperson can have a large impact. But the gap between importance and satisfaction in this area is large, and should be addressed with training.

Inventory management solutions also shows a larger gap between importance and satisfaction, meaning distributors recognize their importance but aren't satisfied with performance. These solutions are another important way to show efficiency gains and labor cost reductions and should be a key tool in every salesperson's toolbox.

Being a consultative salesperson in these areas takes time and training. Depending on the complexity of the products, all salespeople may not get to the point where they are able to provide specific process/engineering solutions, but they should be trained on where to obtain the resources to assist them. They should certainly be able to identify the challenges and issues facing their customers so that they can understand what solutions to offer. This means utilizing their basic selling skills.

Especially with new customers and prospects, listening skills play a key role in the sales call. We are all familiar with the salesperson who talks and talks and just doesn't listen. The result is a frustrated customer who feels they have just wasted their time. The best salespeople listen closely and ask the right questions that move beyond simple "yes" or "no" answers. This will enable them to really get a feel of the customer's role, their pain points and overall company challenges.

Here are some examples of probing questions:

- What products and services do you typically purchase for your business?
- What challenges are you encountering within your business?
- How do you typically grow your business?

I also find that salespeople don't always understand the value of their company and how to communicate that value to their customers in an appropriate way. The key is to tie the company value back to what is important to customers. When customers understand the value that the salesperson and their company offer, price can become less of an issue. These topics can help sales reps flip the script from price to value:

- Lower customer receiving and warehousing costs
- Improve customer expertise through training
- Lower labor costs
- Increase production up-time
- Improve quality
- Improve safety
- Reduce customer's inventory holdings
- Increase revenue through lead generation
- Improve manufacturing process

Understanding the value through lenses like these can give you and your salespeople quantifiable, tangible benefits to communicate to the customer. And it can align the specific benefit to the specific customer need. For instance, if your customer is concerned about improving productivity and lowering labor costs, you may have a higher-priced product that increases production up-time and will eventually result in savings.

Distributors in the survey did value consultative selling, and many said they were satisfied with how well their team does in these areas. But a good portion still said they were not satisfied. The gap in performance is an opportunity for distributors willing to invest in ensuring their teams add value in a post-pandemic world.

Consider five areas of improvement to move your team in the right direction:

Enact better training.

Sales training must be more targeted than it is for most distributors right now. Even something as seemingly basic as being prepared to leave a voicemail for a prospect can be valuable training even for a veteran sales rep.

The problem is many field sales reps tend to have the attitude that as long as they are hitting their goals, they don't need training. Others think that because the pandemic will soon be over, that they no longer need those skills (and thus, the training on them). Sales managers tend to have the same point of view. Oftentimes, we have seen distributors follow the philosophy of: If sales reps are getting results, leave them alone.

But what if those results could be even better? That's the push and pull of training. Do you want to take time away from selling, or just let them do their thing? But how can you say someone is as good as they're going to be? The market is continually evolving, and customer expectations are not the same today as they were even a year ago. Training can never be a bad move, but it is usually the first initiative that goes by the wayside and has the least amount of focus.

Hold salespeople accountable.

Typically, distributors use top-line sales and gross margin to measure the success of sales reps. But those aren't enough to drive real results today. Measuring the success of prospecting is also critical. Metrics really drive behavior. For prospecting, you may want to track the number of customers brought in during a month. For those reps responsible for growing existing business, metrics could include growth in average order value and gross profit dollars. Make sure the metrics and any associated incentives you establish are precise and drive the desired behaviors.

Change incentive structures.

Part of adapting to the new normal is having sales managers incentivize their sales reps for the behaviors they want to see. For example, prospecting is usually not as heavily incented as sales and profit goals are, so it's often just easier for salespeople to focus on their existing account base.

This is part of a larger strategic move the distribution company must make. This may lead to some tough decisions on the part of the distribution leadership team. If field sales reps cannot adapt, and management teams cannot support them, then the company may risk being left behind as the world rapidly changes.

Segment salespeople around customer or product categories.

Salespeople tend to stick with what they know when working with customers. For example, one respondent to our survey said that safety was a weakness for their teams. "Many technical sales reps are not interested in 'selling' safety vs. spending time on the lines with engineers, so integrating this product category into an independent distributor's business can be internally challenging," they wrote.

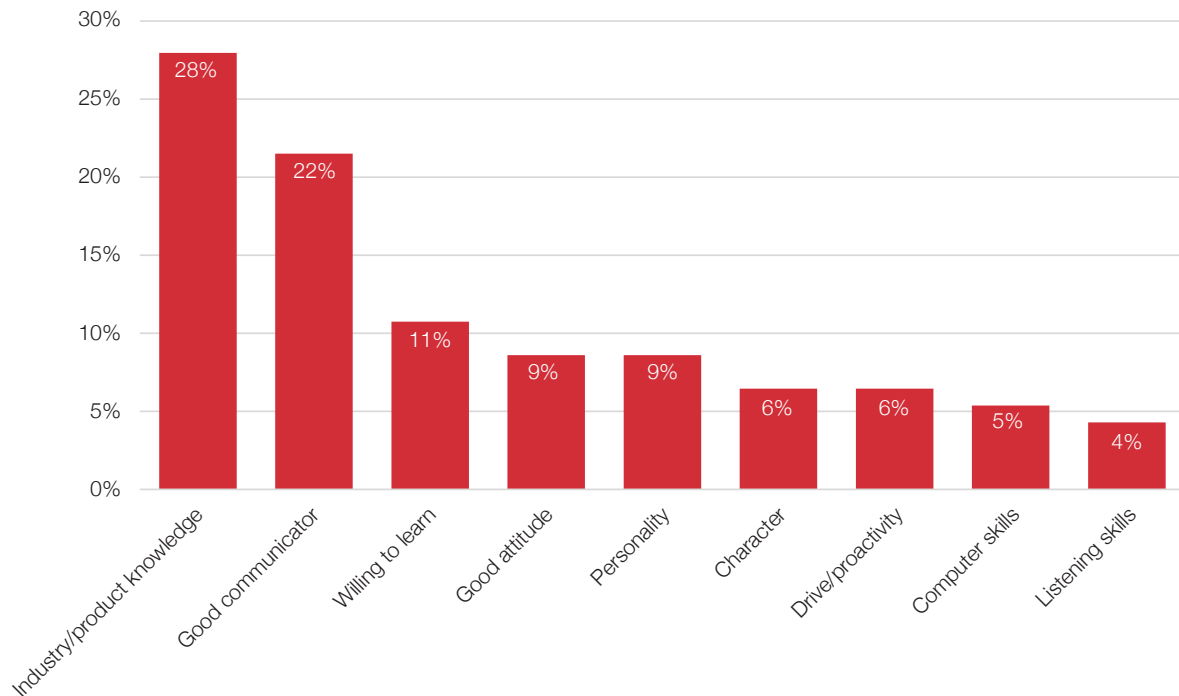
To build a more effective sales force, segment them to enable expertise in a customer type or a product category, which can help with leveling up their consultative selling skills. Many distributors already do this; some have technical field sales reps focused on more technical lines that require expertise and understanding of how the equipment works. An example of where it makes sense to focus a sales rep on a customer type is government business because of its distinct nature.

Hire and assign roles based on the skill sets you need.

Distributors should also take into account the type of sales reps they have. It's not always reasonable to expect an inside or outside sales rep to have both hunter and farmer qualities. Skill sets are different. Personalities are different. And the motivation of each is different.

Hunters love to go out, meet new people and pursue new sales opportunities by converting leads into customers.

Chart 8: What are the top 2-3 skills you look for when hiring a field sales or proactive inside salesperson?



Farmers are happiest tending to their existing accounts and growing wallet share by getting more business out of a base of accounts. They aren't usually doing initial outreach with a prospect. Farmers who are asked to be hunters are usually very unhappy. They might avoid calling customers altogether, or they'll attempt a few, fail and then stop trying.

If a distributor can assign the right reps to the right type of work, distributors will put themselves in a stronger position to grow wallet share and market share in 2021. This is especially important right now. Assess your existing team on whether they have the skill sets you need as you move into the second half of 2021.

Differentiate with Consultative Selling

In summary, consultative selling is the key to differentiation from competitors. The more salespeople understand what drives their customers and can meet their specific challenges, the more successful that company will be. With marketplaces becoming a larger part of the B2B landscape, having effective consultative salespeople will make the difference. I don't anticipate that Amazon will be able to fill that function.

To enable the best salespeople, the company must be prepared to support them in the ways they need. That could be technical resources they can draw upon when needed, as well as the right tools that can help them be more effective and efficient. The tools should actually provide value to the sales process by mapping out the actions that need to be taken. An example could be an analytics tool that identifies customer purchasing patterns. When the salesperson sees a pattern break, they can immediately address the situation with the customer vs. finding out the customer has already moved to another supplier.

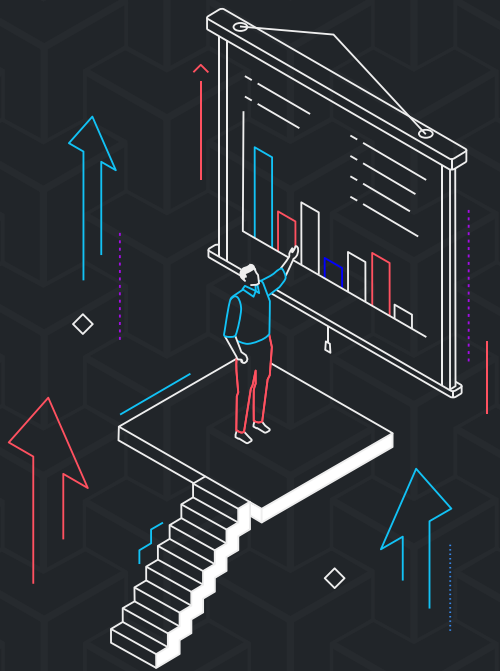
Coming out on the other side of COVID is exciting, but has also given us the ability to look at things in a different way. Get ready for the new normal...and adapt!

About This Research

This research was conducted by Distribution Strategy Group. The research included an online survey taken by 325 participants across a variety of sectors. The breakdown: 73% were distributors; 7% were manufacturers; 6% identified as a distributor division of a manufacturer; and 4% were master distributors. The rest were other. And 38% were executive management, 34% in sales, and 17% in sales management, with the remaining in other roles.

There was greater participation from industrial, automotive, safety, building materials, jan/san, hardware and chemical and plastics. Other participating sectors include: electrical, power transmission/bearings, oil and gas products, pharmaceutical, grocery/foodservice, pulp and paper, electronics, medical, along with several others.

About 42% of respondents represent small companies with less than \$50 million revenue. About 36% are mid-market with \$50 million to \$500 million, 22% are large with more than \$500 million revenue. The remaining 17% did not disclose the revenue range.








How Distributors Use Technology to Drive Growth

The 2020 Epicor® Global Growth Report surveyed over 2,000 businesses across the globe. Here are the quick facts on business growth in distribution and how technology influences it.

Growth Stats

-  **Almost 70%** of distribution companies **saw growth** in the last 12 months.
-  Distribution leaders cite **planning and strategy** as the most significant positive influences on growth.
-  Distribution businesses believe **working more efficiently** and **having better technology** will help overcome growth challenges in the next 12 months.

Tech Facts

-  **58%** of distribution leaders believe they **can hire less experienced workers** by using modern technology.
-  **Smart Supply Chain, Cloud Technology** and **5G** are the top technologies the industry believes will have a direct impact on positive growth over the next 12-18 months.
-  **85%** of distribution companies report that **AI helped drive business growth**.
-  Roughly **50%** of distribution companies polled have been using **AI for 1-5 years**.
-  **50%** report that AI helps **reduce costs** and **40%** said it delivered **business value** in 6-12 months.

To read the full 2020 Global Growth Index report, visit epicor.com/growth.

For information about Epicor Distribution ERP solutions, go to epicor.com/distribution.

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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:

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- Sales channel strategy

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