

Customer Relationship Management

Bringing Science to Selling

Achieving High Performance through
Sales Analytics

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Organizations of all kinds face numerous performance challenges today: understand and respond to changing customer needs, support growth, improve profitability. Leading organizations address these challenges by transforming the performance of their sales teams through a combination of art and science. Accenture defines the "science" of sales as the use of analytics to complement the instincts, judgment and experience of their sales teams, enabling more effective, fact-based decisions.

Sales Analytics



Introduction

As the business environment grows more challenging with each passing year, companies of all kinds find themselves under mounting pressure to grow and grow profitably. Yet sales organizations—the chief instrument for growth at most organizations—continue to fall short. In fact, numerous research studies indicate that many sales organizations struggle to master high-performance selling: having a deep understanding of what customers value; managing and deploying new capabilities; hiring and developing talent; and getting the most return on these investments.

Accenture believes the tide is turning. Powerful new options for improving sales performance are emerging that enable companies to take a more scientific approach to selling—specifically, using new analytical tools to complement their sales people's intuition, judgment and experience and enable more effective, fact-based decisions. Just as analytics have helped the supply chain and marketing functions improve their effectiveness and efficiency, they will now help boost sales performance.

Analytics at Work

When applied to core business functions—both strategic and operational—analytics can generate significant competitive advantage. In the supply chain area, for instance, scientific approaches to decision support have delivered impressive results.

Decision support systems for production, inventory and transportation problems emerged during the 1960s and '70s, and now permeate all aspects of supply chain management: activity-based costing, statistical quality control, demand forecasting, network optimization, simulation, linear programming and capacity planning, to name a few. These tools have delivered tremendous payback, minimizing waste and cost from misallocated resources.

Marketing has also embraced analytics, starting with sample-based consumer research and expanding into other areas such as segmentation analysis, brand attitude and brand awareness research. More recently, sophisticated techniques for advertising and promotion effectiveness analysis, price elasticity analysis and media mix optimization have helped marketers optimize their marketing investments. These techniques have also given marketers a much keener understanding of customer needs, behaviors and preferences, enabling them to target more precisely and allocate resources more effectively.

So what about sales? Pockets of analytical support for sales certainly exist in some companies. The most common uses of sales analytics include mining of prospect databases (although arguably a marketing function) and providing sales reps with analytically driven customer segmentation schemes. However, compared to other business functions, the use of analytics in sales is still in its infancy—not surprising, perhaps, given the number of obstacles to bringing more science to selling.

- **Attitude:** The prevailing wisdom at many organizations has been that analytics and selling do not mix. Instead, these companies have relied on the good instincts and strong relationships of experienced, well-connected sales reps.
- **Data:** Traditionally, the sales function has been less data-rich than other functions, particularly the marketing or supply chain organizations.
- **Tools and Techniques:** Until recently, few tools and techniques were available for supporting sales analytics, and those available have not gained widespread acceptance.
- **Inactionable Insights:** Companies that experimented with sales analytics often found it difficult to make analytical insights available to the sales force in an actionable manner.
- **Additional B2B Challenges:** In business-to-business industries, where sales efforts target other businesses as opposed to end-consumers, applying analytics is more challenging: Business-to-business relationships generally are complex, long-term and contractual, and the "customer" is not a single individual but rather multiple decision makers and stakeholders.



The Turning Tide

Despite these historic obstacles, the desire to inject more analytics into the sales process is building in the corporate arena due to two factors: the increased availability and sophistication of enabling capability, and simple necessity.

Over the past decade, widespread adoption of Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems has improved the availability and quality of sales and sales-related data. Many companies have deployed opportunity or pipeline management systems, creating a central repository of sales opportunities. These repositories make it possible to analyze success rates and other factors to derive insights on how to accelerate opportunities through the sales pipeline. Also, many companies working with

external channel partners have deployed partner portals to gather important sales data, dramatically improving their visibility into partner sales activities.

Sheer necessity has also contributed to the growing demand for sales analytics. In one recent survey, 23 percent of respondents said the number of products or services their companies offer had more than doubled during the previous five years. Seventy-six percent said the complexity of their product and solution bundles had also increased.¹ Such complexity makes it increasingly difficult, if not impossible, for individual sales reps to make effective decisions about prospecting, customer targeting, cross-selling and other key sales takes without having a strong analytics capability to support these decisions.

Another factor compounds these challenges—attrition. Sales reps turn over faster today, which limits the level of experience and customer intimacy within the sales force. This lack of product and customer knowledge also forces heavier reliance on tools and analytics.

Lastly, customers simply have become more demanding: They expect sales people to understand their needs and to match product or service offerings precisely to their preferences and circumstances.



1 CSO Insights, Sales Performance Optimization, 2007.

Eliminating Blind Spots

Once a company recognizes the potential of analytics to improve its sales performance, its first consideration is where and how to apply analytics capabilities. Accenture recommends first considering the traditional end-to-end sales process, from customer segmentation and planning through to post-sales support.

As shown in Figure 1, common "blind spots" in the sales process undermine performance. In these areas, sales reps often base their most important decisions on personal judgment and intuition rather than on facts and insights. Judgment and

intuition, of course, are useful qualities to have; stemming from experience, they can be highly valuable, accurate and even indispensable. At the same time, judgment and intuition are significantly enhanced by analytics, enabling better informed decision-making at critical points in the sales process.

Figure 1: Common Blind Spots in the Sales Process



Embracing Analytics

The answer to these blind spots is analytics. Figure 2 shows how analytics can support virtually every step in the sales process.

This list is not exhaustive and not all items on this list are relevant or feasible for every company. However, nearly any company can create significant value by adopting a number of these capabilities and extending their scope and reach throughout the sales organizations—in other words, by bringing more science to selling.

Let us consider in more detail a few of these applications of analytics to the selling process.

Sales Force Optimization

Many senior sales executives struggle to determine how many reps to employ in total and how many to deploy

against specific customer segments, geographies and product lines. Generally, adding sales reps increases an organization's total sales, provided they are not tripping over each other. However, the return from adding more sales reps eventually diminishes. At this saturation point, the so-called "response curve" (the number of reps relative to total sales generated) flattens out, as illustrated in Figure 3, and the cost of adding begins to outstrip the incremental margin dollars they deliver.

To determine optimal sales force size, a company requires a clear understanding of the total costs associated with each sales rep—salary, benefits, expenses and car—and how those costs affect the response curve. This entails identifying some measure of contribution margin for each rep—for example, gross margin

of products or services sold minus sales costs. Gathering gross margin information and selling cost data is relatively easy; the challenging part is constructing the response curve.

Accenture has developed tools and techniques that facilitate the development and optimization of response curves, based on a variation of the Delphi method.² We use a highly facilitated set of workshops with the company executives who are best informed and have the best judgment about the impact of adding more resources on sales results.

In these workshops, participants receive historical data about the relationship between sales results and sales investment, and any available competitor data, to inform the discussion. However, the key input is

Figure 2: Analytics Applied across the End-to-End Selling Process



² The Delphi method, developed by Project RAND for the United States armed forces during the 1950-1960, is a systematic, interactive forecasting method which relies on a panel of experts.

the judgment of the experts. As in the original Delphi method, we conduct a number of estimating rounds, interspersed with discussion about the rationale for the estimates. After several rounds, an organizational consensus emerges on the right shape of the response curve.

Our approach can be applied at any level: geographic region, large account, segment of accounts or specific product line. For example, an analysis by product line enables leadership to optimize the number of sales reps focused on each product line. Using an optimization tool developed by Accenture, managers compile the various response curves by product line to determine the optimal total number of reps, as well as the optimal allocation of reps across product lines. The same analysis can be done by major accounts or geographic region. Sales force optimization is a powerful example of how sound judgment can be

combined with analytics to arrive at a better business outcome.

Talent Management Analytics

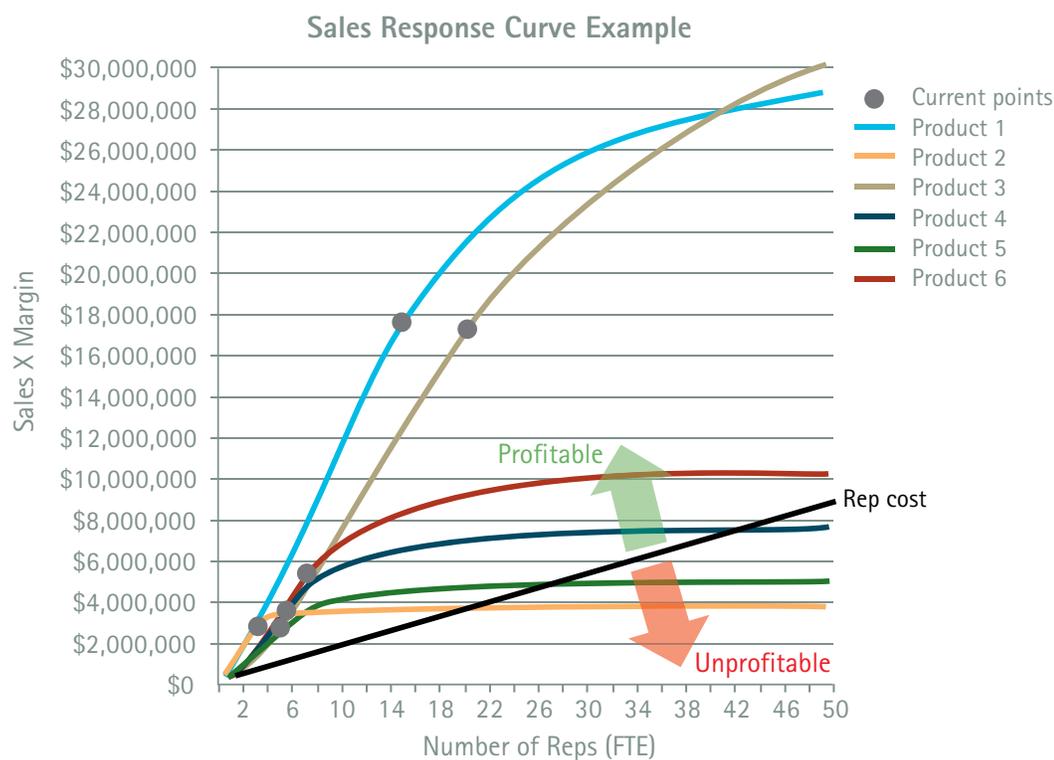
Talent management is another area that benefits greatly from infusing science into a process often based largely on judgment and intuition. Recent research clearly shows organizations overall are not especially effective at attracting, developing and retaining sales talent:

- Nearly half (48 percent) believe they need to improve their ability to hire reps who sell successfully.³
- Between 35 percent and 43 percent of sales reps do not make their annual quota.⁴
- About one-third (32 percent) of sales reps leave their organization each year due to voluntary or involuntary attrition.⁵

Accenture's own experience mirrors these findings. In our client work, we have found that high attrition rates have high costs: expensive severance packages, higher sourcing, hiring and training costs and the loss of customer loyalty and revenue. In addition, hiring and ramping up a new rep takes, on average, ten months—time when profitable sales opportunities may go untapped.

So how can analytics help? The answer lies in truly understanding an organization's best sales performers—generally, those in the top 20 percent. Accenture has developed an instrument that helps organizations determine what drives these higher performers, by measuring performance along three dimensions—personality, competencies and behaviors. The tool includes a set of 46 sales personality attributes, 59 sales manager competencies and 53 sales rep competencies, and enables a

Figure 3: Sales Response Curves to Optimize Number of Reps Focused on Product Lines



3 CSO Insights. *Sales Performance Optimization; Survey Results and Analysis*. 2007 and 2008.

4 CSO Insights. *Sales Performance Optimization; Survey Results and Analysis*. 2008.

5 Ibid.

company to determine statistically what combination of specific personality factors, competencies and behaviors correlate with high sales performance at their organization.

Successfully using an analytic framework such as this one depends on adapting it to one's own sales environment. However, we find that the few companies that do use analytics to understand the personality traits, behaviors and competencies characteristic of high-performance sales teams tend not to differentiate much among these factors. Moreover, few understand that these factors can vary significantly by role. In addition, most organizations simply focus on comparing the performance of their sales teams to external benchmarks, which results in a generic view of performance rather than producing meaningful insight into what drives success at their particular organization. Different organizations have different cultures, products, sales models and incentives, and the skills and behaviors typical of high performers should be identified and evaluated in context.

Once a company understands what drives its high sales performers, it then can use the same tool to measure its core performers—the remaining 80 percent—on the same factors. By comparing the results of core performers with those of the high performers, the company can identify gaps and the specific actions they can take to close these gaps, including:

- Pre-hire screening of new sales people who embody the traits of high performers.
- Customizing development plans for every member of the sales force.
- Providing training for each sales person to help close his or her specific skills and competency gaps.

- Implementing a more informed process for promoting sales reps to sales managers.
- Coaching to individual and specific requirements.
- Improving targeted areas of the sales process.
- Managing the overall sales organization more effectively.

Customer Analytics

A third category involves the broad area of analytics targeted at providing customer insights for the sales force to act upon. Such analytics are well understood in a marketing context but are only now emerging in the sales context.

For example, many companies use fairly sophisticated customer segmentation schemes for marketing campaigns or product positioning, whereas few actively use customer segmentation to vary sales messages and approach. Companies either do not see segmentation as value-adding or they lack the data required to do a meaningful segmentation. Conducting successful sales segmentations (typically B2B segmentations) requires the ability to deliver meaningful insights about the segments and to prescribe or suggest differentiated treatments among the segments.

In cases where data is sparse, new tools are emerging that help sales reps derive invaluable insights about their prospects' true buying criteria, or to place clients in a predefined set of customer segments. These tools are based on sophisticated statistical trade-off models and take sales interactions to a new level of value, both for the sales rep and the client.

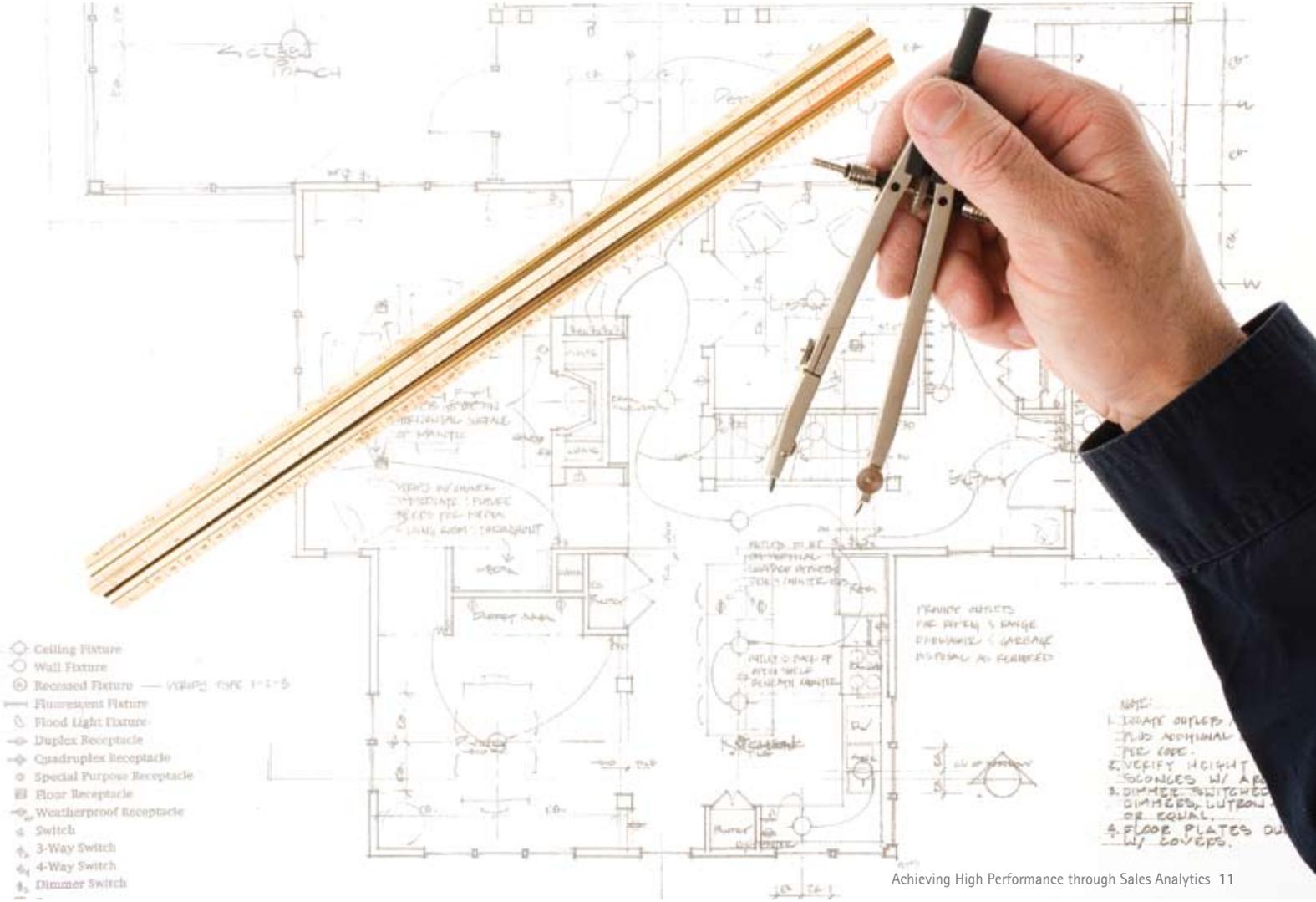
Another example of customer analytics involves attrition analysis: Mining historical customer data for predictive

insights into when customers are likely to take their business elsewhere. For instance, a large mobile telephony provider implemented a process and infrastructure to reduce churn among subscribers within large business accounts. These accounts were managed by account reps at the overall account level with limited insight into individual subscriber behavior. A specialized offshore analytics team was set up to do the data mining and identify the at-risk subscribers within the accounts. Reports produced by this team were handed off to the churn-reduction program manager, who coordinated the interaction with the sales organization. Jointly, they devised the appropriate retention tactics to proactively prevent these at-risk customers from leaving. These actions helped the company achieve a 12 percent churn reduction in its business accounts.

Figure 4: Overview of Sales Analytics Areas

Analytics Area	Definition
Segmentation Analytics	Grouping customers into a manageable number of clusters based on similar values, needs or behaviors and defining actionable treatment strategies for each segment. In a sales context, the challenge here is to provide enough actionable insights about each segment and to place the customer in the right segment.
Cost to Serve Analytics	Determining the full cost of serving a particular customer to understand the relative profitability of customers and enable fact-based negotiations and optimized pricing.
Commercial Intelligence	Gathering all relevant marketing and sales information in one easy-to-access repository, to facilitate fact-based decision making and enable other analytical areas.
Product Bundling Analytics	Defining the product and service attributes most valued by a particular customer segment, and determining which product bundle best delivers those attributes.
Prospecting Analytics	Finding the attributes that distinguish customers from non-customers and applying those attributes to a prospect database, to prioritize prospects with a higher likelihood of acquisition.
Propensity to Buy/Respond Analytics	Finding the attributes associated with a higher-than-average likelihood of buying a particular product or responding to a promotional offer or campaign.
Channel Optimization Analytics	Determining which channel or route-to-market best aligns to what customer segments truly value and are willing to pay for, according to the characteristics, capabilities and economics of available channels.
Sales Goal Setting Analytics	Injecting more science and objectivity into setting goals for sales reps, by forecasting territory/account potential, and adjusting for "rep effectiveness" to avoid the typical issue of penalizing high performers and rewarding low performers.
Sales Force Optimization Analytics	Defining the optimal number of sales reps to be allocated to a product line, geography or customer segment.
Pipeline Management Analytics	Analyzing the historical sales pipeline and understanding which opportunity attributes are associated with a higher likelihood of progressing to the next stage in the pipeline and, ultimately, to a closed sale. This area also enables correct prioritization of pipeline opportunities.
Cross-Sell/Up-Sell Analytics	Understanding which additional products/services have a higher-than-average likelihood of being purchased with or after an initial purchase based on mining historical purchase data for patterns in purchase behavior.
Territory Alignment Analytics	Defining appropriate sales territory size and boundaries that optimize account coverage, visit frequencies and sales routes.
Customer Retention Analytics	Identifying the customer behaviors that predict churn and applying them on an ongoing basis to identify customers at risk and take appropriate actions to retain the customers.

Analytics support virtually every step in the sales process, from customer segmentation and planning to post-sales support.



Developing an Analytical Sales Capability

Given the wide array of analytical areas that now enable organizations to apply science to selling, understanding what these areas have in common can be useful. Most analytical areas rely on the same or similar data sets, as well as similar analytic approaches and technologies. Consequently, the same core group of analytical resources can support multiple areas. Furthermore, several analytical areas build on each other—for example, many use segmentation as a foundation for other analytical capabilities. Similar mechanisms can and should be used to integrate analytics into day-to-day sales processes. A similar approach to change management can be used to facilitate adoption by the sales force.

These similarities allow companies to consider two approaches to adopting a more scientific approach to selling. The first approach is to focus on one analytical area expected to provide high value and then, once this area is established, expanding into other areas.

This approach is pragmatic, focused and low-risk. However, the implementation sequence may limit opportunities for synergies with other areas and may require more time to achieve true competitive advantage.

The second approach is to lay out a vision and roadmap for evolving the entire sales function toward a broader use of analytics. This option allows the organization to apply analytics in a logical sequence, while building out the foundational elements needed to support a more scientific approach to selling. Of course, this option also requires a clearer strategic intent and greater commitment to the concept at the outset.

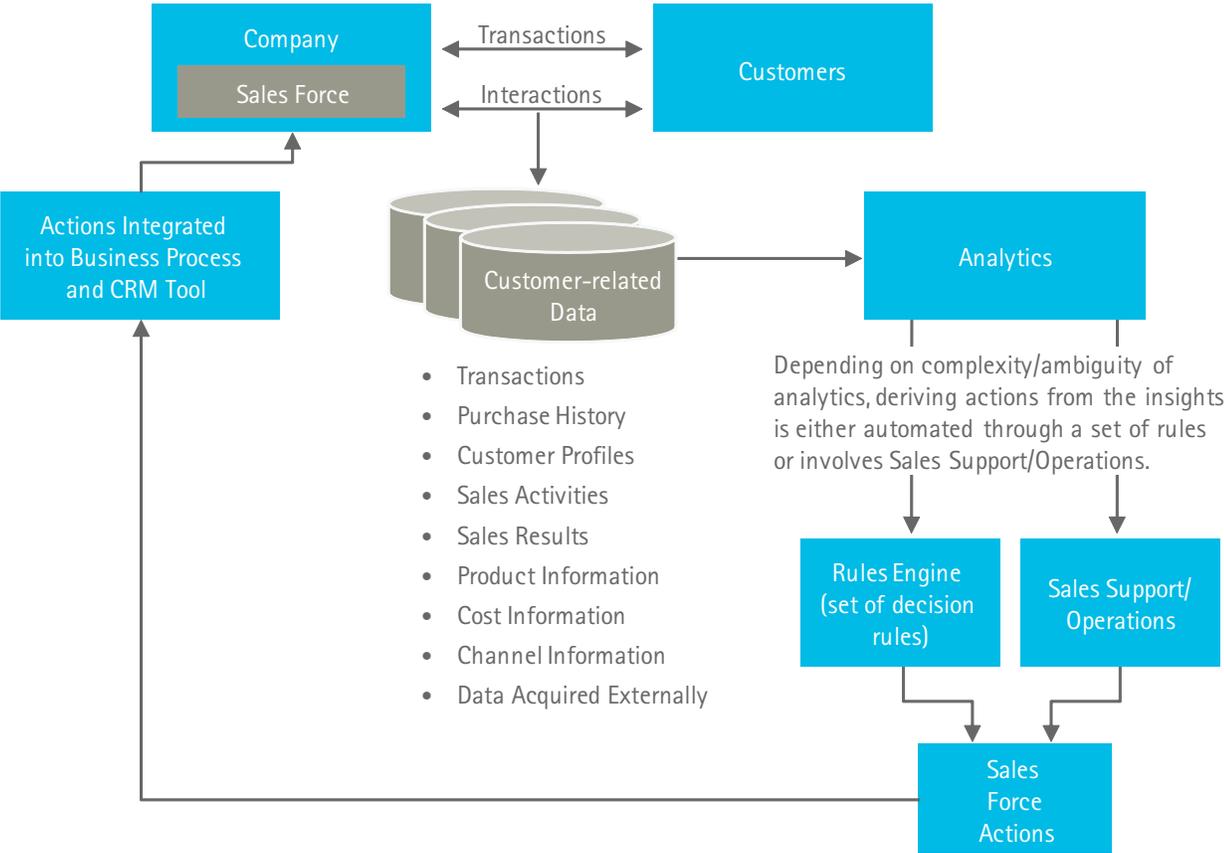
As stated earlier, a key success factor in bringing a scientific approach to selling is how well analytics capabilities are integrated into day-to-day sales processes. The importance of this cannot be overstated—in a sales context, it is much important to get this right compared to, say, a marketing context. Sales reps have little time or inclination

to delve into complex analyses and insights. This does not mean that a company should skimp on rigor. However, it does mean that insights should be packaged and delivered in the most streamlined, user-friendly manner possible.

As illustrated in Figure 5, the analytics team should generate insights from customer data and translate them into specific actions for the sales force. These actions should then be incorporated into the sales business processes and insights delivered to sales reps through the organization's CRM toolset.

Nearly any company can create significant value by bringing more science to selling.

Figure 5: Overall Science to Selling Approach



Conclusion



In today's economy, with its global competition, demanding customers and scarce growth opportunities, companies can ill afford a sales organization that falls short of its performance potential. Now is the time for enterprises to take a more scientific approach to selling that complements and augments their sales force's experience, judgment and intuition. By applying analytics to key areas across the sales process, an organization can provide the objective data that can help sales people make more informed, fact-based decisions, use their time more effectively and boost the overall contribution of the sales organization.

The right approach to achieving these results is a holistic one which gives proper attention not just to the analytical capabilities themselves, but also to the process for applying the analytics, the organizational alignment within the sales function, and the performance metrics and incentives needed to ensure selling behaviors align with the analytical insights. Adhering to these principles when bringing a scientific approach to selling will help move an organization towards high performance.

About the Author

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