

"*Sales Growth* belongs in the selling-as-science school. The book argues that data, process management and outsourcing can do as much for sales departments as for other areas of the corporation. This book, which finally gives the field some proper attention, is long overdue." —*The Economist*

SALES GROWTH

FIVE PROVEN STRATEGIES

from the

WORLD'S SALES LEADERS

THOMAS BAUMGARTNER

HOMAYOUN HATAMI

JON VANDER ARK

Foreword by MARC BENIOFF
Chairman and CEO, salesforce.com

Sales Growth

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*Five Proven Strategies from
the World's Sales Leaders*

**THOMAS BAUMGARTNER
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Foreword

I've always wanted to start a company. I grew up watching my father build a chain of apparel stores, and I started my first business, Liberty Software, when I was 15. A friend and I wrote computer games (*Crypt of the Undead* was one of our first), my grandmother wrote the music, and we sold them to Atari. In college, I ran the company out of my dorm room; I studied entrepreneurship, and interned at Apple where I wrote code for the Macintosh and became enamored with the "Think different" mindset that permeated the organization from the revolutionary products we built to the pirate flag flying on the roof. Early in life, I knew I wanted to create new products, encourage revolutionary ideas, and build a distinctive culture in my businesses.

So, it came as a great surprise when upon college graduation my entrepreneurship professors told me not to start my own business but instead get "real-world experience." Specifically, they urged me to take a sales position that focused on building relationships with customers. They called it "carrying a bag."

I was less than enthusiastic. A career in sales wasn't anything close to the path I had envisioned for myself. Yet this turned out to be some of the best business guidance I've ever received. It certainly changed my life and deeply influenced the company I ultimately did create.

After graduation I accepted a job at Oracle answering its 1-800 number. I didn't want to be a 1-800 number operator, but soon I discovered that working with the customer was a lot easier and a lot more fun than writing code. It also taught me the value that guides everything we do today: nothing is more important than customer success, and sales is the entry point to learning how to make the customer successful. Sales is everything.

Anyone on the front line has incredible access to information about the customer, the competition, and the changing market.

Therefore, sales gives us the intelligence we need to deliver products and compete. But sales is more than that—it's really the heart of an organization, what keeps it alive—and far too often it's overlooked.

During my career, I've had a chance to see sales from every angle. Early on, through my work as a salesperson, I understood the value of a program that would allow people to track leads, manage contacts, and keep tabs on account information. I also knew the traditional systems we had, which were expensive to buy, time-consuming to implement, and difficult to use, could be vastly improved. Observing the trends that were happening in the consumer world, I thought that sales force automation and customer relationship management products could better serve customers if they were sold as a service and delivered over the Internet, or in the cloud, which would make these pivotal products faster to implement, easier to use, and far less expensive. So, I founded salesforce.com to revolutionize the industry. At the time, I had no idea that we would ultimately evolve our service to other areas and also develop a platform on which others could build new applications, but that is what our customers showed us they needed. Today, we are leveraging new social and mobile technologies to help businesses connect and collaborate with their customers in new ways. Companies like Toyota, Burberry, and GE are using our technologies to transform themselves into social enterprises that can go faster, become better aligned across more functions and business groups, and be more innovative.

This shift to the social enterprise is more profound than anything we've seen, and it will have lasting ramifications on how we sell. Using social media, potential buyers are looking to engage with brands in ways never before possible. We are now working in a world in which everyone is trying to determine how to best leverage new web-based and social platforms to sell, but this does not mean that technology replaces sales. Too many companies have cut sales departments or neglected to nurture them. Selling is as important—even more important—than ever.

This is not a time to ignore sales; it's a time to reassess and reinvent it. As technology evolves and makes the world closer, more global, and more interconnected, I have only become more convinced of the importance of sales and the need for companies to implement the right strategies and right services to get better at selling. Having a dedicated, strategic, and passionate sales team is the way for companies to grow. By managing and motivating sales

to close as much business as possible, and using tools to make the process more transparent, more collaborative, and more strategic, companies can deliver sustained and consistent growth.

As the CEO of salesforce.com, which has more than 100,000 customers from the Dr. Pepper Snapple Group to KLM Airlines, I meet with thousands of sales executives every year. In my own business as well as those of our customers, I witness how sales is being transformed. The professionalization of purchasing departments has pushed sales forces to improve their knowledge, sophistication, and service. It's a global economy, and vast new markets have opened. To compete, you must collaborate with businesses and consumers across the globe. Traditional sales reps lugging briefcases ("carrying a bag") have been replaced by modern sales professionals who approach sales with the right mix of art and science—and typically carry only a mobile device or tablet. The explosion of data, the rise of cloud computing, and the power of social networks are enabling companies to further empower their sales forces.

Given the value of sales and the revolution that is under way in selling, one would assume that business experts and business school professors would be cranking out reams of rigorous research and filling journals with insights on sales topics. Surprisingly, this is not the case. The topic of sales management is sadly underresearched, especially compared with the massive amount of material available in other business disciplines such as marketing, operations, or leadership. It's incredible to consider that business students can earn an MBA without ever attending a class on sales. Top journals devote less space to sales than to other management areas, and, in fact, few recognize sales for the important management practice that it is. There has been no great business book that offers a comprehensive, scientifically grounded analysis of sales as a discipline today—until now.

Sales Growth: Five Proven Strategies from the World's Sales Leaders leverages the leading minds and data of McKinsey & Company to fill the gap in sales management research. It puts sales management back where it belongs: at the center of management thinking about what makes businesses successful.

McKinsey is the trusted advisor to the world's leading businesses and institutions, and reading this book is like walking into a room where over a hundred of the world's sales leaders are openly sharing their perspectives on the most pressing issues they

face. In addition to the stories and case studies woven through the text, there are exclusive interviews with sales visionaries from some of today's very best sales organizations. One of our own executives, Frank van Veenendaal, who leads our sales organization, shares his insights and expertise.

From finding opportunities ahead of the competition to making the best use of multiple channels, boosting sales performance, and providing real sales leadership—this book covers all the bases. For each topic, the authors share insights, examples, and case studies that are instantly adaptable to any business. Readers gain access to McKinsey's network to learn how other sales executives have found hidden pockets of growth in geographies and sectors where they thought they knew all the possible leads. They can see how sales leaders manage channel partners to represent their brands as well as their direct reps do. They can learn how to adjust their sales strategies to win in emerging markets or find the best way to develop sales DNA in their organization. The authors also illuminate some of the raging debates in sales: Is there value yet in big data? Yes. Has the bell tolled for the traditional salesman because of digital channels? Absolutely it has for the old way of doing business, but the ultimate role of a salesperson as a trusted and experienced advisor is as important as ever.

The world is moving forward, and we must all move forward with it. For those who can imagine something new, the future brings amazing opportunities. The knowledge, research, and expertise in this book can help sales leaders make sense of what's happening and equip them to build an organization positioned to compete and win in the next decade and beyond. Welcome to the revolution.

MARC BENIOFF
Chairman and CEO
salesforce.com

Recently, Fortune named Marc Benioff one of the top 50 people in business, and his company, salesforce.com, was honored by Forbes as the world's most innovative in 2011. Benioff founded salesforce.com in 1999 to offer customer relationship management services available on demand over the Internet. Under his leadership as chairman and CEO, salesforce.com has grown from a groundbreaking idea into a multibillion-dollar publicly traded company.

Preface

Perhaps a reader who picks up or downloads a book entitled *Sales Growth: Five Proven Strategies from the World's Sales Leaders*, does not need to be reminded how important it is for any company to be very, very good at selling. Yet with all the emphasis on productivity improvement and operating efficiency, it is easy to overlook how better sales management not only generates company growth, but directly creates shareholder value. A McKinsey analysis of the top 1,000 U.S. and European companies shows that once a company is achieving 15 percent return on invested capital (ROIC), it gets more value out of revenue growth than from further improving ROIC (Figure P.1).¹ A business with a robust ROIC of 21 percent can create twice as much shareholder value by improving its annual revenue growth by 1 percentage point as by pushing ROIC to 22 percent.

So, how *do* you beat the market today? To answer that question, we went back to the best sources on the subject: the sales executives from companies around the world and across industries that have significantly outperformed their peers. These are businesses that have grown faster because they have put sales at the heart of their growth agendas. These leaders explained how they were driving and sustaining growth, and they shared with us their experiences, successes, and concerns. The perspective of any leading sales executive is interesting. The collective perspectives of more than 120 sales leaders who know how to beat the market is eye-opening.

¹Public financials.

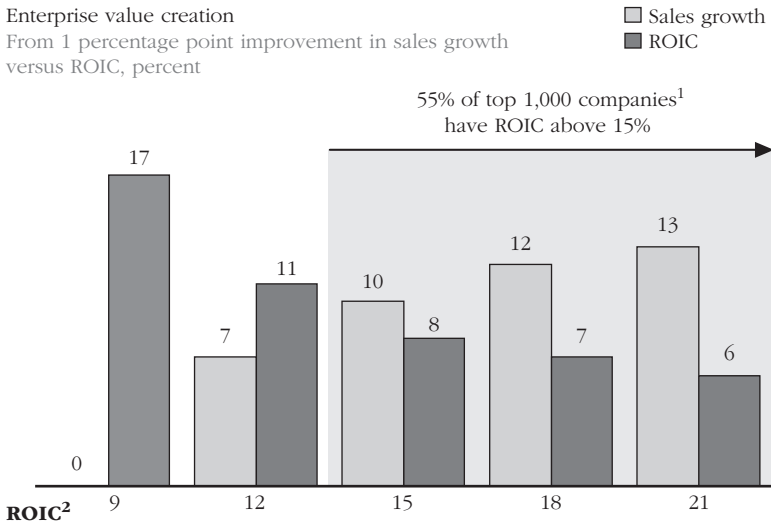


FIGURE P.1 More than half of top 1,000 companies would create more value from higher sales growth than from ROIC optimization

¹Top 1,000 U.S. and European companies by 2010 revenue; excludes financial companies, companies with significant financing arms, and negative invested capital.

²Excluding goodwill; average ROIC for three years; assumes 9 percent WACC and 3 percent nominal growth in base case.

Our research was a two-year effort, encompassing personal interviews with the most senior sales executives at more than 100 global companies with a track record of outperforming their peers in revenue and profitability (Figure P.2).² We focused on large companies (averaging \$31 billion revenues, \$47 billion market cap., and 86,000 employees) because the bigger you are, the harder it is to outgrow your competitors, and the harder it is to do it again and again.

We talked to companies across 10 industry sectors: basic materials, consumer goods, financial services, healthcare and pharmaceuticals, high tech, industrial manufacturing, media, retail, telecommunications, and travel and logistics. Roughly half the companies we interviewed faced the complexity of selling to both business and consumer markets, a third were purely

²Public financials for researched companies and competitors.

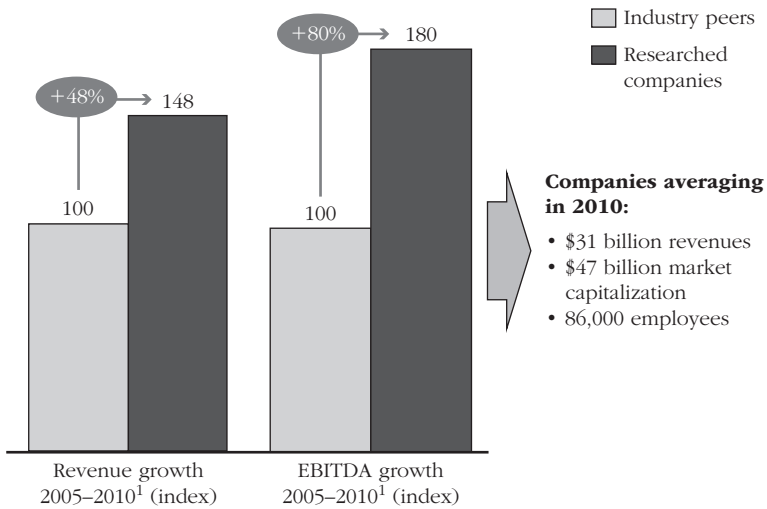


FIGURE P.2 The companies we researched significantly outperformed their peers

¹Weighted by researched companies' 2010 revenues.

business-to-business (B2B), and the remainder entirely business-to-consumer (B2C) focused.

Almost two-thirds of the sales executives we interviewed led global sales organizations, with an average revenue mix of 40 percent in North America; 40 percent in Europe, the Middle East, and Africa; and 20 percent in Asia and the rest of the world. To ensure a mix of global and local perspectives, we also spoke to leaders in charge of sales regions and major countries and made a particular effort to interview sales executives focused solely on emerging markets.

Five proven strategies for driving and sustaining sales growth emerged over the course of these discussions with world-leading sales executives:

1. Get to growth opportunities before competitors—be it through capturing trends, finding pockets of growth in existing markets, or drilling into big data.
2. Use multiple channels to serve customers of different sizes, in different markets, and with different needs—and optimize direct, indirect, and digital channels.

3. Use sales operations and technology as true engines of growth.
4. Balance the drive for near-term growth with building long-term capabilities.
5. Gain commitment from the organization, and implement difficult change to beat the market.

This book presents unrivalled examples of great, innovative sales ideas and inspiring sales stories from the trailblazers. Collectively, the anecdotes and case studies that underpin the five strategies capture the experiences of leading sales executives as they have rethought how to find growth, how to capture it, and how to build the capabilities to keep growing in the future. We did not try to be exhaustive, so this book is not a guide to everything a head of sales should do. We decided instead to focus on what's new and interesting as we tried to portray the success of these 120 sales executives in driving growth.

You have in this book, or on your tablet or e-reader, a blueprint for sales growth—drafted by sales executives for sales executives. We are thrilled to be able to share for the first time in one volume so many real stories, practical ideas, and important lessons for the sales organization. After each chapter, you will find interviews with sales leaders from BMW, Caterpillar, Coca-Cola Enterprises, EMC, Google, Lattice Engines, Novartis, Pioneer Hi-Bred, salesforce.com, Samsung, SWIFT, VimpelCom, Vodafone, and Würth. These give fascinating insights into how sales executives think about the issues at hand.

The ideas and case stories presented here are not just illustrations of how you should think about sales management—they are proven strategies. Together, they comprise a roadmap to tangible top-line growth and bottom-line improvement. Successful sales growth programs often achieve growth of between 10 and 30 percent (on the revenue affected by the program), with increased (or at least no decline in) profit margins.

Few if any companies will tackle everything in this book in one program, but we are sure that there is something to be gained from all the examples here—whether it's getting to grips with the benefits of big data, revamping your channel partner relationships, or extracting the very best from the front line.

This book is a record of experimentation and innovation and, in some cases, courage. We trust it will provide you with five strategies that can be applied in your company as you pursue sales growth.

STRATEGY 1

Find Growth before Your Competitors Do

Look 10 Quarters Ahead

For tomorrow belongs to the people who prepare for it today.

—African proverb

In early 2009, the United States Congress spent weeks drafting the American Recovery and Reinvestment Act. Most companies simply followed the process, praying it would help kick-start sales that had been ravaged by the deep recession. But at one major high-tech equipment company, sales leaders weren't waiting. They knew the legislation would create opportunities for them. They put together a dedicated team with a field sales leader to spearhead the stimulus program and made it a focus for the sales organization. This group was responsible for developing compelling offerings, finding target customers, and creating an investment plan.

As soon as the outline of the bill came into focus, the group got busy planning how to exploit the potential that the new law would provide. They saw that the legislation called for grants and tax rebates to encourage healthcare providers to upgrade IT infrastructure and transition to electronic medical records. This infrastructure included products that the company made.

The sales group swung into action, quickly developing a tailored offering for hospitals over the first four to six weeks. This was not a case of working with product development to launch tailored products. There was no time. Instead, the group had to select the suite of products that best fit customers' needs and that fell within the scope of the legislation. It also developed sales

collateral that told hospitals exactly how to take advantage of the federal subsidies in the stimulus bill. The company quickly met with many hospitals and was able to secure multimillion-dollar deals within the first few weeks after the bill was passed. It was months ahead of its competitors.

This is a prime example of forward-looking sales management, an important differentiator of top-performing sales organizations. Certainly, all sales leaders know that they should pay attention to what is happening in the wider world to anticipate changes that could turn into opportunities or threats. But the best follow the example of this company—they make trend analysis a formal part of the sales planning process and, as a result, are perfectly poised to capture the opportunities created by sudden changes in the environment.

Turning the stimulus package into a coherent, on-the-ground program is just one example of capitalizing on a forward-looking view of the market. Another leading high-tech company's sales leadership continuously monitors economics, consumer behavior, and other forces to identify two or three relevant trends each year, and then translates them into concrete sales programs. It develops cross-functional SWAT teams that work with customer account teams to educate customers on the nature of a trend and to sell them on its solution. These teams engage with potential clients over a set period, explain their reasoning and how the particular trend translates into a business impact. Customers valued this forward thinking and, as a result, favored partnering with the high-tech vendor as a way to get ahead of their rivals.

Sales leaders continuously monitor economics, consumer behavior, and other forces to identify two or three relevant trends each year.

Whether it's eco-business or cloud computing, by linking sales activities with emerging trends the company has scored breakthrough wins at Fortune 500 customers.

Based on our research and the discussions with the 120 sales executives we interviewed, it is clear that

great companies do three interrelated things to capture the benefits of forward thinking:

1. **Surf the trends.** Good sales leaders know how to hit monthly and annual sales plans. Great sales leaders tap into the big picture, watching for strategic openings in economic

trends or changes in customer sectors and regions. They know these can be real opportunities.

2. **Invest ahead of demand.** This might mean making a small investment in analytic capabilities or beefing up the number of frontline sales staff ahead of the emerging trend.
3. **Make this a way of life.** Programs that successfully exploit emerging trends are not one-off flukes or lucky bets. Leading sales organizations have a built-in forward perspective and mechanisms to turn that insight into action.

Surf the Trends

The high-tech equipment company reacted swiftly to a political change. But developments that create new selling opportunities can come from many sources: technology trends that change consumer shopping patterns or redefine business models, regulatory trends, or political trends (Table 1.1). To ride these trends, the best sales executives make it their business to know what is happening beyond their organizations, their customers, and their industries.

Knowledge is only one part of the equation, though. Top-performing sales organizations have the will and the means to translate macro-shifts into real top-line impact fast. Often, they are able to launch tactical, opportunistic sales programs that deliver differentiated growth in a challenging environment.

For example, as the 2008 financial crisis unfolded, South Korean auto manufacturer Hyundai concluded that economic uncertainty would make consumers skittish about committing to major purchases such as cars. On January 2, 2009, the company launched the Hyundai Assurance Program, which allowed consumers to return their cars with no penalty if they lost their jobs or suffered any other involuntary loss of income. The program was free for the first 12 months after purchase, and there were no restrictions on types of customer. The company actually negotiated exclusive private-label use in the United States of a guarantee scheme provided by a Canadian company called Walkaway. In the immediate wake of announcing the program, automotive consumer research organization Edmunds reported that “purchase intent shot up 15 percent . . . and has remained at 7 percent above its seasonal norm.” Such

TABLE 1.1 Great sales teams constantly scan the horizon for the next opportunity¹

Example trend		Opportunities
Technological	Cloud computing: growing to \$65–85 billion by 2015, from \$11 billion in 2010.	Target small businesses with pay-as-you-go model: use proven offering to displace incumbents in enterprise.
Political	Stimulus: e.g., American Recovery and Reinvestment Act authorizing ~\$740 billion in expenditure in 2009–2011, and an additional ~\$100 billion authorized through to 2019.	Offer products and services that take advantage of new legislation.
Geographical	Emerging markets: e.g., more than 20 countries with annual GDP growth of more than 7% between 2010 and 2015.	Invest sales resources in growing markets to establish incumbent position.
Regulatory	Carbon emission reductions: e.g., EU targeting 20% reduction by 2020.	Go after customers most affected by regulatory changes.

was the popularity of the offer that Hyundai augmented it with a limited-term offer to cover three months of payments while the customer looked for a job. Longer-term, Hyundai became the only major car manufacturer to actually increase U.S. sales in 2009, and research cited the Assurance Program as one of the major factors behind customers' decision to buy a Hyundai.²

¹Gartner; IDC; Forrester; Recovery.gov; U.S. Climate Network; McKinsey & Company.

²PR Newswire (January 3, 2009); Just-Auto.com (January 16, 2009); *The Plain Dealer* (February 4, 2009); Reuters (February 20, 2009; February 15, 2010); NTDTV.com (February 16, 2010).