



Insights

# The Sales Rep of the Future

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How to build a sales model that adapts to the way that customers want to buy

Indian River Consulting Group offers consulting services to senior distribution and manufacturing executives. We deliver actionable outcomes that drive real results in mature, complex and competitive business-to-business markets.

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Call 321-956-8617 or email Sandie Stewart at [sstewart@ircg.com](mailto:ss Stewart@ircg.com)

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*Why do distributors continue to invest so heavily in field sales when the market is telling them to change their approach?*

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**Most wholesale distribution field sales reps are still doing things the same way they were done back in the '70s. And most incentive plans are still based on a percentage of gross margin generated within the rep's assigned customer base. All of this takes place despite the fact that how customers buy is changing. Many customers complete their purchasing evaluation before they ever reach out to a sales rep, and research shows us that customers value the inside sales function higher than outside sales.**

The economics of the distribution industry's relationship-based approach to selling is changing rapidly due to four forces:

- An ongoing race to the bottom on pricing.
- An improvement in supply-chain efficiency, reducing the need for heroic recoveries.
- Continued industry consolidation at every level of the supply chain.
- The internet as a primary source of product and application information for the customer, changing what a sales rep contributes to the relationship.

So why has the field sales function remained largely unchanged in wholesale distribution? Why do distributors continue to invest so heavily in field sales when the market is telling them to change their approach?

Outside sales is critical to the success of a distributor, but its role should change as the market evolves. How can you ensure that the money you're spending on field sales reps is being spent wisely?

Here are four ways to build the sales team of the future:

## **1. Shift from a self-directed to a management-directed sales force.**

Fundamentally, the transition a distributor needs to make is from a sales force made up of self-directed generalists to one with management-directed specialists. Some firms are already well on their way, and that includes large as well as small and mid-sized public and privately held distributors.

Successful distributors are also adding inside customer service reps, inbound and outbound telephone sales, product specialists and quotation departments that narrow the responsibility of the field sales rep.

The field sales role that remains is focused on new business development and demand creation. They are no longer defined by a set of assigned customers that largely remain unchanged. Rather, they have customer-recognized experts in product selection and application, specific markets or business challenges.

In other words, the field sales rep is only doing what the senior sales executives thought they were doing all along. They are conducting needs analyses for customers, documenting real customer cost savings, and disrupting the old-school traditional reps by taking their customers away.

Evolving to more specialized sales roles can pay dividends. For example, using a hybrid inside/outside sales rep can result in lower cost-to-serve because the same



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*Align selling resources so that your customers' needs are met at the lowest cost to you.*

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rep can cover more accounts. We've often seen such programs generate higher revenue per account while also reducing selling expense – significantly improving sales productivity.

## **2. Understand what customers are really buying.**

The sales rep of the future understands that customers are not necessarily buying what they're trying to sell. The customer wants to look good to his boss. He wants to increase profitability and reduce hassles. And time is a critical constraint; everyone is doing more with less.

Despite the differing level of value customers ascribe to the services provided by distributors, distributors often offer the same level of service to everyone. This is another benefit of specialized sales roles. They provide more flexibility to meet the customers where they are – and not necessarily where you want them to be. Some customers are price-conscious and whichever source offers the lowest price gets their business. Other customers value product availability, extended credit terms or the ability to procure most of their needs from a single source.

Segmenting your customers based on what drives them helps you identify how you can align selling resources so that their needs are met at the lowest cost to you.

## **3. Understand the role of field sales in demand creation.**

In research we conducted for HARDI, the distributor association that serves the heating, air-conditioning, and refrigeration industries, we found that a salesperson's ability to disrupt the current supplier of a product is low. What we found was that end-users year-on-year purchased 89% of their products from the same sources they had in the previous year (protection). Just 2% was switched out due to a hard-charging sales rep coming in and selling a better solution (disruption).

The remaining 9% was due to a supplier failure. We termed this a Critical Selling Event, or CSE, which is outside of the control or influence of a sales rep.

In other words, our expensive aging generalist sales reps are actually winning by taking care of customers so they never experience a CSE. Or they capture new business when a competitor makes a mistake and are there to save the day (interception).

This has implications for the role of field sales today, which has largely been relationship-based. Many times we believe that joint sales calls and promotions with suppliers should be a priority despite the fact that such an effort doesn't move the needle much on an annual basis relative to other efforts.

Distributors must develop new roles that recognize what research says is really happening out there in the market.

Strong sales managers will take this data and make it actionable. A strategically designed sales incentive plan will serve as reinforcement.

## **4. Let marketing drive your sales efforts.**

It's critical to eliminate low-value activities by sales reps and direct them to high-potential opportunities. Targeting the right opportunities is one of the best ways to grow overall revenues.

If you are investing to reach aggressive sales goals, think twice before adding more sales reps. High-performing distributors are instead putting their money into developing new competencies in line with new market expectations.

Distributors are adding real marketing functions that identify new business opportunities, creating clear value propositions that make customers sticky by increasing their switching costs, and building a playbook of value-added service offerings. Responsibility to identify growth opportunities shifts from the field sales rep to the



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marketing department.

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### **The punchline: Don't play catch-up.**

Build a sales team for the future now, and leverage data to build a strategy of intentional growth. Segment customers based on what they're really buying and on their potential to grow, cost to grow and switching costs. Design incentives, develop customer solutions, reassign customers and realign with suppliers to better meet what your customers truly need. Use real data.

It's time to transform your traditional outside sales model to one that is more responsive to rapidly changing customer needs. This will take time to reap a high ROI; decide if you are playing the game to win, or just not to lose, and move forward.

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## Indian River Consulting Group's Expertise

We help our clients grow revenue and profit by aligning resources to match market opportunities. For 25 years, Indian River Consulting Group has delivered actionable outcomes that drive real results in mature, complex and competitive business-to-business markets. IRCG specializes in:

- Market strategy
- Channel management
- Sales effectiveness

Indian River Consulting Group works with clients in wholesale distribution, manufacturing, private equity and more. Contact us to learn more about how the IRCG team can help your business thrive: 321-956-8617 or email Sandie Stewart at [sstewart@ircg.com](mailto:ssstewart@ircg.com).

## The Team



### Mike Marks

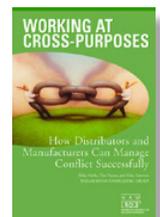
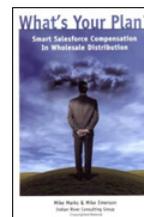
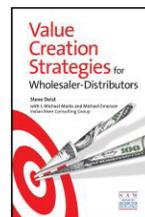
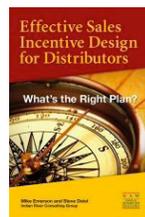
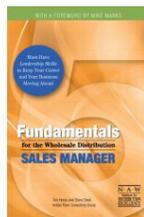
Mike Marks co-founded IRCG in April 1987 after working in distribution management for more than 20 years. His narrow focus in B2B channel-driven markets has created an extensive number of deep executive relationships within virtually every business vertical in construction, industrial, OEM, agricultural and healthcare. Mike has led project teams that improve market access by aligning resources to growth opportunities serving manufacturers, dealers and distributors. Mike is proud of the team's work and the confidence clients have shown with additional project work.



### Mike Emerson

Mike Emerson has been an IRCG Partner for six years. Mike joined Indian River in 1998 and has worked with hundreds of distributors and manufacturers of all sizes and within many lines of trade. His focus areas include: sales compensation design, strategy facilitation, market research and data modeling and analysis.

## Books by Indian River Consulting Group



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