

## Is Your Sales Force Aimed at the Best Sales Opportunities?

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Companies often think that the sales targeting job is done once they have designed sales territories and given sales reps general guidelines on what types of accounts to pursue. This leaves it to reps to puzzle out which specific accounts are the best prospects. Our experience suggests that the overwhelming majority of reps need much more precise guidance and only a few reps are able to solve this puzzle on their own.

The following three examples illustrate the benefit of reviewing which accounts the sales force is addressing and three different approaches to improving your reps' overall sales effectiveness:

1. Identify under-covered accounts similar to current major buyers
2. Drive reps to increase account penetration and buying frequency ahead of opening new accounts
3. Determine which small eager accounts that are currently below the radar scope have the potential to become large buyers

### ***1. Identify under-covered accounts similar to current major buyers***

One of our clients discovered that more than 85% of revenue came from just 13% of its accounts. Upon closer examination they noticed that very similar accounts often had very different sales results. They concluded that there were large numbers of accounts that were substantially under-penetrated relative to their purchasing potential.

Our client then developed a predictive model to estimate the sales potential of a given account for each product family in the portfolio, based on easily estimated parameters such as company revenue and profit, industry, locations, number of employees, number of PCs, and technical sophistication. Extensive market research showed that the model was 80-90% accurate.

Finally, our client redesigned sales territories and quotas around the model's predictions of sales potential and fed the model's predictions to the sales reps so that each rep would know which products to pitch in what quantities to each of the preferred accounts in his/her territory. The results from sales regions in which the new approach was piloted showed that the company would add five to ten percentage points to revenue growth by penetrating under-served accounts.

### ***2. Drive reps to increase account penetration and buying frequency ahead of opening new accounts***

Another of our clients was concerned by its seemingly high selling cost per thousand dollars of revenue. Their project-based business was one with many potential individual buyers within a given Fortune-500 account. The wide variation in unit selling cost among our client's reps suggested that their current selling costs were far from optimal. After careful analysis, we developed a simple classification of individual buyers within our client's accounts:

- "A" prospects were multiple repeat buyers. \$1000 in business development effort with "A"s resulted in \$40,000 in added revenue on average.
- "B" prospects had bought once before. \$1000 in business development effort with "B"s produced an average of \$22,000 in added revenue. Sales to "B" prospects promoted them to "A"s.

- “C” prospects were ones who had never bought from our client but who had seen first hand our client’s services for others within their company. \$1000 in sales efforts to “C”’s produced on average \$9500 in added revenue. Sales to “C” prospects promoted them to “B”’s.
- “D” prospects were ones who had had no experience directly or indirectly with our client’s services. \$1000 in business development effort with “D”’s yielded \$1070 in new revenues.

By focusing its sales efforts on “A”’s and “B”’s in accounts that were not fully penetrated, our client was able to increase revenue growth by twenty percentage points. Profits grew by thirty points because the cost of sales was so much lower under the new model. Sales reps were told to pursue “C”’s selectively to grow its account penetration and to avoid “D”’s. New accounts were to be generated by following “A” and “B” buyers as they changed employers; given the rate at which potential buyers changed jobs, our client could add 15% annually to his base of accounts through this process.

### ***3. Determine which small eager accounts that are currently below the radar scope have the potential to become large buyers***

When one of our clients was planning a major new product with which to wrest market share from one of its principal competitors, its market research showed that there was significant aggregate revenue potential from small customers who might spend less than \$1000/month in addition to the expected substantial revenue streams from large accounts who might spend over \$10,000/month. Accordingly, our client set up three sales and service models aimed at accounts with different expected spending levels:

- Accounts spending under \$1000/month received only web-based low-touch sales and service
- Accounts spending \$1-10,000/month received telephone sales and web-based service delivery
- Accounts spending over \$10,000 month received highly individualized sales and service

Because of all the industry buzz about the new product, a number of potentially large accounts logged onto the web-based tools for the under \$1000 crowd to conduct a series of low-risk trials with the new service even before they were approached by sales reps with offers of individualized service.

Consequently, our client’s sales assignment process identified these accounts as small accounts instead of seeing them as large accounts that were so eager that they were experimenting with the new product even before being approached by sales reps. As a result, these customers were excluded from high-end sales reps’ territories and were given low-touch service and support.

When we conducted post-roll-out interviews with these customers we discovered that they were very unhappy because our client had failed to recognize their potential size and eagerness to get started. Our client then had to scramble to identify all such accounts among the thousands of tiny accounts that signed up on the web, do extensive damage control to regain their confidence and support, and try to win the large amount of revenue expected from them. Failure to identify these accounts early on and to assign them to sales reps not only resulted in lost revenues, but also when reps finally received permission to pursue these accounts, they had to begin their sales process on the defensive, lowering their overall close rate materially.

*Sacerdote & Co., Inc counsels major technology-based companies on issues of market strategy and operations effectiveness. This white paper is the second in our current series on improving business processes for greater sales force throughput. We invite your questions and comments at [gss@sacerdote-co.com](mailto:gss@sacerdote-co.com).*