



TOP 10 REVENUE-KILLING MYTHS IN B2B

WHITEPAPER



TOP 10 REVENUE-KILLING SALES MYTHS IN B2B

CONSIDERATION

Achieving organic growth goals is one of the fastest means to grow revenue for B2B companies. To get there, companies need to challenge the preconceived notions that may ultimately prevent them from capturing that opportunity.

Over the years, we've noticed a perplexing contradiction at play in industrial B2B companies. On the one hand, it's fair to say that every B2B company would like to improve customer retention rates, sell a broader set of products to existing accounts, and ultimately, increase organic revenue growth. But on the other hand, relatively few B2B companies are focusing their attention on giving sales reps the useful and actionable information they need in order to make those aspirations reality.

What's preventing some companies from leveraging the power of prescriptive analytics to improve their performance? Based on our observations of leading, global industrial B2B sales organizations, there's not one single factor holding them back from achieving their goals. Rather, a series of long-standing and closely-held myths about sales effectiveness persistently chip away at the organization's ability to consistently and predictably grow sales and limit churn:

“SALES SHOULD FOLLOW THE 80/20 RULE”

Out of necessity, most sales reps make their day-to-day decisions based on the 80/20 rule. Given time constraints, most will spend 80 percent of their time on the top 20 percent of their accounts. While it makes sense to focus on the customers that generate the most sales, reps miss out on a wealth of untapped revenue in the long tail of their accounts. In reality, product line proliferation and expanding territories have made it impossible for each sales rep to identify and pursue all potential growth opportunities – even within the top 20 percent of their accounts. Companies are, in turn, missing scores of opportunities to grow and retain business despite their efforts and investments in sales reporting and other technologies and processes.

“CUSTOMER CHURN IS SIMPLY A COST OF DOING BUSINESS”

While some churn is unavoidable, the true cost of customer churn in a B2B company isn't as straightforward as the number of lost customers in one given time period. Meaning, customer churn isn't just the amount of business lost from fully defected customers, but also the business lost from customers who defect to competitors on just one or two products.

In conducting diagnostic assessments at typical B2B companies, we've discovered that at any given time, 20 to 40 percent of the customer base is churning. Churn is so widespread and incremental that even small dips in volume quickly add up to significant amounts of lost revenue, working against organic growth goals.

“REPS NEED MORE REPORTS”

This myth is one of the most pervasive in B2B, largely due to the fact that for years this commonly-held belief held up against scrutiny. As B2B companies grew increasingly complex through the 1990s and early 2000s, sales leaders needed to help reps make sense of ever-expanding territories and product lines. Cue spreadsheets and reports. For years, they’ve served us well, helpfully aggregating data about what customers have purchased in the past. The primary issue with reports is that they can tell you what customers have purchased in the past, but they can’t tell you what products customers should be buying from you today. Additionally, they can’t identify when customers have begun defection at the product level and alert sales reps of possible retention issues. Reports are great at telling reps what happened yesterday, but they don’t help reps decide where to spend their time tomorrow. Many forward-thinking companies have embraced advances in predictive analytics, enabling their sales teams to move well beyond what hindsight reporting provides.

“WE’RE ALREADY TACKLING ORGANIC GROWTH IN-HOUSE”

This myth goes hand-in-hand with the sales myth that reps need more reports to spur organic growth. For years, companies have tackled organic growth in-house using teams of analysts with spreadsheets and business intelligence tools.

If your business only has a handful of products and customers, this tends to work well. But what about companies with tens of thousands of SKUs and thousands of customers? The problem with do-it-yourself (DIY) approaches in the complex business environment of B2B manufacturing and distribution is that it’s impossible to identify all of the opportunities for cross-sell and retention across an organization’s entire book of business. In short, DIY approaches can’t scale, they don’t provide actionable guidance, and possibly the most detrimental, they lack a closed-loop feedback process to determine their effectiveness.

“GETTING SALES REPS ONBOARDED IS A LENGTHY, BUT UNAVOIDABLE, PROCESS”

We routinely hear about how long it takes to onboard new reps, and as baby boomers exit the workforce, this challenge will continue to remain top-of-mind for sales leaders. Getting new reps ramped up to full productivity quickly will be critical to holding the line on organic growth.

The challenge lies in infusing a new rep with the knowledge of a retiring rep – which includes decades of customer and product knowledge. This part of the myth is true, but the belief that the process has to take several months is false.

The key difference between a seasoned rep and a “green” one is that the seasoned rep knows where their time is best spent each and every day. Imagine being able to ramp new sales reps up to that level of decision-making, even incrementally so. It’s possible with prescriptive sales guidance that can give new reps actionable guidance, pointing them to the specific customers to call on and products to pitch. This can go a long way in ramping up a rep’s productivity.

“CRM WILL INCREASE SALES REP EFFECTIVENESS”

As with B2C companies, customer relationship management (CRM) systems have almost completely permeated B2B sales forces. CRM has always been touted as a “360-degree view of customers,” but in most deployments it provides only part of the picture because key data sources are missing. In order to portray customer relationships holistically, CRM must be more than just contacts, call reports, quotes and a place to track sales rep activity.

Whether home grown or one of the more common solutions like Salesforce.com, SAP, Microsoft or Oracle, CRM systems have helped sales organizations be more efficient in terms of tracking and reporting. However, they’ve done little to help sales reps become more effective in retaining customers and reducing null space in customer accounts.

“THE HOLY GRAIL OF SALES OPPORTUNITIES IS SCORING MORE DEALS”

The holy grail of opportunity management isn’t scoring deals, it’s creating them. In industries where suppliers and customers have ongoing transactional relationships, the ability to create pipeline from data is real.

Generating high-quality opportunities is extremely valuable to management as well. Reps have a head start on achieving their quota, executive management is certain that opportunities are real and have a high probability of closing, while front-line managers have a much easier time assessing performance and providing effective coaching.

“NULL SPACE IS EASY TO FIND, UNDER-PENETRATED CATEGORIES IS NEARLY IMPOSSIBLE TO KNOW”

We commonly observe this myth in an environment where B2B companies have opted to tackle organic growth in-house with analysts and reports. The rationale behind this myth is that while it may be possible to identify what similar customers should be buying, it’s nearly impossible to know if you’ve got an under-penetrated category.

Take the foodservice distribution industry, for example. If a sales rep is planning the week’s calls and visits, they likely know that a Chinese buffet restaurant should be buying soy sauce, and that the pizza and salad bar restaurant is likely to not purchase it. But, the myth dictates that knowing if that Chinese buffet restaurant should be buying more soy sauce is impossible.

The myth is born out of the limitations of spreadsheets and backward-looking analytics. When using these tools there’s no real means to determine when reps have an opportunity for volume up-sell.



But, prescriptive sales solutions are making good use of existing data to do just that. With patented algorithms, sales reps can receive specific guidance when they have under-penetrated categories across each and every customer in their territory.

“SALES TEAMS KNOW HOW TO EXECUTE ON HIGH-LEVEL STRATEGIES”

Many executives dictate high-level sales strategies and leave it to front-line employees to find the best way to execute on those strategies. Unfortunately, sometimes it's not apparent that there's a strategy-execution gap present until the P&L is tallied.

According to Gartner Research Director Tad Travis, his clients routinely struggle with increasing their sales efficiency and effectiveness outcomes in a way that aligns with their corporate objectives. Travis' statement puts a fine point on the myth. Despite efforts to the contrary, many company leaders assume that sales teams intuitively know how to execute on high-level strategies.

In reality, sales teams are inundated with a bevy of expanding territories, new product lines, flavor-of-the-month promotions, and new tools and technologies. Simply dictating “achieve a 10 percent improvement in organic growth in the second quarter” does little to help reps cut through their day-to-day decision complexity. They need actionable guidance pointing to the organic growth opportunities most likely to result in a win, each and every day.

“DIPS IN PURCHASE VOLUME CAN BE ATTRIBUTED TO SEASONALITY”

Naturally, a drop in sales is expected and observed when a product is not in season. At first glance, it's all too easy to write-off dips in sales as seasonality. While it may be the culprit in some cases, more often than not dips in purchase volume are a result of more than seasonality.

A multitude of factors could be at play: the customer could be buying from a competitor or she may have reduced the order quantity due to product or service dissatisfaction. Whatever the reason, the customer is showing early signs of defection which could lead to even greater revenue loss. It's simply impossible for the sales rep to spot this trend for each and every customer. Now consider the cumulative impact of these small defections across every product and customer in your business – the effects of writing off sales dips as seasonality could be potentially devastating.

CREATING A SMARTER REALITY TO GROW SALES

Achieving organic growth goals is one of the fastest means to grow revenue for B2B companies. There's simply no better way to hold the line on hard-earned revenue, much less grow sales from existing accounts. Leading sales teams within industrial B2B companies already know this, yet achieving organic revenue growth targets remains elusive.

Recognizing the opportunity is a big step in the right direction, but making sure the next step is the right, and smartest, direction to go in is critical. To get there, companies need to challenge the preconceived notions that may ultimately prevent them from capturing that opportunity. This requires that they aggressively counter the revenue-killing sales myths and look for a better way forward.

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