SMstudy® Guide

CORPORATE SALES

2017 Edition

A Comprehensive Guide to Corporate Sales
PREFACE

The SMstudy® Guide (also referred to as a Guide to the Sales and Marketing Body of Knowledge, or SMBOK® Guide) is a comprehensive process-oriented framework for the planning and execution of activities associated with all facets of Sales and Marketing. It can be used as a reference source for experienced Sales and Marketing professionals or as a detailed guide for individuals or students with little prior Sales and Marketing knowledge or experience. The SMstudy® Guide can be applied in any organization or industry—from small companies with only a few employees to large, complex organizations with numerous business units, multiple product lines, and thousands of employees across many countries.

The SMstudy® Guide series consists of six books for all the aspects of Sales and Marketing: Marketing Strategy, Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing. Each book addresses a key component of Marketing and can be used as a standalone resource or as part of a more comprehensive program that utilizes any number of the six books as required by the business. In this way the SMstudy® Guide series offers a flexible framework that can be tailored to address the specific needs of each organization.

This fourth book provides a framework for use in the planning and execution of Corporate Sales. It outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company’s products and services; understanding procurement management; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. It also emphasizes how corporate sales should interface with the other Sales and Marketing Aspects.

Effective use of the Corporate Sales framework is expected to lead to greater thought and deliberation in the planning and execution of Corporate Sales initiatives. Further consideration and practical use of the processes and tools detailed in the SMstudy® Guide will in turn contribute to expanding and enriching the Sales and Marketing body of knowledge and consequently lead to future additions and enhancements to this framework.

I would like to thank the 42 co-authors, subject matter experts, and reviewers who greatly contributed to the creation of this body of knowledge. Their combined efforts and collaborations have resulted in a comprehensive, highly effective, and unique approach to understanding, planning, and implementing Sales and Marketing initiatives.

Tridibesh Satpathy
CEO, SMstudy®
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1. INTRODUCTION

A Guide to the SMstudy Sales and Marketing Body of Knowledge (SMBOK® Guide), also referred to as the “SMstudy® Guide,” is a series of books that provide guidelines for the Sales and Marketing of products and services. It offers a comprehensive framework that can be used to effectively manage Sales and Marketing efforts in any organization. The objective of the SMstudy® Guide is to provide a practical and process-oriented approach to Sales and Marketing that emphasizes how various elements of Sales and Marketing can be integrated to develop a comprehensive and effective organizational Sales and Marketing Plan.

The concepts in the SMstudy® Guide can be applied effectively to any company in any industry—from small companies with only a few employees to large, complex organizations with numerous business units, multiple product lines, and thousands of employees across many countries. The term “product” in the SMstudy® Guide may refer to either a product or a service of a company.

This introduction chapter includes definitions of key terms, the purpose and framework of the SMstudy® Guide, the SMstudy® certification schema, the evolution of Sales and Marketing, an overview of the Aspects of Sales and Marketing discussed throughout the SMstudy® Guide, and a general overview of the contents of this first book on Marketing Strategy. This chapter also briefly discusses Corporate Strategy and its relationship to Sales and Marketing.

This chapter is divided into the following sections:

1.1 How to Use the SMstudy® Guide?
1.2 Why Use the SMstudy® Guide?
1.3 A Brief History of Corporate Sales
1.4 Corporate Strategy and its Relationship to Sales and Marketing
1.5 Aspects of Sales and Marketing
1.6 Levels of Sales and Marketing Strategy
1.7 Marketing Strategy Overview
1.8 Corporate Sales Overview
1.1 How to Use the SMstudy® Guide?

The SMstudy® Guide can be used as a reference and knowledge guide by experienced Sales and Marketing practitioners, as well as by persons with little prior knowledge or experience in Sales or Marketing roles. Because the SMstudy® Guide offers a comprehensive Sales and Marketing framework, many will find value in using this resource to guide decision making and planning across all facets of Sales and Marketing; however, the contents of the Guide are organized to enable quick and easy reference for individuals who may be interested in, or studying, only one or two specific facets of Sales or Marketing. Similarly, the SMstudy® Guide provides a valuable tool for individuals already in distinct Sales or Marketing roles (e.g., Digital Marketing Manager), as its design enables such individuals to focus on the specific Aspects that are most relevant to such roles.

1.1.1 Process-Oriented Approach with Defined Inputs, Tools, and Outputs

In order to facilitate the best application of the SMstudy® Guide framework, the SMstudy® Guide defines a process-oriented approach to Sales and Marketing, which provides specific guidance to Sales and Marketing professionals about how to most effectively and efficiently manage their sales and marketing activities. The SMstudy® Guide defines Sales and Marketing in terms of processes that comprise a series of actions that leads to a particular result. Each process requires specific inputs and then uses tools to create specific outputs. To cater to the needs of a diverse audience with varying levels of expertise in Sales and Marketing, the SMstudy® Guide has differentiated highly recommended inputs, tools, and outputs from recommended, but optional ones. Inputs, tools, and outputs denoted by asterisks (*) are highly recommended, while others with no asterisks are recommended, but optional. It is suggested that those individuals being introduced to Sales and Marketing focus primarily on the highly recommended inputs, tools, and outputs for each process, while more experienced practitioners should thoroughly understand all of the relevant inputs, tools, and outputs for each process.

1.1.2 Using SMstudy® Guide with SMstudy.com Website and VMEdu® Mobile App

The SMstudy.com website and the VMEdu® mobile app provide additional resources to help individuals better understand and apply the Sales and Marketing framework defined in the SMstudy® Guide. The website and app include the following:

- A certification schema, which helps students study marketing subjects in a structured manner, get tested on relevant concepts through proctored certification exams, and gain relevant certifications, which demonstrate their knowledge and experience in different areas of Sales and Marketing (see section 1.1.3 for a description of the certification schema)
- High-quality videos with relevant and interesting examples that help individuals gain a thorough understanding of specific concepts.
• Case studies that illustrate how the SMstudy® Guide framework can be used in real-life scenarios.
• Additional resources for students to obtain expert training through physical classrooms, virtual instructor-led sessions, and high-quality online courses.
• A glossary of terms, flashcards, study guides, and more.

### 1.1.3 Certification Schema for SMstudy® Certifications

The certifications related to the SMstudy® Guide are managed by SMstudy.com. The certification schema is outlined in Figure 1-1.

**Figure 1-1: SMstudy® Certification Schema**

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<td>Expert Level Certification for each module (e.g., SMstudy® Certified Marketing Strategy Expert) requires passing a 4-hour proctored exam. Prerequisites: study of recommended and optional processes, 5 years of work experience, 40 mandatory educational hours, specialist level certification, and professional recommendations.</td>
</tr>
<tr>
<td>Marketing Research (MR)</td>
<td>Specialist Level Certification for each module (e.g., SMstudy® Certified Marketing Strategy Specialist) requires passing a 3-hour proctored exam. Prerequisites: study of recommended and optional processes, 3 years of work experience, and 20 mandatory educational hours.</td>
</tr>
<tr>
<td>Digital Marketing (DM)</td>
<td>Professional Level Certification for each module (e.g., SMstudy® Certified Marketing Strategy Professional) requires passing a 2-hour proctored exam. Prerequisites: study of recommended processes.</td>
</tr>
<tr>
<td>Corporate Sales (CS)</td>
<td>Associate Level Certification for each module (e.g., SMstudy® Certified Marketing Strategy Associate) requires passing a 1-hour unproctored exam. Prerequisites: study of introductory courses available free and online at SMstudy.com.</td>
</tr>
<tr>
<td>Branding and Advertising (BA)</td>
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<tr>
<td>Retail Marketing (RM)</td>
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The following is a brief description of each level of certification:

- **Associate Level Certifications**—The introduction modules are available at no charge to interested individuals. All Aspects of Sales and Marketing have an applicable Associate-level certification (e.g., “SMstudy® Certified Marketing Strategy Associate”). The certification exams are free and not proctored; and candidates have one hour to complete each exam. The prerequisite is an understanding of the highly recommended inputs, tools, and outputs for each process relevant to the particular Aspect of Sales and Marketing. There is no work experience requirement and no mandatory educational hours in addition to the recommended study.
• **Professional Level Certifications**—All Aspects of Sales and Marketing have an applicable Professional-level certification (e.g., “SMstudy® Certified Marketing Strategy Professional”). The certification exams are proctored and candidates have two hours to complete each exam. The prerequisite is a study of the relevant SMstudy® Guide book with more emphasis on the highly recommended inputs, tools, and outputs for each process relevant to the particular Marketing Aspect. There is no work experience requirement and no mandatory educational hours in addition to the recommended study. Individuals who pass the certification exams for three or more Professional modules are awarded an additional certification called “SMstudy® Certified Sales and Marketing Professional.”

• **Specialist Level Certifications**—All Aspects of Sales and Marketing have an associated Specialist-level certification (e.g., “SMstudy® Certified Marketing Strategy Specialist”). The certification exams are proctored and candidates have three hours to complete each exam. The prerequisites are a study of all of the relevant inputs, tools, and outputs for each process, three years of related work experience, and twenty mandatory educational hours. Individuals who pass the certification exams for three or more Specialist modules are awarded an additional certification called “SMstudy® Certified Sales and Marketing Specialist.”

• **Expert Level Certifications**—All Aspects of Sales and Marketing have an associated Expert-level certification (e.g., “SMstudy® Certified Marketing Strategy Expert”). The certification exams are proctored and candidates have four hours to complete each exam. The prerequisites are attaining the Specialist level certification for that specific Aspect, a study of all of the relevant inputs, tools, and outputs for each process, five years of related work experience, forty mandatory educational hours, and recommendations from two peers and a manager. Individuals who pass the certification exams for three or more Expert modules are awarded an additional certification called “SMstudy® Certified Sales and Marketing Expert.”

Other than the certifications mentioned above, SMstudy® offers additional certifications in fields related to Sales and Marketing such as Affiliate Marketing, E-mail Marketing, Search Engine Optimization, Search Marketing, Social Media and Web Analytics. Information about these certifications is available in the SMstudy.com website.
1.2 Why Use the SMstudy® Guide?

Some of the key benefits of using the SMstudy® Guide are as follows:

1. **Consolidated Expertise**—The SMstudy® Guide is developed by VMEdu, Inc., a global certification course provider that has educated over 400,000 students world-wide in more than 3,500 companies. It provides practical, industry-proven best practices, rather than purely theoretical advice.

2. **Process-Oriented Approach**—The SMstudy® Guide explains Sales and Marketing concepts through a practical, process-oriented approach. This helps Sales and Marketing professionals understand the specific processes they should follow to be effective in their Sales and Marketing roles. Each process has associated inputs, tools, and outputs that are recommended for use. Highly recommended inputs, tools, and outputs are noted with an asterisk (*) beside the concept in each process box and then again when each process is discussed throughout that section.

3. **Applicable to All Industries**—The many authors, advisers, and reviewers of the SMstudy® Guide have worked in numerous Sales and Marketing areas and geographic regions across a variety of industries. Thus, insights provided by them make this body of knowledge industry independent.

4. **Applicable to Companies of All Sizes**—The SMstudy® Guide has been written to meet the needs of all companies regardless of size. Small start-up companies with fewer than ten employees, or large organizations with several thousand employees and multiple product lines and business units, can equally benefit from the information in this guide. Additionally, the content provided in the SMstudy® Guide is highly relevant to for-profit and non-profit organizations alike.

5. **Comprehensiveness**—The SMstudy® Guide is organized into six Sales and Marketing Aspects: Marketing Strategy (MS), Marketing Research (MR), Digital Marketing (DM), Corporate Sales (CS), Branding and Advertising (BA), and Retail Marketing (RM). Each Aspect is detailed in a separate book. Taken together, the series provides a comprehensive and complete understanding of Sales and Marketing. The concepts covered in the SMstudy® Guide are further reinforced through videos and case studies available at SMstudy.com.

6. **Applicable to Beginners and Experts**—The SMstudy® Guide presents recommended concepts that beginners should know and also highlights advanced concepts for individuals who have more experience and who are on their way to becoming experts in the field. Readers can decide which of the six Sales and Marketing Aspects are most relevant to them and select from the available books accordingly.

7. **Alignment with Job Roles**—The Aspects included in the SMstudy® Guide are organized to align with the most common or typical job roles or career fields of Sales and Marketing.
8. **Continuous Improvement**—Concepts related to Sales and Marketing continue to evolve; therefore, the *SMstudy® Guide* will be continuously reviewed and updated to ensure that it remains relevant.
1.3 A Brief History of Corporate Sales

Corporate Sales has evolved concurrently with Sales and Marketing. It is important to present a high-level overview of the history of Sales and Marketing in order to understand and appreciate the changes that have taken place over time. Figure 1-2 illustrates the evolution of Sales and Marketing models over time. All of the models described below are relevant to business-to-business (B2B) sales as well and continue to be used even today.

Figure 1-2: Evolution of Sales and Marketing Timeline

1.3.1 Barter System

More than a thousand years ago, when coins and other forms of money were not yet popular, the typical and most common way people procured their products or services was through the barter system—the direct exchange of goods or services without the use of money. For example, a farmer might exchange some of his harvest with a carpenter for some wooden furniture. Sales and Marketing with the barter system is dependent on having access to the appropriate persons with whom things can be exchanged for mutual value to both parties.

Barter continues to be used today—people and countries still exchange some goods and services without the use of money. The barter system may replace money in times of monetary crisis, when the usual exchange currency is unavailable, or when currency is unstable (e.g., due to high inflation).

Examples of Barter System:

- A tradesperson, such as a carpenter or electrician, operating his or her own business, might provide services free of charge to his or her accountant in exchange for professional accounting services.
- Today, many websites provide a space for individuals to offer goods for bartering purposes. An individual planning to relocate to a crowded downtown location might offer his or her car in exchange for a more appropriate vehicle for downtown transportation, such as a motorcycle or a scooter.
1.3.2 Traditional Marketplace

Five hundred to thousand years ago, coins and other forms of money started becoming popular as a medium of exchange between people. This led to the creation of the traditional marketplace where producers, such as farmers, craftsmen, and carpenters, create products, stay in their shop with their wares, and shout out to a crowd of potential customers in the marketplace in order to promote and sell their products.

Traditional marketplaces are usually small markets where price negotiations and other decisions related to sales are made quickly—often by one or two persons. There may be significant flexibility regarding discounts and additional product benefits. The focus is more on short-term gains and less on long-term transactions and relationships. There is negligible branding and advertising; rather the objective is to sell what has been produced.

**Example of the Traditional Marketplace:**

- The traditional marketplace is still in use today, in some cases, under unique labels such as the bazaars of Turkey, the haats of India, the floating markets in Thailand, the wet markets in Hong Kong, the flea markets in Germany, the souks of the Middle East, the farmers’ markets in the US, and the tianguis of Mexico.

1.3.3 Seller’s Marketplace

The Industrial Revolution in the eighteenth and nineteenth centuries marked a shift to mass production in factories (e.g., textile manufacturing). During this time, transportation infrastructure improved significantly with inventions such as the steam engine and more efficient ships. The banking system was further developed and the exchange of money became easier. Communication was also substantially improved through the development of the postal system and the use of telegraphs. Furthermore, goods were produced more efficiently and economically in factories and could be sold to a wider market. This created the seller’s marketplace.

The main objective of the seller’s marketplace is to establish a supply chain to procure products, and then establish a distribution channel to sell the products to a wide variety of customers, often referred to as “mass marketing.” The practice of using channel partners to sell products was established during this period. Emphasis on branding and advertising is minimal in a seller’s marketplace.
1.3.4 Conventional Mass Media Marketing

In the twentieth century, as the number of manufacturers or industries for specific products grew, consumers had the option to buy from multiple manufacturers. Unlike a seller’s marketplace where sellers have the advantage over customers, mass media marketing features multiple manufacturers, thus shifting the balance of power in favor of consumers. Manufacturers created differentiated perceptions for their products by developing brands or names for their specific products or services with a specific message or positioning. They also began advertising their products or brands for a wider reach.

Primary channels used for mass media marketing are print advertising (newspapers, magazines, inserts, or run of paper), mass mailers (flyers, postcards), television (network, cable, or syndication), radio (national, local, satellite, or podcast), and outdoor advertising (billboards, bus shelters, stadiums). The viable channels for conventional mass media marketing may be restricted in some instances (i.e., some channels may be cost prohibitive or simply unavailable in some markets); however, a company can reach a wide segment of consumers using one or more channels effectively. For example, a business may choose to use only newspaper advertising and mass mailers to advertise the launch of a new business. It is also important to note that identifying the revenue generated from mass media marketing spend can help assess the success or failure of specific mass media marketing campaigns.

The objective of conventional mass media marketing is for organizations to create strong brands and differentiated brand perceptions so that consumers will desire and purchase their products rather than those available from competitors. Thus, mass media marketing usually uses cumulative repetition over time to influence consumer attitudes and purchase actions. Mass media marketing also involves creating distribution channels and appropriate pricing and positioning strategies to ensure that desirable products are available to customers at specific price points. With respect to Corporate Sales, companies started using basic Customer Relationship Management (CRM) systems to store customer data and improve communication with customers.

Examples of the Seller’s Marketplace:

- The seller’s marketplace continues to be used today in some countries where agricultural produce is often procured by the government. The government in turn manages the distribution of the produce to the different markets.
- The seller’s marketplace is also prevalent in industries where the government controls the competition of private companies, for example, the distribution of petroleum products, or licenses that allow only a select few companies to manufacture a particular product in the country.
- If a natural disaster or unfavorable weather conditions cause widespread crop failure in a particular region, a seller who has stores of that particular crop in that location could capitalize on a seller’s marketplace because there would be more buyers than available product.
In recent years, some of these companies have decreased their budgets for conventional mass media marketing, and have in turn increased allocations towards fragmented new-age marketing and/or innovative Internet-enabled business models. One of the key drivers for this change is the fact that consumers generally spend significantly more time online (i.e., using computers, tablets, and cell phones) than they used to, so targeting them through conventional mass media marketing would be sub-optimal.

**Example of Conventional Mass Media Marketing:**

- Conventional mass media marketing continues to be used today, particularly by companies with established brands with relatively high marketing budgets and a broad target market. Companies such as PepsiCo, Coca-Cola, Procter & Gamble, Unilever, McDonald’s, and Walmart, continue to primarily use mass media marketing for marketing their products and brands.

### 1.3.5 Fragmented New-Age Marketing

In recent times, the media has become increasingly fragmented with several hundred television and radio channels, as well as a large variety of print media, including newspapers, magazines, and trade publications. Moreover, since the late nineteen nineties, with the increasing popularity of the Internet and, more recently, smartphones, many options now exist for advertisers to reach a global audience using digital media marketing methods such as cell phone apps, Google, Facebook, Twitter, LinkedIn, YouTube, QR codes, gamification, and proximity marketing (e.g., Foursquare). With all of these options, many marketers find it beneficial to use an integrated approach to marketing by leveraging the strengths of various types of media. Companies must evaluate all media in terms of who the target audience is and what media resonates with them best. In many cases, assumptions will need to be made and incorporated into the media-testing framework (e.g., for each planning period a company might allocate a certain amount of its marketing budget to test new methods).

Some characteristics of fragmented new-age marketing are as follows:

- It is a fact that people now spend more time on the Internet using smartphones, tablets, or computers than they spend through conventional mass media, such as television, radio, or newspapers. This is especially true for the thirty-year-old and younger market segment. Since Sales and Marketing is most successful when it meets the demands of consumers, this change in consumer preferences is significantly altering the Sales and Marketing landscape for established companies. Businesses are discovering that conventional mass media marketing has limited effectiveness and some customer segments are not even reachable using these traditional media forms.

- Fragmented new-age marketing generally supports new, small brands with much smaller budgets targeted directly to customers in a global marketplace. This represents a significant distinction from
conventional mass media marketing, where achieving a global reach for a small company may have been prohibitively expensive.

- While mass media marketing is less targeted and primarily focused on affecting emotional attitudes about the brand, new-age marketing is data-driven and more focused on driving specific calls to action. Also, while mass media marketing typically involves interruption (e.g., people watching a television program which is "interrupted" by an advertisement), new-age marketing is about engagement (e.g., offering relevant content that is of value to people).

- Unlike older media options where Sales and Marketing communications were primarily uni-directional (i.e., from producers to end-consumers), communications have increasingly become multi-directional (i.e., from producers to consumers, consumers to producers, and consumers to consumers). For example, there are multiple rating websites available where customers can provide independent ratings of a company’s products or services, and others, including the company itself, can respond or elaborate on these ratings. Although generally a benefit to both producers and consumers, this trend can make brand management challenging for companies if actual or potential customers perceive that a product does not reflect the brand message intended by marketing efforts.

- Due to the nature of new-age marketing, consisting of multiple media forms and the ability to generate significant information, huge amounts of data (commonly referred to as “big data”) are now available to companies. The ability to process this data through proper marketing analytics, and assimilate such data to generate valuable insights, can become a significant differentiator for ensuring that companies engage in “smart marketing” (i.e., to generate greater revenues with relatively smaller marketing budgets).
1.3.6 Innovative Internet-Enabled Business Models

The growing popularity of the Internet, smartphones, and digital media provide opportunities for a company to not only use fragmented new-age marketing effectively to promote existing products, but also to come up with innovative business models where product demo, customer acquisition, and order fulfillment can also take place online.

Innovative business models may include the following:

- **Online Marketplaces**—Several e-commerce companies have created global online marketplaces for selling books, consumer goods, and other products. In such business models, customer acquisition is usually initiated through the company’s website. The company coordinates with its multiple suppliers to source products; samples, demos, and product reviews are provided on the website; customers make their purchases online; and items are shipped directly to customers.
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Examples of Online Marketplaces:

- Book publishing and retail businesses, which historically gained much success using traditional business models, have been significantly affected by the advent of online marketplaces such as Amazon, eBay, Alibaba, and Flipkart.
- Online payment processors such as PayPal, Stripe, Braintree, and Google Wallet have simplified the way in which payments can be processed by businesses, and have enabled even small start-up companies to sell their products globally.

Online Services—Online services have significantly impacted many traditional product and service industries by transforming existing business models and creating new ways to conduct business.

Examples of Online Services:

- Global Positioning Systems (GPS) and online maps have made physical maps redundant.
- Online learning tools have gained popularity and, at times, can complement or even replace physical classroom training.
- The gaming industry has transformed predominantly to the online community with options for participants to play against opponents from various locations.
- Many travel bookings are now made through online travel portals rather than through traditional travel agencies.

Online Networking—The Internet has made the world a smaller place. People can now have access to their networks at all times. These changes have significantly impacted the way in which people communicate with each other and, in turn, have created new possibilities for innovative business models.

Examples of Online Networking:

- Social media channels such as LinkedIn, Twitter, WhatsApp, Facebook, and Google+, have significantly changed the way in which people communicate with each other.
- Online search engines such as Google, Yahoo, and Bing make it easy to find information and locate businesses globally.
- Internet calling, messaging, and conferencing apps such as Skype, WhatsApp, Viber, and WebEx have made communicating across almost any location much easier and more economical than before.
• **Business Models Using Smartphones**—Smartphones are Internet-enabled cell phones that also allow people to have an ongoing connection to the Internet. Since individuals usually carry their smartphones with them, mobile apps are becoming increasingly popular. Innovative business models based on the use of smartphones can disrupt several existing business models—more so in industries that rely on other forms of communications and networking.

**Examples of Business Models Using Smartphones:**

- Several airlines and travel portals have mobile apps to facilitate the ability to book flight tickets using smartphones.
- Social media channels such as Instagram, Twitter, Facebook, and LinkedIn provide mobile apps that enable users to easily share photos and updates, or chat with friends.
- Some mobile apps allow users to locate nearby restaurants, read reviews, and also post reviews based on their own experience.
- Banking mobile apps allow customers to view their bank account balances, transfer funds, pay bills, and complete other common banking activities.
- Smartphones can be used to scan QR codes used for various marketing purposes.

### 1.3.7 Sales and Marketing as a Continuum

It is important for us to note that the fact that we are in the twenty-first century does not make all the earlier avenues of Sales and Marketing obsolete. Some companies marketing consumer goods continue to spend a significant proportion of their marketing budget on conventional mass media marketing. In some cases a seller’s marketplace continues to be the reality for certain commodities that have a limited number of producers, or where the production is highly regulated by the government or controlled by monopolies or duopolies. Similarly, in some regions or countries, traditional marketplaces continue to flourish.

Rather than viewing the changes as completely replacing the earlier practices, Sales and Marketing approaches should be viewed as a continuum where recent innovations can co-exist with earlier practices. It is the responsibility of a company’s Sales and Marketing teams to make the strategic decisions that will work best to achieve the desired outcomes, given the reality of the markets and particular consumer preferences.

Sales and Marketing students, who read material on the subject, often find it confusing because authors offer varied perspectives that may be difficult to assimilate and comprehend in the present day. Each author’s perspective can also vary depending on when the material was written (i.e., where he or she was on the Sales and Marketing timeline), his or her individual or industry preferences and experiences, and other factors. Conversely, the concepts covered in this Sales and Marketing Body of Knowledge (SMstudy® Guide) are not limited to the perspective of any particular author or industry. The SMstudy® Guide was developed by VMEdu, Inc., a professional education provider which has educated over 400,000 students.
world-wide in more than 3,500 companies. The fifty plus authors, advisors, and reviewers of this book have worked in multiple marketing environments and geographic regions across an eclectic variety of industries. Thus, the insights provided in this book provide a comprehensive detail of the principles and concepts related to Sales and Marketing and specifically to Corporate Sales. It also articulates an action-oriented process approach that can be used by Sales and Marketing practitioners to gain a better understanding of the subject, and then construct a comprehensive and effective Corporate Sales Strategy that supports both the marketing objectives as set out in the Marketing Strategy and the business goals as established in the Corporate Strategy.
### 1.4 Corporate Strategy and its Relationship to Sales and Marketing

Corporate Strategy is the overall direction of the company (as defined by senior management) that takes into consideration an assessment of the existing capabilities of the company and external opportunities and threats. Corporate Strategy usually coincides with the immediate future fiscal period or it could be developed with a longer-term view (e.g., a three-year plan). It is important to understand the overall Corporate Strategy and its relationship to all areas of the business in order to ensure that activities at all levels are aligned and aimed at achieving overall corporate goals. Corporate Sales is one component of the overall Marketing Strategy, and the Marketing Strategy is established using direction provided by the overall Corporate Strategy of the company. Without a clear understanding of where the company plans to be in the near and far future, it is difficult for the Corporate Sales efforts to be crafted to contribute to the sales and marketing objectives or the overall goals of the business.

Corporate Strategy is a combination of the following:

1. **Senior Management Direction and Insights**—This is provided by senior management based on their experience and insights related to the business.

2. **Corporate Product Strategy**—This defines the products or services the company offers, and the research and development (R&D) efforts required to create them.

3. **Corporate Marketing Strategy**—This defines how the company will target, position, market, and sell the planned products, and defines metrics, targets, and budgets for all marketing activities.

4. **Corporate Operations Strategy**—This defines how the company will manage operational activities, manufacture its products (or provide services), and provide the corresponding customer support and warranty.

5. **Corporate Finance Strategy**—This defines how the company will manage its finances, attain funding, and financially sustain its operations. The Finance Strategy should include forecasts and projections and summarize costs, income, and investments.

6. **Corporate Human Resource Strategy**—This maps the human resource capabilities within the company and considers talent management and acquisition needs to sustain growth.
Typically, companies have existing documentation regarding their Corporate Product Strategy, Corporate Marketing Strategy, Corporate Operations Strategy, Corporate Finance Strategy, and Corporate Human Resource Strategy; these must be considered in an integrated manner to define a coherent Corporate Strategy. The level and complexity of documentation for these strategies may vary depending on the size of the company and the breadth of its product portfolio and geographic reach. If formal documentation of these strategies is not available (e.g., as with a start-up company), the teams involved in strategic planning should consider the various strategies using the SMstudy® Guide framework and decide on an overall Corporate Strategy, which can then become a benchmark to execute future plans.

Finalizing the company’s Corporate Strategy can be a time-consuming and rigorous exercise that requires inputs from multiple stakeholders, particularly senior management. It is advisable to execute strategic planning exercises at appropriate and specific time intervals (e.g., once or twice a year), and then finalize a Corporate Strategy on which senior management and the heads of strategy teams agree. Following this process will help to ensure that the leadership team has coherently defined goals and strategies that align with the overall strategic goals of the organization.

Corporate Strategy can in turn be further divided into lower level strategies depending on the complexity of the organization. For example, the Corporate Strategy for an entire company can be divided into strategies for each business unit or geographic region (e.g., country, state, or city), and then subdivided further into a Product or Brand Strategy for each product or brand in a business unit or geographic region. The Product or Brand Strategy is the lowest level in this hierarchy.
Figure 1-4 illustrates the relationship between Corporate Strategy, Business Unit/Geographic Strategy, and Product/Brand Strategy.

While each of the various strategies established in an organization has its own goals and expectations, it is important to note that all activities must align in order to ensure that teams are focused on achieving targets that will contribute to the overall business goals. For Corporate Sales, which is the focus of this book, specific targets are set that will enable the team to measure its own success. However, when goals are aligned across brands, functional areas, and business units, achieving Corporate Sales goals also contributes to the attainment of overall marketing objectives and ultimately assists the business in the successful execution of the Corporate Strategy and, therefore, the achievement of business goals.

Additional information about Corporate Strategy is available in the SMstudy® Guide–Book 1, Marketing Strategy (section A).
1.5 Aspects of Sales and Marketing

The SMstudy® Guide describes six Aspects of Sales and Marketing as follows:

1. Marketing Strategy (MS)
2. Marketing Research (MR)
3. Digital Marketing (DM)
4. Corporate Sales (CS)
5. Branding and Advertising (BA)
6. Retail Marketing (RM)

Since the SMstudy® Guide is geared towards Sales and Marketing professionals or those who desire to work in this field, the six Aspects are based on the six most common and often distinct career fields related to Sales and Marketing. Figure 1-5 illustrates the six Aspects of Sales and Marketing and how they interact with each other.

Figure 1-5: Aspects of Sales and Marketing
The two marketing Aspects that are shown in dotted lines at the top of Figure 1-5 (i.e., Marketing Strategy and Marketing Research) are referred to as “Essential Marketing Aspects.” Both of these Aspects are mandatory and should be used to define, measure, and provide direction for the overall marketing efforts of a company.

The four remaining Aspects (i.e., Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing) are referred to as “Optional Marketing Aspects” because one or more of them could be used by a company to reach its marketing goals and, in some instances, not all are applicable. For example, a small company creating phone apps or online games may decide to solely use Digital Marketing; another company manufacturing heavy equipment may use only Corporate Sales; and a large consumer goods company or global fashion chain may decide to use all four Optional Marketing Aspects to reach its marketing goals.

**Marketing Strategy (MS),** describes how the Aspect of Marketing Strategy aligns with a company’s overall Corporate Strategy and acts as a unifying framework to define and analyze the other Aspects of Sales and Marketing. It also supports the alignment of all marketing resources among all Aspects. Marketing Strategy includes determining internal organizational strengths and weaknesses, as well as external opportunities and threats; identifying and segregating prospective buyers into market segments based on common needs; defining competitive positioning to satisfy specific customer needs; creating pricing and distribution strategies; and defining the metrics, objectives and corresponding budgets for implementation, evaluation, and improvement of all marketing activities.

**Marketing Research (MR)** explains the concepts of Marketing Research and provides a framework to conduct marketing research and to analyze Sales and Marketing data. It also demonstrates how marketing research findings can help the marketing team conceptualize and finalize product features and other components of a company’s Marketing Strategy. In addition, Marketing Research discusses assessment tools that can be used to measure factors that can help drive better corporate decision making, and in turn more decisive marketing actions. Marketing Research can be conducted for any other Aspect of Sales and Marketing. It is commonly used to test multiple marketing hypotheses in order to better understand consumer behavior, finalize product features, define metrics for measuring marketing efforts, and track and improve marketing activities.

**Digital Marketing (DM)** includes all marketing activities that use electronic devices connected to the Internet to engage with customers (e.g., computers, tablets, smartphones). These include activities related to creating and managing effective websites and mobile apps as well as promoting a company’s products and brand through various online channels that help meet marketing objectives. Some of the tools pertaining to Digital Marketing include Search Engine Optimization, Search Engine Marketing, Mobile Device Marketing, Social Media Marketing, and E-mail Marketing. This Aspect also demonstrates how an effective Digital Marketing Strategy can be a force multiplier for the other Sales and Marketing Aspects.
Corporate Sales (CS), which is the focus of this book, outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company’s products and services; understanding procurement management; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. It also emphasizes how corporate sales should interface with the other Sales and Marketing Aspects.

Branding and Advertising (BA) includes concepts of product branding, consumer behavior, marketing communication, and public relations. Branding is the process of creating a distinct image of a product or range of products in the customer's mind. This image communicates the promise of value the customer will receive from the product or products. Branding should remain consistent across all channels of communications with the customer. Advertising is defined in the SMstudy® Guide as any paid form of non-personal communications to existing and potential customers that promote the company's products through all types of media—such as radio, television, and print. Online advertising is discussed in the book on Digital Marketing.

Retail Marketing (RM) presents concepts of all marketing activities related to persuading the end customer to purchase a company's products at a physical retail outlet or store, and efficiently managing the supply chain and distribution channels to improve the reach and sales for a company’s products. This Aspect also discusses how Retail Marketing interfaces with the other Sales and Marketing Aspects.
1.6 Levels of Sales and Marketing Strategy

The Corporate Marketing Strategy, which is a component of the overall Corporate Strategy, is further divided into various Business Unit or Geographic Strategies, which in turn is further divided into particular Product or Brand Strategies for each product or brand. Figure 1-6 illustrates the relationship between Corporate Marketing Strategy, Business Unit/Geographic Marketing Strategy, and Product/Brand Marketing Strategy.

The Corporate Marketing Strategy is defined at a corporate level. It defines the overall marketing goals for the company. These general marketing goals drive more specific marketing strategies for each of the company’s business units or geographies. Each business unit or geography in turn defines its own goals, which are relevant inputs for each area’s particular Product or Brand Marketing Strategies. Each Product or Brand Marketing Strategy (also referred to as ‘Marketing Strategy’ in the SMstudy® Guide) defines Sales and Marketing objectives for each product or brand, which drive specific tactics that align with and often rely on other Marketing Aspects. The marketing activities across all Aspects of Marketing are designed with the marketing objectives in mind. Within the strategy for each Aspect, including Corporate Sales which is the focus of this book, various activities are designed to meet specific targets that the team establishes will
provide a measure of success and enable the team to contribute to the overall marketing objectives and, ultimately, to the business goals.

### Example of Levels of Sales and Marketing Strategy:

#### Global Automobile Company

- **Corporate Level**—A global automobile company specializing in manufacturing luxury automobiles has a corporate goal to grow the revenue of the company by 8% in the upcoming year by launching new models of cars in its existing locations and entering new market segments.

- **Business Unit/Geographic Level**—The automobile company has been organized into multiple business units based on geographies where it conducts business. Each business unit has business unit goals that contribute to the company’s overall corporate goals. The business unit goals for next year are 5% growth in revenue in the United States, 10% growth in China, 4% growth in the United Kingdom, 12% growth in India, and 6% growth in Germany.

- **Product/Brand Level**—To meet the 10% revenue growth target in China, the marketing team in China plans strategies for the three existing brands in the market (i.e., ‘Ceres,’ ‘Pallas,’ and ‘Vesta’) and also plans to launch a new brand, ‘Juno.’ Each brand targets a different customer segment. Ceres is an entry-level sedan, targeted at working professionals who aspire to have a luxury car; Pallas is a minivan, primarily targeted at families with children; Vesta is a four-wheel drive sport-utility vehicle for individuals who want both on- and off-road capability and to still be able to go on long drives; the new brand, Juno is a convertible that the Chinese business unit plans to target at young persons who want a stylish and fun car.

- Each brand team creates a Marketing Strategy for its brand. When creating the Marketing Strategy, the team considers the strengths, weaknesses, opportunities, and threats for the brand; defines the market and identifies the different market segments; identifies the brand’s competition; finalizes the target market segment for the brand; analyzes the target market to create a differentiated positioning for the brand; and then finalizes the pricing and distribution strategies. Each team then determines the appropriate metrics and objectives that will help reach the team’s growth target, and a budget is allocated to each Marketing Aspect. Juno’s key metric is sales and its main objective is to sell 25,000 cars in the Chinese market the year after the vehicle is released. The Marketing Strategy team for Juno decides to use Digital Marketing, Branding and Advertising, and Retail Marketing to reach out to its target market segment. Juno’s product strategy team sets a budget of $1 million for Digital Marketing to sell 3,000 cars, $10 million for Branding and Advertising to sell 10,000 cars, and $15 million for Retail Marketing to sell 12,000 cars.

- **Marketing Aspects Level**—The metrics, objectives, and budgets allocated to each of the Marketing Aspects become inputs for those Aspects. For example, the Digital Marketing team may decide to create a high-quality website with their budget of $1 million with an objective of selling 3,000 cars.
Example of Levels of Sales and Marketing Strategy:

Land Development Company

- **Corporate Level**—A land development company wants to grow to be among the top three land development companies in its state.

- **Business Unit/Geographic Level**—The land development company operates two business units: Residential and Retail. A goal of the Residential Business Unit is to grow that unit by 12% within one year; a goal of the Retail Business Unit is to grow that unit by 10% within the same time period.

- **Product/Brand Level**—Within the Residential Business Unit, the company sells three products: Condominiums, Town homes, and Singles. The Singles Product Marketing Strategy identifies an objective to grow the sale of single units by 15%. To achieve this objective, the teams responsible for building strategy within the various Aspects of Marketing establish specific objectives that are designed to support the overall product objectives and to align with one another.

- **Marketing Aspect Level**—The Company’s greatest strength is the fact that it is an award-winning leader in ‘green’ sustainable development. Therefore, the Branding and Advertising team builds specific tactics that incorporate an increase in reach of its messaging around sustainable development. One specific tactic is to leverage billboard and newspaper advertising with the objective of increasing reach of ‘green’ messaging by 30%. The Digital Marketing team incorporates tactics to support the objective of increasing the ‘green’ sustainable development messaging, stressing the importance of this trend, and positioning the company as a leader in the industry, through the use of various social media channels. One specific tactic is to leverage blogs and online public relations with the objective of increasing the company’s rankings in online searches related to keywords, such as ‘sustainable development.’ The tactics of each Marketing Aspect are aimed at achieving their own specific objectives; however, both support the overall Singles Product Strategy objective of achieving a 15% growth in sales for this product line.
1.6.1 Focus on Product or Brand Level Marketing Strategy

Although Corporate Marketing Strategy is discussed briefly here and in detail in Appendix A of the Marketing Strategy book, subsequent chapters of this book primarily discuss Corporate Sales as a contributor to the Marketing Strategy at the product or brand level. The objective of this approach is to focus on learning these concepts and developing strategies at the most granular level. The concepts, however, can be extrapolated and the knowledge applied to develop strategies at higher levels (i.e., Business Unit/Geographic or Corporate levels).
1.7 Marketing Strategy Overview

All successful products or brands need well-planned marketing strategies in place to ensure that they satisfy the goals set by the corresponding Business Unit or Geographic location, and in turn the overall Corporate Marketing Strategy. Marketing Strategy is therefore one of the most crucial Aspects of Sales and Marketing. It defines a product or brand’s unique value proposition, target markets, and the specific strategies to be used to connect with defined audiences. It also specifies the pricing and distribution strategies for a product or brand, and outlines the specific metrics, objectives, and budgets for all its marketing activities. Among the outputs of the Marketing Strategy are the specific Aspects that will be used to achieve the marketing objectives for a product or brand.

Corporate Sales is a key Aspect for companies involved in B2B sales to achieve its overall marketing objectives. It is important to note, however, that Corporate Sales is just one element of a variety of Aspects of Marketing that companies use to grow their businesses and achieve their corporate goals. For an overview of Marketing Strategy and its various components, see Appendix A.1. For a comprehensive understanding of how to build and execute a Marketing Strategy that aligns all Aspects of Marketing toward achieving both the marketing objectives and the business goals, consult the Marketing Strategy book of the SMstudy® Guide series.
1.8 Corporate Sales Overview

Corporate Sales outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company’s products and services; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. Corporate Sales is an important aspect for companies involved in B2B sales. It outlines the processes that the company needs to follow for generating B2B sales as well as retaining customers through good account management practices. It starts with understanding the company’s sales value proposition followed by creating a suitable sales channel network. Before reaching out to the target segment the company also needs to ensure that it is ready for the sales process by planning for sales governance, setting sales targets, creating appropriate marketing assets, and creating compensation structures. In addition the company also needs to ensure that the corporate sales team is well-trained with respect to process and product knowledge before getting in touch with potential customers. The sales process includes prospecting for potential customers followed by conversion that leads to customer acquisition. Account management is aimed at supporting and satisfying customer needs to ensure high levels of customer satisfaction and customer retention.

Figure 1-7 provides an overview of the important processes and outputs related to Marketing Strategy.
Figure 1-7: Corporate Sales Overview
1.8.1 Understand Sales Value Proposition and Determine Corporate Sales Channels

This chapter reviews the processes required to understand and create the sales value proposition and establish the corporate sales channel network. In the first process, the value of a product or service to customers to facilitate corporate sales is defined. The sales value proposition states positive, measurable outcomes and clearly communicates how the company’s products or services can help meet customer needs and achieve the corporate sales outcomes. The sales value proposition is the foundation upon which other organizational capabilities for corporate sales are built. In the second process, the channel network that will ensure effective customer reach is established.

Figure 1-8 provides an overview of the processes discussed in Chapter 2.

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
1.8.2 Prepare Organization for Sales

The third chapter of this book reviews the processes required to prepare an organization for sales. It describes how to establish and manage a sales process that is aligned to corporate, finance, and human resource strategies and that will meet forecasted sales targets. The sales structure established will depend to a great degree on the nature of the business, the industry, the size of the organization, and its geographic footprint. An effective sales organization is supported by marketing assets and includes a sales incentive structure. The sales organization and governance must be designed to optimally support sales targets and create visibility into the sales team’s performance to allow for adjustments and course corrections as necessary to ensure that the business meets its sales revenue objectives. Since sales targets are directly linked to all sales and marketing and financial objectives, they are essential components in the achievement of the company’s overall objectives.

Figure 1-9 provides an overview of the processes discussed in Chapter 3, Prepare Organization for Sales.
3.1 Plan Sales Governance

**INPUTS**
1. Senior Management Direction and Insights*
2. Selected Metrics*
3. Selected Objectives*
4. Selected Target Segments
5. Finance Strategy*
6. Human Resource (HR) Strategy
7. Existing Sales Process*
8. Existing Marketing Research Reports

**TOOLS**
1. Establishing the Sales Process*
2. Alignment with Corporate Strategy*
3. Determining Sales Organization Structures*
4. Customer Relationship Management Systems
5. Determining Sales Force Size
6. Territory Design
7. Sales Analysis*

**OUTPUTS**
1. Sales Process*
2. Sales Organization Structure*
3. Sales Force Size
4. Territories

3.2 Determine Sales Targets

**INPUTS**
1. Selected Marketing Aspects and Targets*
2. Past Performance Data
3. Details of Competitive Products
4. Opportunities and Threats*
5. Finance Strategy
6. Sales Organization Structure*

**TOOLS**
1. Sales Forecasting*
2. Target Allocation*
3. Macro-economic Factors and Competitive Analysis

**OUTPUTS**
1. Selected Sales Metrics*
2. Selected Sales Targets*

3.3 Create Marketing Assets

**INPUTS**
1. Product Features*
2. Positioning Statement
3. Sales Value Proposition*
4. Marketing Strategy
5. Selected Target Segments
6. Corporate Sales Team
7. Organizational Capabilities

**TOOLS**
1. Meetings and Discussions*
2. Marketing Assets Creation Skills*
3. External Expertise
4. Digital Marketing
5. Branding and Advertising

**OUTPUTS**
1. External Marketing Assets*
2. Internal Marketing Assets*

3.4 Create Sales Compensation Structure

**INPUTS**
1. Human Resource Strategy
2. Finance Strategy
3. Selected Sales Metrics*
4. Selected Sales Targets*
5. Corporate Sales Team

**TOOLS**
1. Meetings and Discussions*
2. Performance Measures
3. Sales Compensation Plans*
4. Formula Construction
5. Compensation Plan Administration

**OUTPUTS**
1. Selected Sales Compensation Plans*

---

**Figure 1-9: Preparing Organization for Sales—Inputs, Tools, and Outputs**

*Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.*
1.8.3 Training for Corporate Sales

This chapter focuses on providing training to the Corporate Sales team. It is essential for the corporate sales team to be thoroughly trained in their job function and be very knowledgeable about the products or services that they are selling, in order to capitalize on sales opportunities, capture the maximum value for sales, and maintain positive relationships with customers. The focus of sales and negotiation training is to generate increased gains in individual sales. Sales training covers the entire range of processes, tools, and skills required—from prospecting to closure. Negotiation training helps the sales teams understand the dynamics of the negotiation process, minimize conflicts, and arrive at mutually beneficial outcomes. Product training equips the corporate sales team to effectively address customers’ technical concerns, communicate the value proposition, assess needs, and answer questions. Product training transforms the corporate sales team from being sales representatives of the company to becoming solution providers or consultants for the customer.

Figure 1-10 provides an overview of the two processes associated with Training for Corporate Sales.

<table>
<thead>
<tr>
<th>4.1 Sales and Negotiation Training</th>
<th>4.2 Product Training</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Corporate Strategy</td>
<td>1. Product Strategy*</td>
</tr>
<tr>
<td>2. Sales Process*</td>
<td>2. Product Features*</td>
</tr>
<tr>
<td>3. Channel Network Design</td>
<td>3. Sales Value Proposition*</td>
</tr>
<tr>
<td>4. Rules for Channel Network*</td>
<td>4. Details of Competitive Products</td>
</tr>
<tr>
<td>5. Organizational Capabilities*</td>
<td>5. Corporate Sales Team*</td>
</tr>
<tr>
<td>6. Assumptions and Constraints</td>
<td>6. Internal Marketing Assets</td>
</tr>
<tr>
<td>8. Corporate Sales Team*</td>
<td></td>
</tr>
<tr>
<td>9. Internal Marketing Assets</td>
<td></td>
</tr>
<tr>
<td>10. External Marketing Assets</td>
<td></td>
</tr>
<tr>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>1. Sales Training Program*</td>
<td>1. Product Training Program*</td>
</tr>
<tr>
<td>2. Channel Partner Training*</td>
<td>2. Trainers</td>
</tr>
<tr>
<td>3. Negotiation Training Program*</td>
<td></td>
</tr>
<tr>
<td>4. Trainers</td>
<td></td>
</tr>
<tr>
<td>5. CRM System</td>
<td></td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. Trained Corporate Sales Team*</td>
<td>1. Trained Corporate Sales Team*</td>
</tr>
<tr>
<td>2. Training Processes and Documentation</td>
<td>2. Training Processes and Documentation</td>
</tr>
</tbody>
</table>

Figure 1-10: Training for Corporate Sales Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
1.8.4 Sales Process–Prospecting

The fifth chapter of this book discusses prospecting which is the first step in the sales process. Prospecting focuses on the market segment that is most likely to yield the highest number of customers and accumulates leads that match a defined profile. Prospecting begins with the Profile Target Customers and Decision Makers process. In this process, the sales team identifies and benchmarks profiling criteria for prospects and decision makers. The outputs of this process are used in the Lead Generation and Qualification process. Lead generation objectives are created and appropriate tools are selected to reach these objectives. The profiled criteria and benchmarks are also used to generate better leads.

Figure 1-11 provides an overview of the processes associated with this chapter.

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
1.8.5 Sales Process–Conversion

This chapter focuses on the next stage in the sales process—conversion. Conversion starts with the Needs Assessment for Each Qualified Lead process. In this process, a needs assessment is conducted that documents both the explicit and implicit, or implied, needs of qualified leads. The corporate sales team then works to create a proposal for the solution with the objective of fulfilling those needs. The solution is presented to the prospects through a formal presentation or meeting. Any objections to the proposed solution are raised by the prospects at this stage. Such obstacles need to be anticipated beforehand and addressed during the presentation. Thereafter, final negotiation can occur to close the deal.

Figure 1-12 provides an overview of the two processes associated with Sales Process–Conversion.

![Figure 1-12: Sales Process–Conversion Overview]

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
1.8.6 Account Management

Chapter seven of Corporate Sales deals with account management. It includes onboarding, account classification, alignment, and client management. Customers may have diverse needs and may be classified as a key account or a strategic account, based on current sales revenue and potential for future growth. Account management involves determining how to best meet client needs and support the ongoing growth of the account. The existing sales organization structure should provide a means for accounts to be assigned and supported effectively. In some instances, with key accounts, adjustments to the sales structure may be required in order to effectively manage and support the account. The customer relationship management (CRM) system and ongoing communication are key tools that support account management. Client management focuses on building firm-wide relationships and maintaining high levels of customer satisfaction and customer retention.

Figure 1-13 provides an overview of the three processes associated with Account Management.

<table>
<thead>
<tr>
<th>7.1 Classification of Accounts and Resource Allocation</th>
<th>7.2 Corporate Accounts Alignment</th>
<th>7.3 Client Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
<td><strong>INPUTS</strong></td>
</tr>
<tr>
<td>1. Corporate Sales Team*</td>
<td>1. Sales Organization Structure*</td>
<td>1. Aligned Corporate Accounts*</td>
</tr>
<tr>
<td>2. Sales Organization Structure</td>
<td>2. Allocated Resources*</td>
<td>2. Corporate Sales Team*</td>
</tr>
<tr>
<td>7. Corporate Strategy</td>
<td><strong>TOOLS</strong></td>
<td><strong>TOOLS</strong></td>
</tr>
<tr>
<td>8. Organizational Capabilities</td>
<td>1. Meetings and Discussions</td>
<td>1. Building Firm-wide Relationships*</td>
</tr>
<tr>
<td></td>
<td>2. Classification of Customers*</td>
<td>2. Customer Satisfaction Measurement*</td>
</tr>
<tr>
<td></td>
<td>3. CRM System</td>
<td>3. Client Retention Tools</td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
<td><strong>OUTPUTS</strong></td>
</tr>
<tr>
<td>1. Classified Accounts*</td>
<td>1. Aligned Corporate Accounts*</td>
<td>1. Engaged Customer*</td>
</tr>
<tr>
<td>2. Allocated Resources*</td>
<td>2. Improved Profitability and Revenues*</td>
<td>2. Improved Profitability and Revenues*</td>
</tr>
</tbody>
</table>

Figure 1-13: Account Management Overview

*Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.*
2. UNDERSTAND SALES VALUE PROPOSITION AND DETERMINE CORPORATE SALES CHANNELS

This chapter reviews the processes required to understand and create the sales value proposition and establish the corporate sales channel network. The sales value proposition is an important part of the company’s corporate sales process. It states positive, measurable outcomes and clearly communicates how the company’s products or services can help meet customer needs and achieve the corporate sales outcomes. The sales value proposition is the foundation upon which other organizational capabilities for corporate sales are built. Sales channels provide the means by which the company will reach its customers; effectively utilizing these channels increases overall business opportunities.

Figure 2-1 provides an overview of the processes associated with this chapter. These are as follows:

2.1 Understand Sales Value Proposition—In this process, the value of a product or service to customers to facilitate corporate sales is defined.

2.2 Determine Corporate Sales Channels—In this process, the channel network that will ensure effective customer reach is established.

—

### 2.1 Understand Sales Value Proposition

**INPUTS**
1. Product Strategy*
2. Senior Management Direction and Insights
3. Selected Target Segments*
4. Product Features*
5. Positioning Statement*
6. Customer Experience and Feedback
7. Details of Competitive Products
8. Existing Marketing Research Reports
9. Existing Customer Database

**TOOLS**
1. Desired Customer Value Analysis*
2. Customer-Perceived Features and Price Analysis*
3. Customer Business Outcome Evaluation
4. Customer Win/Loss Analysis
5. Coherence with Corporate Strategy
6. Marketing Research
7. Meetings and Discussions

**OUTPUTS**
1. Sales Value Proposition*
2. Marketing Research Reports

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### 2.2 Determine Corporate Sales Channels

**INPUTS**
1. Senior Management Direction and Insights
2. Sales Value Proposition*
3. Product Features
4. Distribution Strategy*
5. Pricing Strategy*
6. Opportunities and Threats
7. Performance of Existing Channel Members
8. Selected Metrics
9. Selected Objectives
10. Selected Target Segments*

**TOOLS**
1. Sales Channels and Channel Partners
2. Value Network Analysis
3. Channel Performance Measurement
4. Alignment with Customer Behavior
5. Alignment with Product
6. Channel Economic Analysis*
7. Creating Channel Network Design*

**OUTPUTS**
1. Channel Network Design*
2. Rules of Channel Network*

---

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
2.1 Understand Sales Value Proposition

The purpose of this process is to understand and develop a Sales Value Proposition. The Sales Value Proposition states measurable outcomes and clearly communicates how the products can meet customer needs and achieve the corporate sales outcomes.

Figure 2-2 shows the inputs, tools, and outputs for the Understand Sales Value Proposition process.

Figure 2-2: Understand Sales Value Proposition—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
2.1.1 Inputs

2.1.1.1 Product Strategy*

The Product Strategy is a component of the overall Corporate Strategy and is covered in detail in the SMStudy® Guide—Book 1, Marketing Strategy (section A.2). The Product Strategy details how each product or service will be initially created and provides plans for manufacturing and servicing each product for its target markets. Understanding the Product Strategy helps the corporate sales team identify the most attractive features, advantages, and benefits that become part of the sales value proposition.

Examples of Product Strategy:

- All banking institutions offer business credit accounts with similar features. The better a bank can identify the specific needs of a customer, the more likely the customer will be matched with appropriate account options. A small company may need frequent access to corporate lines of credit and low charges for use. Larger corporations may require less frequent usage, but larger overall fund availability, and they may be willing to pay higher interest rates for access to this larger line of credit. A bank will have a Product Strategy that recognizes the different needs and caters to each.

- A manufacturer of commercial solar panels sells energy efficient panels that require less sunlight to store energy than competing brands. These panels provide business operators with ready access to a less costly source of energy, regardless of weather conditions or daylight hours. This unique value proposition—convenience and greater energy efficiency compared to other sources of energy—helps the supplier to differentiate its products from others in the commercial market.

2.1.1.2 Senior Management Direction and Insights

Senior Management Direction and Insights is covered in detail in the SMStudy® Guide—Book 1, Marketing Strategy (section A.2). Senior Management has a broad understanding of the industry and insights on competitors and customers. They can help identify the factors that can contribute to the creation of an articulate sales value proposition. With their experience in handling key accounts and understanding of overall Corporate Strategy, senior management will also be able to provide key insights into customer target segments and corporate sales potential.
2.1.1.3 Selected Target Segments*

Target segments are the sets of potential customers a company has identified as the most attractive, after analyzing the competitive landscape, the company's strengths and weaknesses, current customer needs, and future potential changes in the market. Understanding the selected target segments helps a company define the value proposition specific to each target segment. A thorough evaluation of the potential target segments is conducted as part of a company's overall analysis of competition, targets, and positioning. It is an output of the Select Target Segments process in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.2).

Examples of Selected Target Segments:

- A machine shop, specializing in custom metal fabrication, may decide to target auto-body shops involved in aftermarket vehicle modification. This decision is based on the company's research into the overall size of the market, the need for highly specialized suppliers, its own experience in that type of fabrication, and the observation that companies in this segment are willing to order online instead of seeking only local suppliers.

- A manufacturer of commercial printers tracks office equipment purchases of a number of large companies and hospital systems. The company has identified several target accounts that made large office equipment purchases more than five years ago, and consistently works the accounts that are likely to upgrade or replace equipment in the next eight to twelve months.
2.1.1.4 Product Features*

Product features are the physical and functional characteristics of a product or service, which are intended to satisfy a customer's requirements. A company can analyze how easy or difficult it is for competitors to provide the same features. An understanding of the features of both the company's and competitors' products is required by the sales team to conduct a comparative analysis between various products and services available in the market. Product features are captured while reviewing a product's differentiated positioning statement. Product features and the positioning statement are an output of the Create Differentiated Positioning process in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.3). Having a comprehensive understanding of product features helps the corporate sales team determine which features to focus on while creating the sales value proposition.

**Examples of Product Features:**

- Records management systems are all developed with the intent to assist a company with the organization of their internal documentation. The features of these systems may differ from company to company. One company may list its features as providing company-wide access, a flexible filing structure, and customizable access permissions. Another company may list features for the same type of product as providing web-enabled access, encrypted security, and unlimited user additions.

- An inventory monitoring system that projects the future inventory needs of a business on a day-to-day basis is providing a feature that would interest a distributor with large daily sales volumes. This feature would likely be of less interest to a small business that can easily monitor inventory needs due to smaller sales volumes.

2.1.1.5 Positioning Statement*

The positioning statement is generally a short sentence or phrase that captures the value of a company's products to its target customers. This is an output of the Create Differentiated Positioning process in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.3). The positioning statement highlights the specific benefits of the product compared to competitive offerings. The positioning statement is broad enough to be relevant for product variants and future market scenarios. In this process of understanding the sales value proposition, the positioning statement is reviewed and built upon to highlight the exact attributes and business value required by a specific customer or target market.
2.1.1.6 Customer Experience and Feedback

Understanding customer experience and feedback on product or service offerings helps a company to formulate the sales value proposition. The corporate sales team can provide key insights on desired customer value from their experience in dealing with clients on a daily basis. It also assists in identifying the key success factors of a product, as well as the gaps customers perceive with existing product offerings. Negative feedback in the form of suggestions for improvement and complaints can be used to gain a better understanding of what the customer desires and how the product can be further improved. Positive feedback can be used to validate the existing value proposition.

Examples of Positioning Statement:

- A company selling irrigation systems has the positioning statement, “The flexibility of our patented design delivers a highly customizable and expandable solution to the irrigation needs of any sized agricultural operation.” Its sales value proposition will reflect this tailor-made approach and focus on customer service and technical expertise applicable to a specific company or industry. It may be modified to demonstrate value and knowledge in commercial orchards, large grain farms, or vegetable producing greenhouses.

- A pension management company differentiates itself from competitors by offering simplified pension management software to corporate clients to reduce financial risk. Its positioning statement is, “We offer a state-of-the-art investment management system to pension plan administrators, enabling the efficient management of operational risk, while managing over 100 financial instruments spread across several asset classes.”

- A professional services firm provides small to medium enterprise/business customers in the manufacturing industry with an end-to-end process review identifying gaps in operational excellence, which allows these clients to save money, scale their business, and create a platform for growth. Its positioning is "We partner with SMBs to build a growth platform by identifying and eliminating unnecessary costs, which can be re-invested in the business—we streamline your operations, your workflow, and your business rules to maximize returns."
Details of Competitive Products

Details of Competitive Products is an output of the Identify Competition process in the SMStudy® Guide—Book 1, Marketing Strategy (section 3.1). Details of competitor products and services within the various customer target segments provide a basis for comparison. Such details include performance on selected criteria, as well as positioning statements, pricing, and sales volume. This information helps set a benchmark for any new products or services offered in the same segment. An analysis of the competitor product features can reveal the key success factors associated with the product or service as well as any drawbacks. The company can then determine how its own offerings can be better positioned to provide more customer value.

Examples of Details of Competitive Products:

- There is a high level of competition in the trucking/transport industry. A company wishing to gain advantage must be aware of the pricing, service levels, and shipping times of others in the industry in order to meet or exceed benchmark levels expected by customers.

- A manufacturer of computer chips created a matrix of necessary components as part of their future product development planning. To build the matrix the team identified the technology required down one side of the table and across the top listed each competitor. The product managers were asked to identify the relative strength for each competitor/component by color code (green = strong, yellow = neutral, red = gap/weak). The purpose of this exercise was to show visually how the company’s product compares to the competitive environment and identify potential acquisition targets or partners for collaboration where there is a good fit with other companies’ relative strengths and weaknesses.
2.1.1.8 Existing Marketing Research Reports

There are two types of existing marketing research reports that can serve as inputs to identify the competition, pinpoint key differentiators, and ultimately determine the sales value proposition:

1. **Industry Reports**—These reports may contain key success factors that helped a competitor gain market share. They may also contain an outlook for the industry such as growth factors, market potential, and future trends. These reports are generally published by consulting firms or industry associations and are publicly available, generally at a price.

2. **Company Commissioned Reports**—A company may have already conducted marketing research on particular target segments in the past. It can utilize this research or commission new primary research in order to understand who the competitors are and to examine their product portfolios. If research on previously identified segments is conducted on a regular basis, the company can also identify trends and changes in the competitive environment.

**Example of Existing Marketing Research Reports:**

- A steel manufacturing company looking to set up a manufacturing unit in a new geographic market can access regional economic reports produced in this market as a starting point to establish baseline data on whether this market is viable. In addition, supplemental data for this analysis can be provided through associations that service the steel manufacturing industry. Additional marketing research reports may also be available within the organization, based on past feasibility studies that have been conducted by the company.

2.1.1.9 Existing Customer Database

By analyzing the existing customer database, the company can gain an understanding of the current customers and determine whether there is any shortage of customers in a particular category or target segment. This can be a key input for formulating the sales value proposition. If customers in the database have been classified, an analysis of the existing customer database will help to better understand if any changes are needed to existing customer profiling criteria.
2.1.2 Tools

2.1.2.1 Desired Customer Value Analysis*

Value is most commonly defined as the benefits minus the cost. For a customer, the benefits include the company’s product or solution, the quality of service offered, and a good relationship or a positive brand image. The costs for the customer include the purchase price and other transactional costs. In a competitive market, the company’s position is affected by the perceived quality of its products and services, relative to that of the competition. Customer value is therefore a market-perceived value adjusted for the relative price of the product or service.

A customer value analysis is conducted to keep a company connected with its customers and to tell the company what must be done to deliver more value. It helps companies identify where they need to strengthen their value proposition. If a company has multiple target segments, the customer value analysis should be conducted for each of the target segments.

Customer value is created by

- identifying the crucial value adding factors,
- developing a strong value proposition, and
- pricing the product at a level that supports the value being provided.
2.1.2.2 Customer-Perceived Features and Price Analysis*

The customer-perceived features and price analysis is an important indicator of how well the company’s product is perceived in the target market. This analysis helps the company understand the product features that the customer perceives as good, as well as the features that need improvement. It also provides an understanding of how customers perceive the product pricing in comparison with that of the competition. It can also indicate whether the efforts to increase value for a particular feature are headed in the right direction. The score can be calculated using a comparison with all, a select few, or individual competitors.

The customer-perceived features and price analysis should preferably be done separately for the product features and the price.

The customer-perceived features analysis can be done using the following steps:

1. The customers of both the company and competing companies are asked to list product features, other than price, that are important in their purchasing decisions. The senior management or corporate sales team can also add to the list of features, based on their knowledge of the products and customers.

2. The various features are weighted. This can be done through a survey or from senior management inputs, based on their understanding of the importance of the features.

3. The customers are then asked to rate the features of the products or services offered by the company, as well as the features of their competitors’ products and services.

4. Finally, the score on each feature is divided by the competitors’ score. This is called the product feature ratio for that feature. For each product feature, a ratio of less than one indicates that the particular product feature is perceived as lower in quality than the same feature offered by the competition; a ratio of greater than one indicates that the product feature is perceived as better than that offered by the competition.

5. After obtaining the ratios for each of the product features, ratios are multiplied by the weights for each attribute and added together to obtain the overall customer-perceived score for all the product features of the company’s product. An overall customer-perceived features score of 100 indicates a position of relative parity with the competition. A score greater than 100 indicates that the product is perceived to be better than that of the competition with respect to overall product features.
The calculation of the customer-perceived price analysis is similar to the process used for the customer-perceived features analysis and helps the company understand how the product price is perceived with respect to competitors’ prices. However, instead of product features, the calculation uses attributes that affect perceptions of a product’s overall cost.

The customer-perceived price analysis is intended to illustrate customer perception of where a company’s pricing sits relative to the prices of its competitors in areas where the product or service has several pricing factors. This analysis is not particularly useful in industries where the price is clearly understood. If the pricing for a particular service is somewhat standardized, or easily determined, such as office leasing price per square foot, then this analysis is not necessary.
2.1.2.3 Customer Business Outcome Evaluation

For a corporate customer, products are purchased to deliver positive business outcomes. A strong sales value proposition focuses on quantifiable outcomes and stresses the business value of the offering to the customer. It is therefore necessary to identify quantifiable, positive business outcomes that the product can provide, to develop the sales value proposition.

A quantifiable outcome represents the tangible value of the offering to the customer. This value is typically expressed in numbers, percentages, and timeframes. There are also related and intangible outcomes that must be understood. Opportunity costs (i.e. the loss of other alternatives when one alternative is chosen) can also be identified and considered in establishing the sales value proposition.

Example of Customer-Perceived Price Analysis:

Consider the same IT solutions company from the previous example. The following table shows the calculation for the customer-perceived price analysis:

<table>
<thead>
<tr>
<th></th>
<th>IT Solutions Company Score</th>
<th>Competitors' Score</th>
<th>Ratio</th>
<th>Weight</th>
<th>Weighted Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardware Price</td>
<td>9</td>
<td>7</td>
<td>0.86</td>
<td>15</td>
<td>12.86</td>
</tr>
<tr>
<td>Installation Charges</td>
<td>6</td>
<td>9</td>
<td>1.29</td>
<td>20</td>
<td>25.80</td>
</tr>
<tr>
<td>Licenses</td>
<td>9</td>
<td>8</td>
<td>1.25</td>
<td>30</td>
<td>37.50</td>
</tr>
<tr>
<td>Internet Charges</td>
<td>7</td>
<td>7</td>
<td>1.29</td>
<td>20</td>
<td>25.80</td>
</tr>
<tr>
<td>Maintenance Charges</td>
<td>8</td>
<td>9</td>
<td>1.11</td>
<td>15</td>
<td>16.65</td>
</tr>
<tr>
<td>Total Customer-Perceived Price Score</td>
<td></td>
<td></td>
<td>100</td>
<td></td>
<td>118.61</td>
</tr>
</tbody>
</table>

Here, the IT Solutions Company has a better score than its competition for all attributes related to product pricing except hardware price (where customers view competitors’ prices more favorably).

An overall price score of 100 represents parity relative to the competition; in this instance the Customer-Perceived Price Score of 118.61 indicates that this IT company’s overall customer-perceived price is favorable relative to the price of the competition.
The information gathered through this evaluation helps the company understand the product attributes desired by the selected target segments. The customer business outcome evaluation documents business outcomes based on these attributes.

Customer business outcome evaluation can be done by interviewing existing customers. Given their experience with the product, existing customers can provide first-hand information on how the offering affected their business outcome. Interviews can be conducted across different areas and positions in the customer organization to determine the impact of the offering. New, desired, business outcomes may emerge and existing business outcomes can be validated.

Customer business outcome evaluation can also be done with internal analysis. The collective wisdom and experience of the company provides a broad overview of business outcomes from a customer’s perspective. However, conducting a business outcome evaluation using only internal input can be risky. Internal assumptions should be validated by customers. Direct input provided by the customers is typically more valuable and reliable input when determining customers’ business outcomes.

**Example of Customer Business Outcome Evaluation:**

- A company selling high-end laser printers to companies features prompt customer support as part of its sales value proposition. For customer convenience, the company offers a variety of user support options, including a chat room, a website with frequently asked questions and answers, an online manual with troubleshooting scenarios, a call center, and onsite service technicians. A customer business outcome evaluation was conducted to assess customer satisfaction with the user support programs. The company interviewed existing customers to receive first-hand information on which customer support programs the customers have accessed over the past six months and how the service may have affected their business outcomes (e.g., printer breakdown time, print quality, problem resolution time). The printer company can then assess positive or negative customer perceptions of specific user support programs. Poorly perceived service programs can be either changed or discontinued to improve customers’ business outcomes. The printer company may also identify the need for changes to printer hardware, determine new features to develop, or propose additional products as a result of the process.

2.1.2.4 Customer Win/Loss Analysis

Customer win/loss analysis is a process of understanding why sales opportunities are either won or lost. A careful win/loss analysis is a cost-effective and efficient tool to understand how customers perceive value.

The process for win/loss analysis starts after a sales opportunity has been won or lost. A meeting is held with important stakeholders, including the sales, product, account management, and customer service team members. After this meeting, the win/loss analysis interviewer must know the details of how the lead was generated, the events that took place during the sales process, and the product or products discussed.
Customer interviews also need to be scheduled immediately after the opportunity has been won or lost to ensure maximum recall from customers about their experience in the sales process.

Customer feedback may be collected regarding customer perception in the following areas:

- performance of the corporate sales team
- marketing materials
- sales process
- product features
- comparison with competition
- pricing

### 2.1.2.5 Coherence with Corporate Strategy

The process of understanding the sales value proposition helps to identify product features that add to the customer-perceived value. The product features that have a high customer-perceived value are compared with the company’s Corporate Strategy and, specifically, the Product Strategy. An alignment of such features with the Product Strategy indicates that there is coherence across the business and that the right target segments are being pursued. Continued reinforcing of the value proposition with strong business value outcomes will ensure effective corporate sales and long-term success.

If the customer-perceived value of the desired product features does not align with the Product Strategy, the company must work towards attaining the desired value to support the Product Strategy. In addition, the sales value proposition must be studied to determine if the right message is being communicated.

If the product is not being delivered according to the Product Strategy, an organizational or process restructuring might be needed. In rare cases, the Product Strategy may also have to be re-examined.
2.1.2.6 Marketing Research

Marketing Research can help strengthen a company’s sales value proposition. Through research, a company can develop a deeper understanding of an industry, the environmental factors associated with an industry, and the product or service value expected by customers in the various target segments. Marketing Research may involve the collection of primary or secondary data to generate research reports that can be used for further training of the corporate sales teams or to refine the Corporate Strategy.
2.1.2.7 Meetings and Discussions

Meetings and discussions play a vital role in understanding the product and strengthening the sales value proposition. Meetings and discussions should involve experienced corporate sales professionals, senior management, various business or functional heads, and corporate sales team members. In such meetings, ideas can be discussed and insights shared among team members. The outcome of these exercises provides direction to the company, corporate sales teams, and other teams for various types of business scenarios and ensures alignment across all divisions and departments.

Examples of Meetings and Discussions:

- On a regular basis, a large media company meets with the local and national sales teams in order to discuss both large and small accounts. Included in these meetings are discussions on how business is going and potential opportunities in terms of service and product offerings. The meetings provide a forum to share ideas and to leverage the experience and knowledge of those who are on the front lines with customers as well as to gather feedback from the various stakeholders and include them in the business development process.

- As a part of its sales process, a consulting firm conducted annual account reviews that included meetings and discussions with key stakeholders in its large accounts. The purpose of these meetings was to solicit feedback on its performance and to identify opportunities to further expand its penetration into the account in subsequent business cycles. The meetings also provided insight on future product development, customer satisfaction on implementation, and feedback that can be measured to create success stories for the consulting company.

Examples of Marketing Research:

- Marketing Research (both primary and secondary) can be used to uncover changes in customer needs. An HR outsourcing and consulting company recently discovered that corporates are changing their hiring policies. It used a secondary research report conducted by a leading university, which showed that corporates place more emphasis on one’s emotional quotient (EQ) than on one’s intelligence quotient (IQ). The business implemented new processes to cater to this change.

- A new player is seeking to enter the Enterprise Resource Planning (ERP) software market. The company can expect enormous competition from established players. The company realizes it cannot compete on price alone. It might therefore consider marketing research to determine how to best compete in the industry while remaining profitable. Primary research could include the identification of unmet needs, such as better financial and operational modules for corporate customers in specific industry verticals.
2.1.3 Outputs

2.1.3.1 Sales Value Proposition

A sales value proposition clearly communicates how a company’s offering can help a customer achieve better results. As a result of the evaluations conducted in this process, the overall positioning statement is enhanced to reflect the business value offered for a specific company or target segment. It presents measurable business outcomes and helps decision makers understand how the use of a particular product or service will help them. It factors in the results from the customer value analysis and provides the sales team with an understanding of how to better position a product in the market. It can also illustrate the competitive advantage over other suppliers.

A sales value proposition should convey the following:

- product features
- product benefits relevant to the selected target segment
- business outcomes for a selected target segment

**Examples of Sales Value Proposition:**

- Systemic Waste Management’s clients saved an average of 8 percent in disposal costs per project and generated 15 percent less waste. Through progressive adherence to Leed Gold standards, the business provided waste management guidance for commercial contractors. Its focus on minimized waste, reuse, and recycling, led to substantial development cost savings and long-term operational savings for its clients. Its marketing messages emphasized that using resources wisely benefits everyone, and emphasized that the company’s primary objective was to help its clients do precisely that—use resources wisely and efficiently and reduce waste.

- Instead of promoting that it “sold 420 properties last year,” a large commercial real estate firm developed a sales value proposition that focused on saving clients’ money by leveraging the company’s collective professional experience and effective negotiation techniques. Its marketing messages stated that it “collectively saved clients over $12M last year, through professional and effective price negotiation,” which is a much stronger value proposition for clients.

2.1.3.2 Marketing Research Reports

During the process of understanding the sales value proposition, ideas and insights are generated and shared. These inputs are beneficial for the company both in the long and short term. The ideas and insights are documented in the form of research reports. Research reports can be used in future training of the corporate sales teams and may also be helpful in refining the Corporate Strategy.
Example of Marketing Research Reports:

- Gen Solar Tech, a solar energy company that provides solar and battery storage services to commercial customers, has just completed a strategy session where they discussed, agreed on, and documented its sales value proposition. The meetings included discussing its solar products and associated features, benefits to the customers and, of course, the business outcomes. The sales value proposition that the team has agreed upon will inform the strategies going forward. As well, the team has documented the ideas and insights from the meeting, in the form of marketing research reports, which will be beneficial for future sales training sessions and in refining its Corporate Strategy.
2.2 Determine Corporate Sales Channels

Distributing the product or service from the manufacturer to the end customer is a crucial activity for any company. The path the product or service takes can vary from company to company, depending on various factors such as the type of product, the buying behavior of consumers, and the costs of distribution. Historically, companies sold their products through their own sales team. This channel of sales is called direct sales. With the advent of many new industries, products, and new geographical avenues for sales, more complex sales channel designs were developed with a variety of intermediaries. In an indirect sales channel, an intermediary represents a company in the interactions with the end customer. Numerous indirect sales channels have been developed over time. These include distributors, resellers, value added resellers, and integrators. A detailed description of the most common corporate sales channels used today is provided in Appendix A.3. A company needs to decide which of these are the appropriate channels for its business, select the most suitable channel partners, and create a channel design that is aligned with business objectives and designed to help meet corporate sales targets.

Figure 2-3 shows the inputs, tools, and outputs for the Determine Corporate Sales Channels process.

Figure 2-3: Determine Corporate Sales Channels—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
2.2.1 Inputs

2.2.1.1 Senior Management Direction and Insights

Senior Management Direction and Insights, which can be provided by the founder(s), CEO, and others in senior management positions, provide direction to employees with regard to strategic vision and future goals. Senior management can help determine market shifts or envision new market segments or customer needs, even before such needs can be articulated through market research or consumer behavior studies. The corporate sales channels should be aligned with the strategic vision and future goals of the company. Senior management plays a crucial role in determining the optimal product or service distribution channel. They are also involved in assigning sales targets for each channel, selecting performance metrics, and analyzing performance of each channel partner.

2.2.1.2 Sales Value Proposition*

The Sales Value Proposition is an output of the Understand Sales Value Proposition process described in section 2.1. The structure of the channel design should reflect and support the sales value proposition and may be captured in the positioning statement. The success of the positioning is highly dependent on how well the channel design supports the positioning of a product or service and the sales value proposition. A sales value proposition that reflects a premium positioning may require fewer numbers of intermediaries and a high degree of control over the intermediaries to ensure the quality of service and purchase experience are consistent with the sales value proposition. Positioning for the mass market, on the other hand, requires a company’s product to be available through as many distribution outlets as possible.

Examples of Sales Value Proposition:

- An electronic component manufacturer might have a sales value proposition that focuses on premium quality, supporting this positioning with a statement that customers can return any order within thirty days if they are not completely satisfied with the quality. Such a positioning will require building a return policy in the Distribution Strategy.

- A company selling irrigation systems has the positioning statement, “The flexibility of our patented design delivers a solution that is highly customizable and expandable to the irrigation needs of any sized agricultural operation.” Its sales value proposition will reflect this tailor-made approach and focus on customer service and technical expertise that is applicable to specific companies and industries. The value proposition may be modified to demonstrate value and knowledge in commercial orchards, large grain farms, or vegetable producing greenhouses.
2.2.1.3 Product Features

The nature of a product and the specific product features are significant inputs to the Determine Corporate Sales Channels process. Heavy physical goods, such as industrial machinery, require special arrangements for transport during delivery. This is not the case with light goods such as office stationery. Furthermore, a product with sensitive components that may be damaged during transit needs to be handled more carefully than non-fragile items. In the case of services, the nature of a service and its target market determine the most appropriate channels. A service designed for a select group of customers will have a different number and type of distribution intermediaries than a service provided to a mass market. For example, a financial services company may prefer to communicate directly with its most valuable customers through a dedicated relationship manager when selling its premium services. However, it may prefer selling its generic services, targeted at high volume and at lower unit prices, to customers through a centralized call center or an online portal. Product Features is an output of the Create Differentiated Positioning process in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.3).

Examples of Product Features:

- Ultraturf Inc., an artificial turf manufacturer, provides numerous types of turf grades to suit the diverse needs of commercial customers. A sales representative for an artificial turf dealer who is well versed in competitor offerings in the market can advise customers how Ultraturf grasses are more durable and better long term options for certain customers. Other customers may not need some of the more expensive turf available and the dealer will need to tailor the purchase to the specific customer needs. Ultimately, the grass purchased and the installation approach should meet the requirements of each individual customer.

2.2.1.4 Distribution Strategy*

The Distribution Strategy is an output of the Determine Distribution Strategy process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 4.2). The Distribution Strategy for a company's products or services should be designed to ensure that the products or services are delivered to customers on time, in the best possible manner, and with costs that are aligned with the Pricing Strategy. The Distribution Strategy should contain the following information:

- the specific distribution model to be used—whether it will be intensive, exclusive, or selective
- the levels of intermediaries that will exist between the company and each of the target markets
- the specific distribution channels that will be used for each of the target markets
- the stages in the distribution channel where any external channel members will be used
- the entities in the value network that have the most impact on the Distribution Strategy and the measures that need to be taken to minimize any negative impacts and maximize any positive impacts that result from the use of those entities
The Distribution Strategy is the most important input in the Determine Corporate Sales Channels process as it provides direction to determine the sales channels. The information contained in the Distribution Strategy, such as the specific distribution model, levels of intermediaries, and specific distribution channels to be used, guides the channel design and the selection of the specific channel partners.

Examples of Distribution Strategy:

- Klean and Go is a national janitorial supply company. It must compete with other commercial cleaning suppliers who offer similar, if not the same, office cleaning supplies and products. Klean and Go therefore decides to use an exclusive distribution strategy to ship its supplies and products to different regions in the country. This allows Klean and Go to ship orders promptly through a single, dedicated channel in each geographical region. By doing this, the company can also provide better service to clients than its competitors and reduce purchase prices for its customers through savings realized from reduced shipping costs.

- A professional training provider may determine that the best distribution strategy is to sell directly to large corporates. It may build a sales force that could consist of regional sales managers along with training specialists who have professional experience conducting classroom/online trainings. It may also consider selling to small to medium enterprise/business customers through a separate sales team that generates leads through online channels.

- Intensive distribution is required where customers have a range of acceptable brands from which to choose. In these instances, all possible outlets need to be considered for widespread distribution of products. In the case of electronic component manufacturers, distribution channels would include direct sales, distributors, integrators, etc.

2.2.1.5 Pricing Strategy*

The Pricing Strategy is an output of the Determine Pricing Strategy process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 4.1). The Pricing Strategy outlines the overall price for goods and takes into account the estimated costs for sales and distribution. The channel design needs to be established with consideration of the costs associated with the selected channel partners. Without considering pricing, the company might decide to use a high-cost sales and distribution channel that can adversely affect profitability, or the company might choose an economical intermediary that does not offer the desired level of service, therefore affecting total revenue and profitability. For example, if the Pricing Strategy for a product allocates only 10 percent of the price to cover sales and distribution costs, but the sales channel ships the products through a courier partner that charges 15 percent of the product price, the profitability of the product will be adversely impacted. Considering the Pricing Strategy while determining the channel partners will ensure that both revenue projections and profitability goals are met.
2.2.1.6 Opportunities and Threats

A company must be aware of laws, industry norms, and existing relationships pertaining to the structure of channel networks. Exclusive relationships between large manufacturers and large distribution companies may be questioned under anti-monopoly laws, for example. Industry norms may also determine how easily a company can establish a certain type of distribution network. In some industries, there are a few intermediaries that carry out distribution activities for well-entrenched companies. A new entrant needs to be aware of such relationships to break into such a distribution network. There can be opportunities for a company if the target segment in a certain industry is open to the idea of direct selling, which can increase profitability for the company by eliminating the need for intermediaries. There may also be political forces at play, favoring or opposing a certain method of distribution. For example, in the retail sector, some might argue that large retail chains pose a serious threat to small retail stores. A company needs to evaluate the prevailing situation to decide whether it should focus on large retail chains or a number of small retail stores to distribute its products.

Increasingly, e-commerce is enabling companies to sell their products or services directly to end-consumers without the need for any intermediaries. E-commerce can be very disruptive to existing companies that have invested significantly in setting up elaborate distribution networks with multiple intermediaries. For example, established book retailers with physical stores and franchise networks have seen their revenues and profitability decrease in recent years. Well-funded online book companies that sell directly to customers, can offer better discounts, significantly disrupting the traditional book publishing distribution model of selling books through multiple physical retail store locations.

Examples of Pricing Strategy:

- An innovative technology company that is bringing a unique product to the market may use a skimming pricing strategy. This will result in the use of a relatively high initial price because the product is unique and offers added benefits to customers. A sales channel design that best communicates the value proposition will need to be implemented to move the product in the early stages of sales. Over time, as the product matures, the company may decide to drop the price and implement a competitive pricing strategy. The sales channel design may also be adjusted as consumers become more knowledgeable about the technology, and less expertise is required to sell the product.

- A manufacturer experiencing declining profit margins does not need to necessarily increase prices to address this shortfall. Instead, a less costly channel design may be sufficient. If the products are mature and less touch points are required with buyers, the business may choose to expand its online channel, making it simple for customers to purchase directly through its own website or online distributors. The size of the direct sales force, which can be a significant contributor to sales costs, can also be scaled back to reduce the cost of sales and thus improve profitability.
2.2.1.7 Performance of Existing Channel Members

A company usually collects information about its channel members through the existing financial and operational transactions it has with them. This information may include data on quotas, inventory levels, delivery times, and response to sudden changes in supply. This information, which is generally contained in the company’s supply chain management or enterprise resource planning systems, helps to determine which existing channel members should be retained, which members can be entrusted with critical products, and which members may need to be replaced.

Example of Performance of Existing Channel Members:

- A catering company specializing in corporate events may focus on the preparation and quality of the food it provides and overlook the performance of distribution. Catering delivered late, cold, or with poor presentation will result in decreased customer satisfaction. Regularly reviewing the performance of this distribution channel will minimize issues.

- A wholesaler that outsources shipment of its products to retailers through a distribution center needs to monitor order-delivery cycle times of its distribution center, as well as order fill rates. This will allow the wholesaler to assess the performance of its distribution channel in managing inventory issues that might contribute to product back orders or incomplete shipments.

- Glass Tile and Co. outsources shipment of its products to kitchen and bathroom renovation companies through a distribution centre. It needs to regularly monitor the completeness and timeliness of the distribution centre in filling customer orders. Any concerns regarding the distributor’s ability to manage inventory or fill orders can then be addressed to reduce costly back orders and product substitutions for short-shipped or late orders shipped to contractors.

2.2.1.8 Selected Metrics

Selected Metrics is an output of the Determine Metrics process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 5.2). In this process, metrics are identified for each of the four major categories under which a company’s product or brand marketing activities can be measured. These four categories are customer reach, brand perception, product availability, and sales and profitability. The sales metrics
pertaining to each channel are tracked to measure the performance of the channel. It is important that the selected metrics remain relevant and manageable—neither too many nor too few—to ensure that useful data is being tracked that will provide a good indication of the performance of the sales channel. The metrics chosen should be clearly defined and specific.

2.2.1.9 Selected Objectives

Selected Objectives is an output of the Determine Objectives process described in the in the SMStudy® Guide—Book 1, Marketing Strategy (section 5.1). In this process, objectives are established for each of the four major categories under which a company’s marketing activities can be measured. These include customer reach, brand perception, product availability, and sales and profitability. The selected objectives should be attainable based on an understanding of existing resources, and time-bound to provide the sales and marketing teams with a tool to monitor progress.

These objectives determine how resources are allocated to the various Sales and Marketing Aspects. They serve as reference points to measure the performance of a product’s or brand’s Marketing Strategy. It is therefore important for objectives to align with the overall long-term Branding Strategy for every product or service, as well as the overall Corporate Strategy of the company.

Examples of Selected Objectives:

- A manufacturer of wire and cable for the trucking industry has focused on setting objectives related to customer reach, brand perception, product availability, and sales and profitability. One of the objectives is to increase revenue and profitability. Numerous dealers were asked for input on frequency of purchases, pricing, and the types of purchases made on various occasions, as well as their degree of satisfaction regarding the product and the delivery process. This information can help drive the development and/or refinement of the sales channels used.

- The selected objectives of a management consulting firm may focus primarily on increasing the reach and service availability of their company. The company targets a 10 percent increase in the number of corporate contacts in its customer database. To meet this target, the company might review online delivery of service, in the form of web meetings, as an additional channel.

- Drill Bitz is a company that sells specialized drill equipment to oil and gas exploration companies. It has learned from customer feedback and surveys that oil and gas companies typically make purchasing decisions based on the lowest cost provider. As a result, Drill Bitz is frequently compelled to reduce its prices to avoid losing customer orders to competitors. Drill Bitz therefore decides to pursue a new marketing strategy to change its brand perception from being simply a low cost provider to a supplier that provides customer value in other ways, such as superior quality products and after sales service.
2.2.1.10 Selected Target Segments*

Understanding target segments is a key factor in determining the corporate sales channels. It is an output of the Select Target Segments process in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.2). The marketing strategy team creates a document that contains the identified target segments and all relevant information on those segments. This information is critical in determining the types of channel partners and the level of control to be exercised on them. For example, if the target segment of a manufacturing company is a large number of small and medium sized businesses within a particular industry, then the company may choose to use distributors, resellers, and value added resellers. However, if the target segment is a few large corporations, the company might use the direct sales channel.

Examples of Selected Target Segments:

- For a high-end, gourmet cooking supply company, the target audience (i.e. the decision makers who would select its products to be used in their hotel chains and high-end restaurants) is educated and upscale consumers that typically read niche cooking publications and generally watch episodes on food network. These consumers also like to dine at gourmet restaurants, tend to drive luxury vehicles, and vacation on a regular basis. As a result, the company wants to focus on distributing its products through any and all channels that reach this target audience. The channel options selected should be consistent with the image and reputation that this company is trying to establish with its positioning. Media purchases and print advertising decisions are carefully made to ensure the target audience is being reached cost effectively.

- Foam Insulation Suppliers (FIS) manufactures and sells insulation equipment and supplies to residential construction companies. FIS decides to introduce an e-mail marketing campaign that directly targets home builders in the area. The campaign offers introductory prices to new customers and volume discounts for large orders of foam spray materials and applicators. The e-mail campaign also gives a 1-800 number for building companies to contact the sales department at FIS for further information.
2.2.2 Tools

2.2.2.1 Sales Channels and Channel Partners

Businesses have several options to consider in determining the best channels and channel partners to use in order to communicate the value proposition to customers and generate sales. Some channels have higher costs associated with them. Some require significant infrastructure or expertise. There are advantages and disadvantages associated with each of these channels. Several of the more common sales channels and channel partners are described herein. A more comprehensive description is provided in Appendix A.2.

**Direct Sales Force**—A direct sales force consists of employees who work exclusively for the company. It is one of the oldest and most commonly used channels of sales. The direct sales force sells products and services directly to customers, has a high level of interaction with customers, and is responsive to customer needs and queries.

**Resellers**—A reseller is a company that purchases a product or service to sell to another party. A reseller is also known as a dealer or broker.

**Value-Added Resellers**—A value-added reseller performs the same functions as a reseller but also bundles or adds a product or service to provide a solution to its customers. Value-added resellers often form partnerships with more than one company to provide solutions. This might include customizing, integrating, training, or consulting.

**Distributors**—A distributor is a company that purchases products from a manufacturer and resells them directly to an end user or another business in the same or related marketplace. Distributors are a form of resellers, but typically distributors have a closer relationship with the manufacturer, often with guaranteed revenue targets and other contractual commitments.

**Integrators**—An integrator is similar to a value-added reseller. An integrator offers a high degree of industry or technical knowledge to provide sophisticated solutions to customers, based on other products or services used by the customer.

In addition to these, businesses may also use direct channels such as websites and telemarketing to reach customers. Growing popularity of the internet has also led to the development of innovative Internet-enabled business models such as online marketplaces which serve as another avenue of sales for businesses.

2.2.2.2 Value Network Analysis

Value network analysis involves looking not only at a company’s supply chain and its customers, but also at the supply chains of the company’s vendors and their customers. Value for the end customer is created through coordinating the various supply chains. All the interrelationships between the supply chains make up the value network. In graphical representations, a value network is depicted by nodes representing members, and arrows representing relationships. During value network analysis, the company identifies all...
of its networks and relationships and then analyzes where, how, and how much value is created at each node in the network. This tool is described in detail in the SMStudy® Guide–Book 1, Marketing Strategy (section 4.2). Figure 2-4 shows a sample value network.

In this example of a value network, the relationships between various contributors can be observed. The consulting firm can analyze which aspects of the chain are creating the most value for the customer.

Network relationships are difficult to develop if each party only looks at its immediate relationships in the distribution chain. Value network analysis provides a holistic view of how value is created for the end customer. If all parties are aware of how they fit into the overall network, they can create more value than they can by operating in isolation.
Channel Performance Measurement

Channel performance measurement is a key activity when a sales organization employs different types of channel partners. In more complex multi-channel structures, it becomes even more important due to the number of people, processes, and roles involved.

The various channels have different purposes in the value chain; however, each task needs to support the overall corporate goals. As the number of channel partners increases, it is difficult to ensure that the channel partners are performing their specific roles as effectively as required. For example, the goal of a business might be to increase the number of strategic accounts. However, in order to gather maximum possible commission, channel partners might be engaged in getting the maximum number of accounts possible with total disregard towards prioritizing the acquisition of strategic accounts. It is therefore important to audit the channel partners and incentivize them for activities that are aligned with the corporate goals. The channel performance should also be judged on the ability to fulfill given tasks. A few carefully chosen metrics can give a good indication of the performance of each channel.

The channel performance measurement is primarily a four-step process.

1. Define the sales objectives
2. Determine channel performance metrics
3. Set channel partner targets
4. Manage channel performance
1. Define sales objectives

The first step in channel performance measurement is to define the sales objectives for the company. Such objectives are defined in the Determine Objectives process in the SMStudy® Guide—Book 1, Marketing Strategy (section 5.2).

2. Determine channel performance metrics

Evaluating the performance of a distribution channel depends largely on the agreed upon performance metrics. Choosing the right number and type of performance metrics can help to monitor and improve the performance of channel partners. These metrics provide an understanding of how well the channel partner is doing in reaching its performance targets.

It is possible to evaluate a channel on hundreds of performance metrics, but this would make reporting and analysis of the performance a cumbersome job. When determining channel performance metrics, a key performance driver, such as sales or units sold, should be chosen to identify and measure the most important tasks. A series of performance metrics are then decided based on the key performance driver.

3. Set channel partner targets

After overall sales objectives are defined, it is important to assign specific targets to each of the channel partners to ensure they are in alignment with the overall objectives. Properly set targets provide a benchmark to measure channel success, monitor performance, and take corrective action to meet expectations.

Each channel partner has a specific role towards fulfilling the overall sales objectives. Performance targets should be set to reflect the channel partner’s contribution to the overall objectives. For example, suppose a manufacturing company has an overall sales objective to “increase sales revenue by 20 percent next year.” If the company had only one channel for distribution, the channel partner's sales target would be the same as the sales objective. However, in the case of multiple channels, each channel would be assigned a different role to contribute towards fulfillment of the overall sales objective.

4. Manage channel performance

This is the final step in channel performance measurement. It uses the agreed upon goals, assigned performance targets, and identified performance metrics to manage channel performance on an ongoing basis and to identify the performance shortfalls of the channel partners. During this step, management gains an understanding of the strengths and weaknesses of each channel. Management can then take corrective action to ensure efficient performance of the channel.
2.2.2.4 Alignment with Customer Behavior

Customer buying behavior is an important factor to consider when selecting sales channels. As well, businesses should consider the customers’ preferred channels, which can vary by market, as well as customers’ acceptance of and disposition toward new channel options.

There are three steps to align channel selection with customer preferences:

1. Identify Customer Preferences
2. Offer Flexible Channels Based on Customer Preferences
3. Modify Channels Based on Changes in Customer Preferences

1. Identify Customer Preferences

Customer buying behavior and preferences are recorded and studied for every industry. These define the boundaries of possible new channels. A customer survey is the best way to obtain data on the customer's channel preferences. The survey should be conducted on major accounts as well as minor accounts to cover the entire range of preferred channels. The survey should collect key information about the customer, such as customer size, transaction volume, market segment, etc., as well as information about channel usage and preferences, including speculation about future usage.

Customer surveys can also help to determine customers’ willingness to buy through less expensive channels. The willingness to buy must always be considered with caution as the customer may not have considered all the risks while completing the survey. Companies therefore should not rely solely on customer surveys to make decisions about different channel options.

A more accurate predictor of customers’ channel preferences is their historical buying habits. Among the considerations are the channels they typically use, the rate of migration to alternate channels when making different purchases, and the channels that were rejected by some customers. Analysis of existing buying behavior should be conducted on three types of customers—existing customers, competitors’ customers, and customers of other industries that use similar channels.

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Example of Channel Performance Measurement:

- A plywood company uses both dealers and a direct sales force to cater to its customer base. It evaluates both channels on the basis of customers reached and profit per customer. It finds out that though dealers provide it with wider reach it can earn more profit from direct sales. Hence, when it decides to expand to a new geography it decides to use a dealer network first to establish itself.

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2. **Offer Flexible Channels Based on Customer Preferences**

Customers have different buying criteria and purchase in different ways based on their needs. Understanding the needs and behavior of the customer and mapping channels with customer behavior and preferences is a key component of corporate sales success. A company can achieve this by providing flexible buying options. Failure to respond to buying criteria may result in not satisfying the buying needs of customers. Companies cannot assume that a channel selection is based on the product only and invest only in one channel that satisfies that particular product. Customers prefer having various options to purchase. A company’s channels must therefore be flexible enough to cater to different purchasing behaviors of various customers.

3. **Modify Channels Based on Changes in Customer Preferences**

It is important for companies to continually assess customer behavior and channel preferences. Typically, customers initially prefer high standards of service and support. Over time, however, priorities usually shift to price, self-service options, and ease of reordering. Preferred channels also change from high-cost channels, such as direct sales, to low-cost channels such as website self-service. Customers may also be less willing to pay for premium channels that they no longer feel they need to use. Companies can make the mistake of not offering an alternate channel that caters to new buying behaviors. A better solution would be to provide an alternative channel that meets changing customer behaviors. Declining margins or declining sales in key accounts can be an indicator of the need for a distributor to invest in alternate channels.

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**Example of Customer Preferences:**

- It once would have been unthinkable to make an expensive purchase of a required component without a face-to-face meeting with sales reps from the manufacturer. Improvements in IT, better online banking security and fraud protection, and the ability to review an unknown supplier’s reputation through social media sites and customer feedback forums has changed this. Companies now are willing to make large purchases without the direct contact once required. This has opened up larger territories and new sales channels for businesses.
2.2.2.5 Alignment with Product

It is important for a company to anticipate which channels will best fit the product offered. Channel-product fit can be understood as the relationship between product complexity and channel touch. Complex products that require a lot of service, training, and support tend to fit better with high-touch channels, which provide sufficient interaction between buyers and sellers. Simpler products are sold more effectively through low-touch channels.

Figure 2-5 illustrates the continuum from low touch to high touch of various channels. A direct sales channel such as the company’s sales force is a very high-touch channel that provides a significant amount of interaction, support, and post-sales service. Indirect channels such as distributors and value-added resellers are positioned lower in the channel-touch continuum. Telemarketing and Internet, which are direct marketing channels, are low-touch channels, offering much less customer support and interaction, negotiation capability, or problem resolution. High-touch channels are generally more expensive to operate than low-touch channels. Similar products usually tend to fit with one type of channel. However, other channels may need to be considered depending on customer preferences and operating costs.

Example of Alignment with Customer Behavior:

- Once AX Technology Inc. developed and solicited customer feedback via an online survey, it was able to obtain input on the customer's channel preferences. This included gathering input on current channel use, customer information, such as transaction size and transaction volume, as well as ideas on which channels the customer believes would be most prominently used in the future. AX Technology Inc. then evaluated the historical buying habits of its customers including which channels they have typically used in the past. The combination of results from the survey, historical buying patterns, and customer speculation about future channels resulted in the alignment of sales channels with customer behavior and channel preferences.

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2 Oxford Associates, adapted from Rowland T. Moriarty, Cubex Corp.
Attributes of Product-Channel Fit

Product-channel fit assessment is about identifying the right amount of channel touch required to match the complexity of the product. The product-channel fit is affected by the following criteria:

- Definition
- Customization
- Aggregation
- Customer education
- Substitution
- Maturity
- Customer risk
- Negotiation

**Definition**

Definition is an important attribute that helps determine the product-channel fit. A highly defined product or service is one in which the features and benefits are self-explained, well-articulated and easily understood. The less defined a product or service, the higher the need for a high-touch channel.

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Customization

Products typically differ in the amount of customization and configuration required during the sales process. Typically services tend to require a high degree of customization based on inputs gathered from the customer. Standardized industrial products on the other hand require negligible customization.

Aggregation

Aggregation refers to whether a product is a standalone offering or is part of a larger solution. If the customer buys only the overall solution, then an indirect channel is used to build the total solution for the end customer. IT services are often sold as an aggregation of multiple products and services. Direct sales are usually required to assist the customer in understanding how the various hardware and software components will work together to provide an overall solution.

Customer Education

Products can differ in terms of how much customer education is required as well as how much of the education the customer can learn independently. Products that require a high degree of training are generally not suitable for low-touch marketing channels or mass-distribution channels. These products require the use of a direct sales force, value-added partner, or a distributor who is trained to provide customer education.

Substitution

Product substitution is the ease at which one product can be substituted for another. The traditional principle is that the more easily a product can be substituted, the higher the requirement for control over its distribution.

Maturity

Maturity is a very useful concept in determining the product-channel fit. As shown in Figure 2-6, a product goes through four distinct phases in its lifecycle. Determining the product’s phase in the product life cycle can significantly help in channel selection.
The phases in the product life cycle are as follows:

- **Introduction**—New products are typically not well defined and need a high degree of customer education. Therefore, new products generally require a high-touch channel to be positioned well with customers. A direct sales force is the most suitable channel in this phase. However, if a company has already established a low-cost channel for a similar product, it can use the existing channel for the new product as well.

- **Growth**—In the growth phase, the company is looking at maximizing the product’s market share and channel fit for the product. The company should look to enlist as many channel partners as possible to achieve the required growth.

- **Maturity**—The product in this phase becomes subject to increasing competition and market pressure. Margins start to reduce due to product substitution, affecting the ability of high-cost channels to support the product. Although growth is still the target, the company’s focus now is to retain and motivate channel partners to start migration to lower cost indirect channels.

- **Decline**—In the decline phase, the product margin as well as the sales volume has declined, making the product unattractive for indirect channels. Channel partners may discontinue the product, and the company may have to sell through low-cost channels only.

**Customer Risk**

Customer risk is the purchasing risk to a customer of making the wrong decision when buying a product. Purchasing risk depends on price, product lifetime, and the nature of the product. Low risk products can be sold in any channel, as customers require the least assistance during the purchase. The aim is to push these to low-cost channels. On the other hand, high-risk products require explanation about the risks and how to overcome the risks. They require high-touch channels such as a direct sales force or a value-added seller that has maintained a business and transactional relationship with the customer.

**Negotiation**
Negotiation is typical in large sales orders. It can occur over price, service, support, product customization, or any other element of the product or service. Products that require a lot of negotiation often require face-to-face interaction with the customer and therefore a high-touch channel. The channels commonly used are direct sales force or value-added partners. Products or services that require less negotiation with fixed terms of service and support can generally be sold in any channel. Complex products and services generally require high-touch channels, and simple, less customized products can be pushed through low-touch channels.

**Examples of Alignment with Product:**

- An advertising agency employs a direct sales force to increase its clientele and generate more business. The services offered by an advertising agency are highly customizable, require minimal definition, and require high levels of customer interaction. In order to understand customer requirements and communicate creative advertising ideas, the company needs to maintain a direct sales force supported by key account managers.

- An energy solutions provider has come up with a new product that reduces the cost and effort required to maintain and repair turbo-generators. The business will use a direct sales force initially as the product is not well defined and needs a high degree of customer education. As the product gains more credibility within the industry, the company can use other channel partners to increase its reach and maximize profits.

**2.2.2.6 Channel Economic Analysis**

After defining a range of potential channels on the basis of alignment with customer behavior and product, it is necessary to evaluate the potential channels on the basis of economic factors. Both cost and revenue are important factors for economic evaluation of channels.

**Cost**—Channel profitability can be used to assess the cost associated with a channel. A channel’s profitability ratio is usually expressed in terms of expense to revenue ratio (E/R). A channel’s E/R is equal to its cost per transaction divided by the average order size. The lower the E/R, the lower the selling costs for each unit of revenue, which means a higher profit to the company for each sales transaction.

**Example of Expense to Revenue Ratio (E/R):**

- Consider the business of selling vending machines to small companies. The machines are priced at $500 and are sold by a distributor at a transaction cost of $40 and by a telemarketer at a transaction cost of $25. In this case the E/R ratio for the distributor would be 8 percent (i.e., $40/$500) and for the telemarketer it would be 5 percent ($25/$500).

In order to calculate the E/R, the average order size and the channel’s cost per transaction should be known. The average order size—the total revenue divided by the total number of transactions—is easier to
determine. It is generally difficult to determine the average cost per transaction. It may already be available from industry records, or it may be extracted by analyzing competitors’ channel usage or by reviewing other industries that use similar channels. If it is not readily available, it can be calculated by dividing the total selling expenses by the total number of transactions. The total selling expenses for a particular channel can be defined by using a channel cost model in the absence of existing data. A channel cost model defines the different categories of selling expenses that may be incurred by the channel. Each channel being assessed for profitability should be allocated the same or similar set of cost factors. This model can be developed either internally or externally with the help of subject matter experts or consultants.

**Revenue**—Channel capacity, which is the channel’s capability to generate the desired level of revenue, is another factor that should be considered for economic analysis. It can be defined as the product of channel selling unit productivity (revenue generated per unit) and number of units (number of channel members such as sales partners/representatives, etc.). It is very important to have a realistic estimation of both channel productivity and channel size for accurate assessment of channel capacity.

### Example of Determining Channel Capacity:
- A vending machine manufacturer wants to sell through a number of channels. The business has established that direct sales will represent the greatest percentage of revenue but will be costly to establish. Working with distributors would require less investment, but the business knows that it would be sacrificing margin. Also, once the distributor network is established it will have a much wider reach than a direct sales force.

Choosing the right channels that fit the business is a critical component of corporate sales success. It is preferable to take a flexible and balanced approach that considers channels based on various factors such as service, cost, and revenue. If only cost is considered, for instance, then a company may end up with the lowest cost channel, but the channel may not have the potential to generate the required revenue, or the channel may need additional investment to provide the required level of service or to generate the required revenue. Hence, consideration of various factors enables a company to select those channels that best serve their market and provide the greatest potential for meeting sales objectives.
Channel network design involves creating a new channel network or reorganizing an existing one. The main objective of channel network design is to select and employ the best possible channel partners. Some examples of channels/channel partners include direct sales force, resellers, value-added resellers, distributors and integrators. These are described in detail in the Appendix (Section A.2).

By having a good channel design, the company is able to establish a two-way, mutually beneficial arrangement with each channel partner. Using good selection criteria and policies also demonstrates a good understanding of the channel partner’s role in the sales process and enables the company to identify and deal with existing competition.

The steps involved in channel network design are as follows:

1. **Assess the need for a new channel or for reorganizing an existing channel**

   A company may need to create a new channel or reorganize its existing channel design in the following scenarios:

   - **Introduction of a new product**—Alignment of current channels with the new product should be assessed first. In situations where existing channels are not well aligned with the product, a company should either reorganize its existing channels or create a new one.

   - **Misalignment of current channels with existing products**—The requirements of customers are constantly evolving. A channel that may have been a perfect fit a few years ago might not be able to fully service the customers today. Another factor for misalignment can be
changes in a company’s objectives. In this situation a new channel might be better aligned to these objectives.

2. **Conduct market analysis**

   It is necessary to identify all external or market factors that could affect the implementation of the channel network design. A company should look at macroeconomic factors, which can be political, economic, social, technological, environmental, or legal (PESTEL) in nature. While most of these factors cannot be controlled, the effect that these factors can have on the company’s ability to manage channels needs to be assessed and understood. Analyzing the channels used by the competition is also important, as this analysis facilitates a better understanding of the existing channels and enables the business to determine any gaps.

3. **Analyze and prioritize customer requirements**

   The company must determine and analyze the specific requirements of the customer or end-user. This step is about identifying customer preferences and buying behavior. Customer preferences and requirements can then be ranked, based on the results of a survey as outlined in the Alignment with Customer Behavior tool, described in section 2.2.2.3. Based on customer feedback, channels can be chosen that are best suited for the business and for the customer.

4. **Formulate channel selection criteria**

   Based on customer and product requirements, the company should identify the key tasks that the channel must perform. The company needs to formulate channel selection criteria on the basis of these key tasks. These criteria should be ranked according to the priority of the tasks and customer preferences. Some commonly used channel criteria are as follows:
   
   - Reputation
   - Managerial ability
   - Financial strength
   - Territorial coverage
   - Existing customer accounts
   - Other product lines
   - Repair and service capabilities
   - Knowledge of local market conditions
   - Ordering and payment policies
   - Commitment to sales quota
5. Identify channel models and select candidates for channel partnership

The next step is to construct a matrix that illustrates the various structures through which the company can reach the end user. Before identifying potential partners, the company needs to decide the number of channel partners required in each territory or region in order to gain the required market coverage:

- **Intensive Coverage** is a strategy where a company places its products and services in as many outlets or distribution channels as possible.
- **Exclusive Coverage** is a strategy where a company uses only one distribution partner to sell its product in a certain market. This may be used for specialty type products and services.
- **Selective Coverage** is a strategy where a company uses a few delivery channels to distribute a moderate volume of products.

The geographic distribution of the company’s end users and the availability of channels in the region are important considerations in the creation of a channel network. If a dominant channel is already available, the company needs to make sure that the dominant channel is available for the company’s product distribution. In addition, the level of sales and profitability, level of control, and level of flexibility are also factors that need to be considered as they relate to the company and its potential distribution channels. These factors are discussed in detail in the SMStudy® Guide–Book 1, *Marketing Strategy* (section 4.2).

Once the structure is finalized, the company needs to then identify specific members to be part of the channel network. Some of the best sources for finding such members are trade publications, trade organizations, tradeshows, distributor referrals, etc. Each channel partner candidate is selected by applying the channel selection criteria to determine whether the standards of a partnership can be met. Consideration is also given to the sequence in which partners need to be brought into the channel network.

6. Obtain internal commitment

Before executing the final phase of the channel network design, it is important to gain acceptance from senior management and other members of the corporate sales team. Informing all members of the team about the changes in the channel network ensures that everyone is prepared to handle any challenges presented by the existing channel network.

7. Approach and sign up the selected channel partners

The selected candidates need to be approached and presented with the company’s distribution plan for the product. The candidates should be provided with product features and benefits, and the benefits for the candidates should be presented. The objectives are to register the candidate to participate in the company’s channel network and to obtain the first stocking order.
8. Monitor and evaluate the channel network

The channel structure should be constantly monitored and evaluated for continuous improvement. The company also needs to monitor changes in customer behavior and preferences that can affect the performance of the channel network design.

**Examples of Creating Channel Network Design:**

- An insurance company has a sales team that sells different benefit plans to large corporate customers. This direct sales approach is less cost-effective for small businesses, which are often geographically dispersed throughout a region. Instead of using a sales team, the company sells its plans directly to small business owners through its website. The insurance company is therefore able to provide sales support to two different markets by creating a channel network to satisfy two distinctly different customer profiles.

- ADA Window Coverings Inc., a leading manufacturer of commercial window treatments, has determined that the best channel for its product is a direct distribution channel where a business can buy directly. This is the shortest distribution channel and, because there are no intermediaries, ADA can offer the product at the lowest possible price to customers. Direct sales through a sales team is also an option and would most likely result in higher sales due to knowledgeable salespeople reaching out to businesses and educating and selling the product.

### 2.2.3 Outputs

#### 2.2.3.1 Channel Network Design*

The channel network design is a structure that defines the network of channels the company needs to have to maximize reach within a selected target segment. The main output of the *Determine Corporate Sales Channels* process is the chosen channel network design, which documents the chosen channel partners and network structure. The tool, Creating Channel Network Design described in section 2.2.2.7, ensures that the company has established a channel network design that is based on criteria that ensures selection of the best candidates; minimizes channel conflict by partnering with the most cooperative channels; and prevents legal complications and other challenges by avoiding or removing undesirable channels.

By having a good channel design, the company is able to establish a mutually beneficial program with the channel partners. It also enables the company to identify and deal with any existing competitive situations. The channel network may comprise channels with varying degrees of “touch” depending on product complexity and the level of service and support required. The channel network design specifies the mix of channels that the company is required to maintain.
2.2.3.2 Rules of Channel Network*

The rules of channel network are the specific rules of engagement of a company with its channels. In the case of a direct sales force, these are defined later in the Plan Sales Governance process, described in section 3.1. For all other channels, the rules of engagement are formalized through various forms of agreements, which define a company’s relationship with its channel partners. These rules define financial and inventory management terms, territorial rights, and the service agreement guaranteed by the channel partner for a company’s customers. These rules ensure the channel operates according to the company’s requirements and define the benefits offered by the company to the channel partners in terms of marketing support, service, and incentives.

Example of Rules of Channel Network:

- The rules for the channel network of a nationwide distributor of medical supplies include, but are not limited to, the following: the business strategy should align with the channel structure and the selected network chosen should optimize customer service at the lowest operating cost.
- A publisher of Human Resource leadership training materials has distributor arrangements with various executive coaches and training partners worldwide. Most of the contracts have territorial rules that prevent various training partners from marketing in geographic regions outside those stipulated in their distribution contracts.
3. PREPARE ORGANIZATION FOR SALES

This chapter reviews the processes required to prepare an organization for sales. It describes how to establish and manage a sales process that is aligned to corporate, finance, and human resource strategies and that will meet forecasted sales targets. The sales structure established will depend to a great degree on the nature of the business, the industry, the size of the organization, and its geographic footprint. An effective sales organization is supported by marketing assets and includes a sales incentive structure. The sales organization and governance must be designed to optimally support sales targets and create visibility into the sales team’s performance to allow for adjustments and course corrections as necessary to ensure that the business meets its sales revenue objectives. Since sales targets are directly linked to all sales and marketing and financial objectives, they are essential components in the achievement of the company’s overall objectives.

Figures 3-1 provides an overview of the processes associated with this chapter. These are as follows:

3.1 Plan Sales Governance—In this process, strategies, structure, analysis, and evaluation of the sales efforts are established.

3.2 Determine Sales Targets—In this process, sales targets are established based on sales forecasts derived from past data and analysis of the competitive landscape.

3.3 Create Marketing Assets—In this process, marketing assets that highlight product features, communicate the sales value proposition and the positioning statement, and appeal to specific target segments are created.

3.4 Create Sales Compensation Structure—In this process, various financial and non-financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities are implemented.
3.1 Plan Sales Governance

**INPUTS**
1. Senior Management Direction and Insights*
2. Selected Metrics*
3. Selected Objectives*
4. Selected Target Segments
5. Finance Strategy*
6. Human Resource (HR) Strategy
7. Existing Sales Process*
8. Existing Marketing Research Reports

**TOOLS**
1. Establishing the Sales Process*
2. Alignment with Corporate Strategy*
3. Determining Sales Organization Structures*
4. Customer Relationship Management Systems
5. Determining Sales Force Size
6. Territory Design
7. Sales Analysis*

**OUTPUTS**
1. Sales Process*
2. Sales Organization Structure*
3. Sales Force Size
4. Territories

3.2 Determine Sales Targets

**INPUTS**
1. Selected Marketing Aspects and Targets*
2. Past Performance Data
3. Details of Competitive Products
4. Opportunities and Threats*
5. Finance Strategy
6. Sales Organization Structure*

**TOOLS**
1. Sales Forecasting*
2. Target Allocation*
3. Macro-economic Factors and Competitive Analysis

**OUTPUTS**
1. Selected Sales Metrics*
2. Selected Sales Targets*

3.3 Create Marketing Assets

**INPUTS**
1. Product Features*
2. Positioning Statement
3. Sales Value Proposition*
4. Marketing Strategy
5. Selected Target Segments
6. Corporate Sales Team
7. Organizational Capabilities

**TOOLS**
1. Meetings and Discussions*
2. Marketing Assets Creation Skills*
3. External Expertise
4. Digital Marketing
5. Branding and Advertising

**OUTPUTS**
1. External Marketing Assets*
2. Internal Marketing Assets*

3.4 Create Sales Compensation Structure

**INPUTS**
1. Human Resource Strategy
2. Finance Strategy
3. Selected Sales Metrics*
4. Selected Sales Targets*
5. Corporate Sales Team

**TOOLS**
1. Meetings and Discussions*
2. Performance Measures
3. Sales Compensation Plans*
4. Formula Construction
5. Compensation Plan Administration

**OUTPUTS**
1. Selected Sales Compensation Plans*

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Figure 3-1: Prepare Organization for Sales—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.1 Plan Sales Governance

Experienced sales executives consider sales governance to be one of the most important components of a company’s sales strategy. Sales governance is the method of organizing and managing the corporate sales team. It includes processes, strategies, structure, analysis, and evaluation of the sales efforts. Sales governance can vary depending on company size and industry. For a new company, it is important to set up the sales process, organizational structure, team design, territories, and reporting structure. For an established organization, sales governance needs to be constantly evaluated and improved in order to ensure the business is adapting to change and sales objectives are being met.

Figure 3-2 shows the inputs, tools, and outputs for the Plan Sales Governance process

![Plan Sales Governance—Inputs, Tools, and Outputs](image)

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.1.1 Inputs

3.1.1.1 Senior Management Direction and Insights*

Senior Management Direction and Insights are key inputs for sales governance planning. Senior management’s comprehensive understanding of the business helps in developing processes and protocols that will align with all other areas of the business and in identifying gaps in existing processes that need to be addressed. Given their industry knowledge and long-term view of the company’s vision, management can also help identify key factors that can impact sales governance.

3.1.1.2 Selected Metrics*

Selected Metrics is an output of the Determine Metrics process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 5.2). There are four major categories under which a company’s marketing activities are measured. These include customer reach, brand perception, product availability, and sales and profitability. These metrics are key inputs for sales governance as they factor into decisions regarding the organization of the sales structure and the identification of the best methods for sales analysis. Ensuring that the selected metrics are considered in the establishment of the sales structure, approach, and analysis results in alignment of the selected metrics with key activities, such as lead generation, qualification, and conversion, among others, all of which ultimately contribute to the success of the sales efforts.

3.1.1.3 Selected Objectives*

Selected Objectives is an output of the Determine Objectives process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 5.1). In this process, objectives are established for each of the four major categories under which a company’s marketing activities can be measured. These categories are customer reach, brand perception, product availability, and sales and profitability. Knowing the selected objectives enables the team to establish sales governance that aligns with and supports the activities and strategies of other areas of the business. Depending on the selected objectives, the company may choose to expand or reduce sales operations in some territories. It may also choose to increase or reduce the size of the sales force. The selected objectives also provide a reference against which to evaluate the performance of the sales teams.
3.1.1.4  Selected Target Segments

Selected Target Segments is an output of the Select Target Segments process in the SMStudy® Guide—Book 1, Marketing Strategy (section 3.2). It gives detailed information about the chosen target segments, such as customer preferences and segment size. It also gives the market attractiveness attributes for each segment including the following:

- size and growth rate of each segment
- organizational strengths that can help the company compete successfully in each segment
- products that are most suitable for the various target segments

Selecting appropriate target segments enables a company to focus its sales efforts on relevant segments to achieve its sales objectives.

3.1.1.5  Finance Strategy*

Establishing a sound Finance Strategy enables the company to allocate appropriate funds to develop the sales force and increase geographic reach. It is important to consider available funds before planning to set up or expand the sales force and the territories. Financial targets are key inputs for sales analysis to establish relevant financial objectives in the sales process. Sales analysis, in turn, provides key inputs to analyze the company’s financial performance.

3.1.1.6  Human Resource (HR) Strategy

The Human Resource Strategy includes an understanding of employee skills, existing and required skills, workforce trends in the industry, and an understanding of the labor regulations required for sales governance. Since a major part of sales governance deals with setting the framework for the corporate sales team, the Human Resource Strategy must be clearly understood. The Human Resource Strategy is an

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Examples of Selected Objectives:

- Secure Communications Inc. (SCI) has developed a new business phone system that protects companies from long distance fraud by unauthorized third parties. SCI has set an annual sales target of $2 million for its new phone system and wants to initially target companies with more than 300 employees to achieve this target. SCI has also set call frequency objectives for its sales representatives to call on each of the targeted accounts, as well as sales objectives by territory. This will ensure the sales team gives adequate effort to promoting the new phone system and align performance objectives with the overall sales target of $2 million.
important input to determine sales force size, sales analysis, and territory design. The performance and efficiency of the corporate sales team is therefore directly impacted by the Human Resource Strategy.

**Examples of Human Resource Strategy:**

- A commercial window and door manufacturer decided to transition its inside sales team from an in-house, employee-based model to an outsourced, third-party model. Within this context, the outsourced inside sales team sets appointments for the sales people. The company finds that this model is more efficient and scalable.

- Moxstar Media, a large communications company, has focused on several key aspects of its HR Strategy due to the nature of the market and the competitive environment. Its strategy includes an intensive onboarding process consisting of detailed training to shorten the learning curve for new hires, an internal promotion system to lengthen employee tenure and build a workforce that has a wealth of experience and knowledge, and a pay structure that is higher than the industry average to help foster commitment and encourage employees to stay with the company. The HR Strategy will also serve as a key factor to consider when determining the number and type of employees to hire and how the territories will be designed.

**3.1.1.7 Existing Sales Process**

An analysis of the existing sales process helps companies understand if any changes are required to the sales force. Analysis of the existing sales process also allows companies to assess the effectiveness of the existing sales force structure, sales force size, territories, and the methods of sales analysis. Any identified gaps serve as inputs for sales governance planning and help in identifying opportunities for new initiatives or protocols that can be implemented to address any shortfalls or weakness.

**Examples of Existing Sales Process:**

- A national accounting firm identified the need to hire business development people with a background in audit solutions as a sales pipeline analysis indicated the majority of current leads were focused on audits.

- Gulu Inc., a media company that sells print and digital advertising, has a total of fifty sales reps, including thirty-five focusing on print advertising and fifteen focusing on digital advertising. Since the existing sales team is focused primarily on print, the plan is to shift resources to the digital division for better alignment with market demand for digital advertising. This change will require some adjustments to the sales process including providing sales reps with tools that would enable bundling of options and transitioning existing clients to digital channels.
3.1.1.8 Existing Marketing Research Reports

Existing marketing research reports of sales territories and products serve as a good source of information to identify needed changes in territory design and the sales force. Such reports also highlight trends regarding customer preferences or sales practices that may be used in planning sales governance. Existing marketing research reports can also be used to gain an understanding of a company’s competitors.

Example of Existing Marketing Research Reports:

- Canton, Inc., a manufacturer of recycled wood products for commercial use, is evaluating existing marketing research reports that impact its sales territories including sales figures by geography and by product. The company is also assessing the manpower covering each of the territories relative to the revenue generated and revenue potential of those territories. Canton, Inc. uses marketing research to continually evaluate the competitive environment and its product offerings and pricing to determine key differences and to make adjustments as necessary.
3.1.2 Tools

3.1.2.1 Establishing the Sales Process

Most experienced sales teams have an existing sales process. If this is the case, it is important to constantly evaluate, improve, and fine tune different components of the process. A new company, however, must define a sales process by adapting established frameworks to suit the specific needs of the business, leveraging identified strengths, and identifying and filling gaps. Figure 3-3 shows the five basic steps in the sales process.

![Figure 3-3: Five Basic Steps in Sales Process](image)

Understanding these five steps and adapting them to suit the business requirements will help establish a framework for a comprehensive and effective sales process. The five steps are as follows:

1. **Pre-sales**—This first step in the sales process involves reviewing the current activities and selling processes. These activities include those carried out from the initial contact with a customer to the final delivery of a product or service. This step allows a developing company to assess its organizational capabilities to carry out the sales process. It includes understanding and strengthening the value proposition for customers. The different channels required to sell products in the future are also determined. Planning sales governance, setting sales targets, setting up the incentive structure for the sales team, and creating the marketing assets is also done at this stage. The sales team is also trained on products as well as the sales process and negotiation to prepare for selling activities.

2. **Profiling of Target Customers**—The first step in the prospecting stage, profiling target customers and decision makers, involves identifying and benchmarking profiling criteria for prospects and for decision makers. Characteristics of ideal customers, such as annual budget, are used to benchmark the profiling criteria.

3. **Lead Generation and Qualification**—The second step in the prospecting stage, lead generation, is the act of identifying prospective customers and generating ways to gain new customers. Profiled criteria and benchmarks are used to generate better leads. Lead generation uses various offline and online techniques and can be inbound or outbound.
4. **Needs Assessment**—Conversion starts with understanding customer needs for products or services. This understanding of needs is vital in the conversion process and enables the sales team to demonstrate to the customer how their product can fulfill the customer’s requirements.

5. **Presentation, Negotiation, and Closure**—This is the final stage in the conversion cycle. The corporate sales team presents the features, benefits, and advantages of the proposed products or services that can fulfill the needs of the prospects. At this stage, prospects present their objections to the sales proposal. It is the job of the corporate sales team to overcome these objections to close the deal.

**Examples of Establishing the Sales Process:**

- JB Orchard's sales process has been in place for several years and is continuously evaluated, fine-tuned, and improved. The four basic steps of the process are as follows: (1) Prospecting (lead generation) (2) pre-presentation sales activities (needs assessment) (3) Presentation sales activities and negotiation (4) Post-presentation sales activities and closure. Not only is there an established sales process, the company has also provided training on this process, developed some tracking tools, and established a process of continuously and regularly reviewing and refining the process.

- Flour Power, Inc. sells flour to local bakeries and restaurants. Within this company, there are two basic selling processes—the process of gaining a new customer and the process of expanding business with existing customers. These two processes are the main parts of a salesperson’s job within the organization, and the company has a team of fifteen sales representatives. Because the company sells flour to local bakeries and restaurants via inside, telephone salespeople, it uses two processes that work for everyone. Sales reps are trained extensively on these processes before they start placing phone calls to actual customers. Also, the company continuously evaluates these processes and makes adjustments as needed.

**3.1.2.2 Alignment with Corporate Strategy**

Corporate Strategy is the overall direction of the company that assesses the existing capabilities of the company and external opportunities and threats. The Corporate Strategy plays an important part in planning sales governance.

- **Senior Management Direction and Insights**—Successful management of customers and accounts begins with Senior Management Direction and Insights to help create a customer-centric organization. These insights and guidance help shape the attitudes and beliefs of the company's employees, leading to the development of a corporate culture. This determines the plans, policies, and procedures followed by the corporate sales team. All aspects of sales governance including the sales process, organization, and structure are influenced by senior management direction and
insights. In the event of a change in senior management or senior management direction, the sales governance may need adjustment.

- **Corporate Product Strategy**—This defines the products or services the company offers, or plans to offer, and the research and development efforts required to bring new products to market. This strategy also defines key priorities such as whether the company aims to be a leader in technology, research and development, or service delivery. With the increased use of technology for meeting various customer requirements, an innovative and progressive Corporate Product Strategy can differentiate the company’s products from competitors’ offerings. This can have a direct impact on the sales process as, if other key differentiators exist, the sales channels will not have to over-rely on one factor, for example price, as a differentiator, when selling products.

- **Corporate Marketing Strategy**—This defines how the company positions, targets, and sells the planned products, and defines metrics, targets, and budgets for all marketing activities. The Corporate Marketing Strategy plays a defining role in planning sales governance. The objectives, metrics, and targets defined in the Corporate Marketing Strategy are also key inputs to planning sales governance.

- **Corporate Operations Strategy**—This defines how the company will manage operational activities, manufacture its products, and provide the corresponding services and product warranties. The company’s production capacity, technology and equipment used in its plants, and even the location of the plants, may influence the sales process and the sales territories. Service capabilities of the company also influence various elements of sales governance. Production capabilities and the ability to service various products in diverse regions must be considered while planning sales governance.

- **Corporate Finance Strategy**—This defines how the company manages its finances, attains funding, and financially sustains its operations. A company’s Corporate Finance Strategy directly influences the company’s customer relationship initiatives. Limited funding can constrain the company’s ability to develop new products, increase the size of the company’s sales force, or expand the regions that the company wishes to serve. Conversely, an increase in funding could lead to an increase in the size of the sales force, planned geographical coverage, and new promotional activities.

- **Corporate Human Resource Strategy**—This maps the human resource capabilities within the company and considers the talent management and acquisition needed to sustain growth. While organizing the sales team vertically (by industry) and horizontally (by service offering), the company requires resources with the required skills, knowledge, and aptitude for the roles. The Corporate Human Resource Strategy also plays a role in skill development for existing employees. Talent acquisition and skill development must be aligned with the requirements of the corporate sales team. In the event of an expansion plan for increasing the geographic coverage and the sales team size, the effort may fall short if it is not aligned with the Corporate Human Resource Strategy.
In companies with multiple business units, each business unit is likely to have its own objectives and distinct strategy. This is referred to as the business unit strategy. For large companies, the alignment in strategies takes place at the corporate level as well as the business unit level.

3.1.2.3 Determining Sales Organization Structures*

Organizing the sales team is one of the most crucial steps in creating an effective sales force. This has become more important in recent years, given the increasing complexities in products, technology, and geographic reach. In the past, sales teams were typically product-centric, focusing on mastering their product knowledge and conveying this to customers. In more recent times, the customer-centric approach has taken precedence. Sales teams are more focused on understanding the requirements of customers and fulfilling these requirements with solutions provided by their companies.

In determining the sales organization structure, the organization assigns roles, responsibilities, and objectives to various teams and individuals on the sales team. A sales force is typically organized using one or more of the following four categories:

- Geography
- Product type
- Customer segment
- Selling function

1. Geography

The simplest and most common form of sales organization is a geographic-based sales organization. In this organization, the sales team is assigned to different geographical regions. Each individual sales person is responsible for his or her own territory and is required to perform all the selling functions in that territory. Geographic-based sales organizations are very popular due to the simplicity of this structure and the potential cost savings this structure offers. The potential for strong communication lines exist in this structure given its simplicity and the fact that in some instances, sales teams can be physically located in their assigned regions making meetings convenient and facilitating a strong connection with the customer. However, there may be disadvantages to this structure for companies selling to large national or multi-national organizations where decision makers may be widely geographically dispersed. Figure 3-4 shows a sample of a geographic-based sales organization structure.
2. Product

In a product-based sales organization, a separate sales team is assigned to each product line. The sales team for a particular product is only responsible for selling that product. This type of organization results in specialized sales teams with detailed knowledge about a product’s features, advantages, and benefits. Such expertise helps the sales team gain the confidence of customers and makes the selling function easier. This type of organization is mainly used in companies with a large number of products or in instances when products require a thorough understanding on the part of the sales team. Another advantage of the product-based sales organization is better coordination of activities between production and sales. This allows the sales team to better serve customers, not only by providing a tailored product, but also by ensuring timely delivery of products. One of the major disadvantages of the product-based organization is duplication of effort. Different sales teams working on different products could target the same customers multiple times. Figure 3-5 shows a sample of a product-based sales organization structure.
3. Customer Segment

Sales teams that are organized based on customer segment are becoming increasingly popular as this organization offers a customer-centric framework. In this type of organization, the sales team is assigned to different customer segments and is responsible for selling to that market alone. This aids in the selling function by allowing the sales team to focus on the needs and requirements of the customer segment. Also, frequent interaction with customers helps the sales team focus on product features according to the unique needs of customers. Therefore, this type of organization is popular in dynamic organizations where the needs of customers frequently change. Figure 3-6 shows a sample of a sales organization structure that is based on customer segment.

![Figure 3-6: Sales Organization by Customer Segment](image)

4. Selling Function

Different aspects of selling require different sets of specialized skills and abilities. Many companies therefore organize their sales team based on selling function. Organizing the sales structure according to function ensures that a specialized sales force can perform a specialized selling function such as pre-sales, prospecting, or post-sales. In many cases where the company has organized the sales structure according to function, the business divides the sales force into inside sales and field sales teams. An inside sales team can take some of the workload from the field sales team so they can focus on more critical tasks such as serving key accounts. Inside sales teams can also help with prospecting and marketing research efforts.

Figure 3-7 shows a sample of a sales organization structure that is based on selling function.
3.1.2.4 Customer Relationship Management Systems

Customer Relationship Management (CRM) Systems are the information systems used to record the different stages of a sales process and to monitor sales performance and potential. Most sales organizations use a CRM system. A typical CRM system has modules for contact management, sales lead tracking, sales forecasting, order management, and product information. The contact management system records the profiles of all the customers including contact details and the history of contact made with a given customer. The contact management system is necessary to avoid loss of information about client communications. It also ensures that multiple sales staff can refer to the information gathered about a certain client. The CRM system also contains a sales lead tracking system that lists potential customers and their contact details, and captures any communication with leads.

A CRM system must integrate different functions in the company to ensure that all departments have access to customer information. Advanced systems not only store records of clients but may also include alerts for customer follow-up activities, analytical tools to track and measure sales performance, and mobile access to customer information. There may also be integration with e-mail software and marketing automation tools. Other special features, such as prioritization and ranking of leads, are also possible options. All of this information increases the efficiency and effectiveness of the sales staff.
Information stored in CRM systems can also be used to generate reports on various geographies, products, customer segments, and individual sales professionals. Management can identify performance gaps, monitor business trends, track the effectiveness of marketing campaigns and investments, and make future revenue predictions to ensure sales objectives are met.

Example of CRM Systems:
- An office supply company uses a CRM system integrated with a marketing automation tool to run e-mail campaigns and track marketing-generated leads from activities such as search engine optimization and participation in trade shows and events. Marketing activities are tracked in the CRM system to identify which activities are generating the most leads.

3.1.2.5 Determining Sales Force Size

Determining the sales force size is an important tool in planning sales governance. Although the corporate sales team is one of the most valued assets of the company, it can also be expensive to maintain. Increasing the size of the sales force may increase sales volume but at a higher cost to the company. It is therefore necessary to determine the optimal sales force size. The size of the sales force will also affect territory design. The three most commonly used methods to determine sales force size are as follows:

- Breakdown Method
- Workload Method
- Incremental Method

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Breakdown Method

This is the simplest method among the three. In this method, each member of the corporate sales team is assumed to possess the same level of productivity. In order to determine the size of the sales force needed, the total sales figure forecasted for the company is divided by the sales likely to be generated by each individual.

However, this method fails to account for differences in the ability of salespeople and the difference in potential of each market or territory. It treats the sales force as a function of the sales volume, and does not take profitability into account.

Example of Breakdown Method:

- A national cosmetics wholesaler uses the breakdown method to forecast the number of sales representatives it will need to sell its products to department stores. The company projects total annual sales potential (S) in department stores to be $12,000,000. Assuming each sales representative can generate annual sales of $1,000,000 (P), the company determines that it needs twelve sales representatives (N) to call on department stores (N = S/P).

Workload Method

The workload method is also known as the buildup method. In this method, the total workload (i.e., the number of hours required to serve the entire market) is estimated. This is divided by the selling time available per salesperson to forecast the size of the sales force. This consists of five steps:

- **Categorize the customer base**—All the accounts should be classified into categories based on criteria such as sales, business potential, account type, credit ratings, product lines, etc. Since the workload method is based on selling hours, the selling hours or effort required to support each type of account within a category should be almost the same. Generally, the sales potential and selling hours go hand in hand; however, sometimes, extra effort is directed at accounts with low sales potential. For example, a low sales potential account can give the sales team access to a sister company with huge sales potential. If both accounts demand the same service level, their categories should be the same.

- **Estimate the selling effort required for each category**—This can be directly based on senior management insights or based on information collected over time. The selling effort required will include the number of times customers in each category need to be called upon over a month or year, and the typical duration of each call. This determines the total number of required contact hours for each customer category.

- **Determine the total workload**—The total workload is the number of hours required to serve the entire market. It is calculated for each category by multiplying the total number of customers in each
category with the required contact hours for each category. The aggregate gives the total workload required in covering all the customers in all categories.

- **Determine selling time available per salesperson**—In this step, the average time available per sales person is calculated first. Then the time spent in non-selling activities like documentation, travelling, etc. is estimated. The actual selling time available per person is calculated by deducting the time spent in non-selling activities from the average time available per salesperson.

- **Determine the sales force size**—The total number of sales people required can now be calculated by dividing the total workload by the actual selling time available per salesperson.

The workload method of determining sales force size is commonly used since it is easy to understand and to recognize the effort required to serve different categories of customers. However, this method also has some shortcomings. It assumes that all accounts in the same category require the same effort. Other differentiating factors, such as cost of servicing, gross margins, etc., are not considered after the accounts are categorized. It also assumes that sales persons are equally efficient, which is generally not the case. One way to overcome this shortcoming is to adjust the sales force size, determined in the final step, for efficiency. The sales force can be classified into different categories based on their efficiency, and the actual number of sales persons required can then be calculated using this adjusted number.

**Example of Workload Method:**

- Annual department store sales are projected to be three times the value of other retail accounts ($900,000 vs. $300,000 in annual sales). A cosmetic wholesaler uses this difference in sales potential to assign call times of thirty minutes for each department store account and ten minutes for other retail accounts. Based on the total number of department stores and retail accounts nationally, the number of sales representatives needed to call on all accounts can then be determined.
  - Number of targeted department stores = 300 stores
  - Number of other targeted retail accounts = 900 accounts
  - Time needed to call on department stores each year:  
    (300 x 30 minutes x 12 months) = 108,000 minutes or 225 days, based on an eight-hour day
  - Time needed to call on other retail accounts each year:  
    (900 x 10 minutes x 12 months) = 108,000 minutes or 225 days, based on an eight-hour day
  - Days needed to call on all accounts = 450 days (225 days + 225 days)
  - Days needed to support call activities (travel, completion of reports, call notes, etc.)  
    = 20 percent of call time or 90 days (20 percent of 450 days)
  - Total time needed to call on all accounts = 540 days (450 days + 90 days)
  - Average working days per sales representative in a calendar year = 200 days
  - Number of sales representatives needed to call on all accounts = three sales representatives (540 days / 200 days)
Incremental Method

The incremental method is the most precise method to calculate the sales force size. The underlying concept is to compare the marginal profit contribution with the incremental cost for each sales person. The optimal sales force size as per the incremental method is when the marginal profit becomes equal to the marginal cost and the total profit is maximized. Beyond the optimal sales force size, the profit reduces on addition of an extra sales person. Therefore, sales people need to be added as long as the incremental profit exceeds the incremental cost of adding sales people. The main shortcoming associated with this approach is that it is difficult to estimate the additional profit generated by the addition of one salesperson and is therefore difficult to develop. While the additional cost of adding a sales person can be obtained with considerable accuracy, the additional profit depends on factors such as the territory structure, the individual assigned to each territory, and the effectiveness of a salesperson in different territories. The profitability also depends on the product mix purchased by customers and the profitability of each product.

Example of Incremental Method:

- The annual cost to support a cosmetic sales representative in the field is $100,000. Direct compensation includes a $60,000 salary and a bonus target of $15,000. Indirect expenses amount to $25,000 and include vacation and benefits, and territory-related costs such as provision of a laptop, IT and training support, car expenditures, and meals and accommodation costs.

To justify the addition of an additional sales representative to a region, management needs to assess how much additional sales revenue can be generated above the existing breakeven expenses of $100,000. Management also needs to evaluate different sales tactics before deciding whether to increase headcount. Alternatives might include the provision of additional training for the current sales representatives in the region or reprioritizing customer targets based on sales potential to ensure optimal territory profitability and coverage.

3.1.2.6 Territory Design

Designing territories is an important part of sales governance. It requires an assessment of market potential as well as the ability of the sales force to serve that territory. It is important to design sales territories to maximize sales coverage and provide equal opportunities for the various sales teams. Territories are therefore designed with the objective of making all territories more or less equal with respect to sales potential. However, this might not always be realistically possible due to the inherent characteristics of certain regions to generate more sales. The benefits of designing territories include better alignment of customer needs with the sales and service teams, lower cost of travel, improved efficiency, and ease of setting and collecting metrics.
Territory Design involves the following steps:\(^5\):

1. **Decide basic geographical unit**

   A basic geographical unit is the most fundamental geographic area used to form sales territories. It is generally preferable to have smaller geographic units than larger units. In addition, smaller units make it easier to control territories and to reassign territories when required. The selection of a basic geographical unit depends on the geographic organization of areas followed by various regions. For example, a country might assign geographical units by states, trading areas, counties, cities, or postal codes. It may be small or large depending on various factors such as market potential, serviceability, and number of customers.

2. **Estimate market potential for each geographical unit**

   The next step in designing territories is to obtain an assessment of the market potential in the basic geographical unit. This is generally determined using a forecasting tool. It can also be estimated by evaluating variables that have a direct correlation with the market potential of the product. Market potential can also be projected by estimating customer demand within the basic geographical unit. The market potential collected for the basic geographical unit is then totaled to arrive at the total market potential for a territory.

3. **Join geographical units to form approximate territory**

   This step involves combining adjoining basic geographical units into large geographic groups. Adjoining units are combined for ease of access and coverage. While forming territories, effort is also made to establish territories that are as equal to one another as possible in sales potential. The objective is to develop an approximation of the final territory alignment.

4. **Calculate workload for each territory**

   Once the tentative territories are formed, it is necessary to determine the amount of work required to cover each territory. It is preferable to form territories that are equal in both potential and workload. The amount of work is estimated for existing accounts as well as prospects in the territory. The sales potential from both the existing accounts and prospects is then determined. Sales potential for prospects can be in the form of number of hours required for calls with each customer and the number of hours for travel. Existing accounts are classified based on their importance and sales potential. The most important accounts are given more importance. Other factors to calculate workload include the number of products the account might purchase and the historic volume of sales. For each prospect or account, a tentative workload in terms of number of hours is determined. The aggregate workload is then calculated for each territory.

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5. **Adjust territories based on workload**

In this step, the boundaries of the territories established in step three are adjusted based on the workload calculated in step four. Even though the market potential and workload are balanced in setting the new boundaries, the actual sales generated depends on the actual effort made in each territory.

6. **Assign salespeople to territories**

The general assumption of this step is that all sales people are equal in ability and effectiveness with respect to various territories or products. In reality, this is rarely the case. Members of the corporate sales team must be allocated to territories based on where their contribution potential would be highest. In cases where there is an existing sales force with established territories, a realignment of territories might be necessary. This might be required to support new product introductions or withdrawals, or if there is a drop in sales revenue.

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**Example of Territory Design:**

- Prima America, a national distributor of outdoor furniture for commercial use, was in the process of designing its territories. The goals were to ensure that they had thorough coverage of the market, to improve customer relations, and to ensure the best match between sales representatives and customers. Territories were assigned based on forecasted sales and sales potential, determining the sales volume needed for each territory, determining the number of territories, and then tentatively establishing the sales territories. Once complete, the company determined the number of accounts for each sales territory, then finalized the sales territories, and then assigned sales reps.

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**3.1.2.7 Sales Analysis**

Sales Analysis involves gathering, classifying, comparing, and studying the company’s sales data. It may involve comparing sales data at different time periods, examining sales data for different product lines, or comparing sales data with competitor sales. Company sales are typically organized by products, territories, customers, and selling function.

The company needs to consider three important elements to address potential variables in a sales analysis:

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• Type of evaluation system
• Sources of information
• Type of information aggregation

1. Type of evaluation system

The first major decision in sales analysis is to decide the type of evaluation system to be used. The evaluation system determines how the sales analysis will be conducted. The sales analysis can be done using either a simple analysis or a comparative analysis.

In a simple analysis, the data or facts are listed and not compared or measured against any standard. In general, if there are a number of sales people in the corporate sales team, the sales person with the highest sales figures is considered to have performed the best. This is a very rudimentary form of evaluation.

In a comparative analysis or performance analysis, as it is often called, the data or facts are compared against a baseline. The basis for comparison could be the assigned sales target, the previous year’s sales, forecasted sales, or another territory’s sales. Sales targets are one of the most used criteria for comparison in sales analysis, especially when the targets are well defined. Although comparative analysis is preferred over a simple analysis, a comparison against sales targets is considered to be more useful as it highlights variations from planned performance. Typically, sales data would be available for each sales person, territory, branch, customer, product, or any such unit for which sales data can be compared and analyzed. Senior management generally focuses on data where there are deviations or exceptions in sales performance.

2. Sources of Information

Another important contributor to sales analysis is the source of information used as input to the system as well as the source documents that need to be processed. Depending on the available information, comparisons can be made on sales data with respect to sales targets, forecasts, past data, or other territories. The company may also integrate sales reports with other reports, such as production or inventory reports. The sales invoice is considered to be the most valuable source document as it contains a significant amount of information. CRM systems can be used to collect more specialized data, especially customer-related data.

3. Type of Information Aggregation

The next consideration in sales analysis is the different type of variables serving as points of aggregation. If this information is not available, the company will need to analyze all transactions in isolation or all sales in aggregate. Both these options would not aid the company in conducting a proper analysis. The common procedure is therefore to collect and tabulate sales by some suitable grouping such as:
• Geographic regions
• Product or any product specification
• Customer or customer size
• Channel of distribution
• Method of sale
• Size of order
• Mode of payment

The type of aggregation used depends on the company’s size, diversity of products, geographic coverage, markets served, and type of customers. A typical sales analysis results in a range of reports reflecting different levels of aggregation to address the needs of those requesting the analysis.

**Example of Sales Analysis:**

- A sales analysis was conducted by JB Goodward Inc., a producer of commercial windows and doors. Their sales analysis consisted of determining the number, location, and size of customers and prospects in each territory, looking at time required for an average sales call as well as length of time between calls and call frequency, determining the number of calls possible within a specific time frame, and identifying other factors to determine status of sales effort and to determine if any adjustments need to be made.

### 3.1.3 Outputs

#### 3.1.3.1 Sales Process*

The sales process is an approach or method used to sell a product or service. The sales process involves profiling, lead generation, qualification, needs assessment, presentation, negotiation, closure, and accounts management. The basic framework followed for the sales process is generally similar across industries. However, the sales process is usually customized to match the company’s specific needs. Customization may be in the form of the tools used, the tactics employed, or the systems followed. The sales process is also dependent on factors such as the types of products, product category, targeted geographies, and market size. The sales process forms the basis for the corporate sales team’s daily work. It defines the role for each member of the sales team.

**Example of Sales Process:**

- Smithsons is a manufacturer of artificial turf for commercial customers. It has outlined a very simple and straightforward sales process that should be used by all sales representatives within the organization. The steps consist of prospecting, preparing for the call, meeting/presentation, handling objections, closing, and follow-up.
3.1.3.2 Sales Organization Structure*

Sales organization structure is an important output of sales governance. It defines the way in which the sales force is structured. Depending on the type of company, industry, customer segments, and offerings, companies can establish any of a variety of organizational structures. The four common organizational structures are based on geography, product, customer segment, and selling function. Companies can modify one or a mix of any number of these structures to suit their requirements. The organizational structure defines the responsibilities and functions of the sales force members. It also affects the costs required to operate the sales department of an organization.

Examples of Sales Organization Structure:

- A major media company comprising two hundred sales people determined that the best sales structure is one that focuses on categories of business where specific reps are assigned categories and they only work within accounts in those categories. This allows the sales team members to foster relationships with the accounts in the established categories and to become experts in their specific categories of business, as well as understand the marketplace conditions and the competitive landscape of their business category.

- A large distributor of office products wants to implement a sales structure to achieve its overall sales and revenue goals for each of its product lines. To achieve this, the company has organized its sales organization into three regions (central, eastern, and western sales regions), each headed by a regional manager. All three regions have dedicated sales teams to represent each of the company’s three product lines (office supplies, office equipment, and commercial office furniture). Regional sales and revenue goals for each of the company’s product lines are then set at a territory level to support the achievement of annual sales and revenue objectives for each of its three product lines.

3.1.3.3 Sales Force Size

Optimizing the sales force size is an important activity in sales governance since a large sales force is generally expensive to maintain. The right sized sales force, working in parallel with the company channels, can help a company reach its target audience without impacting the company’s operating margins or overall profitability. Sales force size is also an important factor that affects the design of territories. The optimal sales force size may depend upon many factors such as the efficiency of sales people, geography, and product mix. The human resource team also plays a key role by developing and organizing training for the corporate sales team to enhance sales force performance. An optimally sized and motivated sales force provides competitive advantage for a company by generating more business, increasing reach, and improving customer service, while minimizing costs.
### 3.1.3.4 Territories

Defining territories is an important part of sales governance. Territories are determined by an assessment of market potential and customer needs. They are designed to maximize sales coverage and provide equal opportunities for the various sales teams. Territories are therefore designed with the objective of ensuring all territories are more or less equal with respect to sales potential. Territories may exist at various levels depending upon the market potential and the effort required to service an area. For some companies, a city may be a defined territory. For others, it may be a country. The use of sales channels has allowed companies to define larger sales territories. A basic control unit is the geographic area used to form a sales territory. The benefits of properly designing territories include better alignment of customer needs with sales and service teams, lower travel costs, improved efficiency, and ease of setting and collecting metrics.

#### Examples of Territories:

- A company providing lab equipment to hospitals will first break down its territories geographically. This makes logistic sense for the sales representatives, although not every equally-sized geographic area contains an equal amount of selling potential. Therefore, there may be more sales reps assigned in areas where there are larger concentrations of hospitals and university research centers. These areas, usually around major population centers, will be further broken down based on customer potential.

- Moxie Inc., a distributor of fitness products, has a sales organization of thirty-two employees with each sales rep covering a specific territory based on current account base and account potential in each territory. Territories are also organized so that Moxie can make sure that sales opportunities are not overlooked and that they are in a position to provide the best service to their customers.
3.2 Determine Sales Targets

Sales targets are an important component of Corporate Sales. Targets are essentially goals assigned to the corporate sales team to be achieved over a period of time. Sales targets are directly linked to all sales and marketing and financial objectives, and thus are essential components in the achievement of the company’s overall objectives. Sales targets are established based on sales forecasts that are derived from past data and analysis of the competitive landscape. In addition to providing goals for the sales teams, forecasting enables the company to plan and allocate resources. There are various forecasting techniques available that enable the company to set sales targets. The forecasting method used by a company depends upon the company’s specific requirements and the nature of the business.

Sales targets help in motivating the corporate sales teams as well as in evaluating their performance, as targets provide a benchmark against which the corporate sales teams’ performance can be assessed. While setting sales targets, it is important to consider the type of target as well as the level of the target set.

Figure 3-8 shows the inputs, tools, and outputs for the Determine Sales Targets process.

![Figure 3-8: Determine Sales Targets - Inputs, Tools, and Outputs](image-url)

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.2.1 Inputs

3.2.1.1 Selected Marketing Aspects and Targets

Selected Marketing Aspects and Targets is an output of the Decide Marketing Aspects and Allocate Budget process, described in the SMStudy® Guide–Book 1, Marketing Strategy (section 5.3). This output defines the selected Marketing Aspects and the specific targets for each of these aspects. After overall objectives are defined, it is important to assign specific targets to each of the selected Aspects to ensure these are in alignment with the overall objectives. For example, if a company selects Corporate Sales and Digital Marketing as the Aspects to help the business achieve a target of one million dollars in sales, then specific sales targets must be established for both Corporate Sales and Digital Marketing. These targets are a critical input in defining the specific targets for the sales team. The overall sales targets are further broken down into various products, business units, and territories. The breakdown of sales targets will depend on the sales organization structure, which is an output of the Plan Sales Governance process, described in section 3.1.

Example of Selected Marketing Aspects and Targets:

- KLM Windows and Doors, is a market leader in the manufacturing and installation of both industrial grade and residential windows and doors. With thirty showrooms across the globe, KLM uses Retail Sales, Corporate Sales, and Digital Marketing to grow its business. Each of these Aspects of Marketing has its own revenue targets.

  Retail Sales is responsible for sales generated through the company’s various showrooms. Each location has its own sales targets that contribute to the total retail sales target. These sales are primarily direct to consumers.

  Corporate Sales is divided into geographic regions and subsequently into territories. Each territory has a revenue target that contributes to the region’s total sales, which contribute to the total corporate sales targets.

  The Digital Marketing team is responsible for both generating sales through the e-commerce website and supporting the efforts of the retail and corporate sales teams through various initiatives. The Digital Marketing sales target is minimal relative to the sales targets of the other two Aspects. However, Digital Marketing is a significant marketing channel for this business, and its reach and reputation targets contribute to the overall growth of the business.

  With their sales targets aligned with one another, each of these Aspects is contributing to an overall
3.2.1.2 Past Performance Data

Past performance data reports include information on the company’s past performance with respect to identified objectives such as customer and distribution reach achieved, revenues to date, and target revenue percentage reached. This information is used as an input to forecast future revenues. In most markets, unless a competitor introduces a significant technological or service innovation in the product category, the past performance of the company is a good indicator of the state of business and can be used to estimate future revenues. Time-series analysis for forecasting revenues uses this information to make predictions about future revenues for different sales teams and the business as a whole. Past performance data can also provide valuable insights regarding current resources and additional investment required to achieve targets. Such investment can include additional hiring of staff and additional marketing spending, among others. Without past performance data, businesses lose out on valuable information, which can be analyzed and mapped against future trends to identify the right levels of targets for the sales team.

Example of Past Performance Data:

- A commercial bottling company reported sales revenues of $12 million last year. After adjusting for increases in overall market growth and opportunity, the bottling company has set a target of 15 percent above the previous year’s sales targets. The sales target for this year is $13.8 million.

3.2.1.3 Details of Competitive Products

Details of Competitive Products is an output of the Identify Competition process, described in the SMStudy® Guide—Book 1, Marketing Strategy (section 3.1). Information about the competition is especially important when a company is launching a new product or making a strategic change that can impact the industry. In this case, the company may not have its own past performance data to rely upon. If the company is able to identify similar competitive products, it can use competitor information to help map its own Aspect-metric combination in a manner that is best suited for the target market segment. For example, a company launching a new product in the market could map its new product or service to competitor products with a similar positioning, while attempting to differentiate. Gathering competitor information also ensures the organization is apprised of the latest trends in the sales and marketing of the product or service category. These trends may be adopted by the company in order to help mitigate threats and avoid any potential sales loss.

3.2.1.4 Opportunities and Threats*

Opportunities and Threats is an output of the Determine Opportunities and Threats process, described in the SMStudy® Guide—Book 1, Marketing Strategy (section 2.2). Understanding opportunities and threats is a key part of analyzing market opportunity. It is important to understand a company’s opportunities and threats
with respect to its external environment and its competition in order to understand the factors that can affect future sales revenues. The objective is to first identify the key strategy-related factors that affect the company and then build on key strengths, address weaknesses, take advantage of important opportunities, and avert or mitigate threats to ultimately create a competitive position that is sustainable in the long term. A detailed list of opportunities and threats should be documented and used as an input to perform forecasting and assign targets for the sales team.

3.2.1.5 Finance Strategy

The Finance Strategy generally dictates whether resources can be mobilized or whether new activities can be initiated in a company. The existing Finance Strategy provides valuable inputs in terms of the past performance of the company and includes analysis of financial reports, such as the balance sheet, the profit and loss statement, and the cash flow statement, with details on the level of profitability and growth the company has been able to attain. This information is valuable in deciding on the type and level of targets for the sales team.

3.2.1.6 Sales Organization Structure*

Sales organization structure is an output of the Plan Sales Governance process, described in section 3.1. The sales organization defines the way in which the sales force of the company is structured. Depending on the type of company, industry, customer segments, and product, companies can establish any one of a number of various organizational structures. The four common organizational structures are based on geography, product, customer segment, and selling function. Sales organization structure is an important input in determining the targets for the sales team. Depending on the type of organizational structure followed, the sales targets are assigned. The analysis of past performance, macro-economic factors, and competition takes into account the specific type of organizational structure as the effect of such factors on the sales targets will vary depending on the sales structure.
3.2.2 Tools

3.2.2.1 Sales Forecasting*

Sales Forecasting involves estimating the sales and revenues of a particular product or a range of products for a given period of time. Such an estimate is always accompanied by a marketing plan, which serves as a road map to achieve the forecast. The forecasted revenues are then assigned to the sales units as sales targets. The forecasted revenues are further divided and sub-divided into different product units, geographical units, and eventually territories, resulting in targets for individual sales representatives. The forecasts are not only the foundation for sales targets but are also important in evaluating the performance of each sales unit.

Various methods of sales forecasting can be used to determine sales targets. These methods can be divided into two primary types—Qualitative and Quantitative methods.
Qualitative Methods

Qualitative methods are subjective in nature. Forecasts are established using consumer expectations, sales force estimates, executive opinions, and the Delphi method.

- **Consumer Expectations**

  This method of forecasting depends on the response of customers with regards to the expected consumption in the forecasting period. It gives a forecast that is closer to market potential than it is to the expected revenue. Consumers respond based on their interest in purchasing the product without taking into account the marketing efforts by the company. Surveys are used to collect this information and may include telephone interviews, personal interviews, or questionnaires as a means of obtaining data. Statistical analysis is used to arrive at and test hypotheses regarding consumer behavior to understand the expectations.

- **Sales Force Expectations**

  This method of sales forecast uses estimates of the sales force to arrive at the forecast number. Since sales people are closest to customers, they have a good understanding of the market and can often estimate future sales more accurately. These estimates are then adjusted by management, based on the past accuracy of the estimates and other factors, in order to arrive at a final forecast figure. One of the major drawbacks of this method is that the sales force and management may at times have certain self-serving motives or may be misinformed and, therefore, may underestimate or overestimate the forecasts.

- **Executive Opinion**

  This method of sales forecast uses estimates given by the key executives within the company to arrive at the forecast number. These key executives represent various departments in the company, such as sales, finance, operations, marketing, etc. The estimates provided by executives can vary greatly and are often either averaged out to arrive at a forecast, or are determined when general consensus is reached following a group discussion. This method is useful as it is subjective and needs no data. The opinion of key executives is valuable as they have a good understanding of various areas of the business.

- **Delphi Method**

  The Delphi method is a specific type of executive opinion methodology. In this method, executives are interviewed separately and are asked to give their estimates about the forecast. It is an iterative method in which all the estimates are combined and a summary report is created post iteration. This report is then shared with all the executives who are required to give a revised estimate based on the feedback or arguments from other executives. The objective of this exercise is to narrow down the range of estimates with subsequent iterations in order to arrive at an accurate average estimate forecast.
Quantitative Methods

Quantitative methods use empirical analysis to make forecasts. Two popular quantitative forecasting methods are time-series analysis and explanatory methods.

- **Time-Series Analysis**

  Time-series analysis is the simplest method for quantitative forecasting. It takes into account historical data and trends to make predictions for the future. Past sales figures, when adjusted for market factors and growth rate, give a good estimate of future sales. Some popular methods used in time-series analysis are moving averages, exponential smoothing, and decomposition of time series.

  - **Moving Averages**—Moving averages is a very simple method of time-series analysis. It takes into account average sales over a certain number of months or years to arrive at a forecast for subsequent months or years. For example, to arrive at the estimate for next month, a moving average of the last six months can be taken. Alternately, moving averages for the last twelve, eighteen, or twenty-four months can also be taken. This technique can be more accurate when the forecast is based on the average of a certain number of time units in the past. However, this estimate may also be inaccurate as there may be a variety of other seasonal and market factors that can affect sales.

  - **Exponential Smoothing**—Exponential smoothing is a more effective method than time-series analysis, as it does not give equal weighting to each time period in the past. Instead, this method gives more weighting to the more recent periods of time. Forecasts are based on the premise that future sales are likely to be closer to the sales of the immediate past than they are to the less recent past. A smoothing constant, or $\alpha$, is used to calculate the forecast. The value of $\alpha$ varies between 0 and 1. The higher the value of $\alpha$, the greater the weight given to the recent past in the calculation.
Decomposition of Time Series—Decomposition of time series is a method that takes into account not only the change in demand, but also other factors that affect sales. This method is usually used for shorter periods of time in which various other factors play an important role. These factors are usually of four types—Seasonal, Trend, Cyclical, and Random. Seasonal factors are the first ones to be determined and sales are adjusted for these factors. Seasonal factors are the annual fluctuations in sales at particular times of the year. Cyclical factors are fluctuations in sales that may occur over a long period of time. Trends are identified after removing the impact of seasonal and cyclical factors, and are normally assumed to be in a straight line. Random factor is what is left over once the impact of all the other factors is removed.

Explanatory Methods

Explanatory methods are different from time-series analysis. They do not use historical sales data to predict future sales, but rather take into account different factors that can affect sales. Tools such as regression and econometric modeling are used to establish causality between other factors affecting sales.
Examples of Quantitative Forecasting:

- Gem Media uses forecasting to assess and understand future trends in its business. Management recognizes that as they examine their data trends, the fast growing environment makes it difficult to know and identify the underlying trends and whether their marketing efforts have made any impact on that growth.

  Unlike time-series methods where forecasts are based on historical patterns in the data, explanatory methods use other data as inputs. For example, when Gem Media wanted to forecast site visitors over a three-month period of time, the explanatory method consisted of examining marketing data as inputs to the model to understand how marketing efforts affected site visit levels and to forecast future visits based on that data.

  This approach helps Gem Media better relate changes in marketing activity to changes in outputs such as site visits, brand awareness, and/or sales. The explanatory method is helpful to Gem Media because it realized that there are many factors to consider when forecasting in its industry and that simple averaging methods are not typically reliable given the trends and seasonal factors that affect the business.

- Foster Furniture, Inc., a national office furniture manufacturer forecasts using time-series analysis with exponential smoothing, which looks at patterns and pattern changes. The business, therefore, relies entirely on historical data. This approach is used in the organization because the business has several years of data available for each of its products and product lines and because the relationships and trends are both clear and fairly stable. The company typically starts off by looking at past sales of each product to get a good reading of the current sales rate and how fast the rate of sales is increasing or decreasing. The current sales rate and changes in the rate—increasing or decreasing—constitute its initial efforts at forecasting. Once the company has a good understanding of the sales trends, it can make some preliminary sales projections. However, given that there are seasonal variations as well as other variables to consider, such as marketing promotions, the raw data needs to be massaged before it is usable and, at this point, time-series analysis is beneficial.

  For example, the company may take one of its popular products and look at the sales of that product by month, for several years. This may help identify and explain growth rates of the trends and any regularity or systematic variation in the data that is due to seasonality or cyclical patterns that repeat any two or three years or more. Once the analysis is complete, the work of projecting future sales for this product can begin.
3.2.2.2 Target Allocation

Targets are goals that are assigned to salespeople. Targets are important for planning sales efforts as well as for determining the effectiveness of the effort. They are typically used to motivate the sales team. Targets generally apply to specific periods of time. They may be specified as monthly, quarterly, or annual targets depending upon business requirements and the length of the sales cycle.

Targets help in planning and controlling the sales effort in two ways:

- **Incentivizing the corporate sales team**—Targets provide a specific objective for the corporate sales team to meet. They act as an external motivating factor for the sales team, especially when targets are linked to compensation plans.

- **Evaluating the corporate sales team performance**—Targets provide a benchmark against which the performance of the corporate sales team can be evaluated. They facilitate recognition of high-performing individuals or teams. They also help in identifying the individuals or teams that are not performing well so that the company can take any necessary corrective action.

While allocating targets, it is important to ensure that the targets are well understood by the corporate sales team and are geared toward helping the company achieve its overall objectives. Figure 3-9 shows the SMART Framework, which provides a model for setting targets:

![SMART Framework](image)

**Specific**—The targets set should be specific, meaning they should be clearly defined. For example, if the target is defined in terms of sales volume, it must specify the number of units of product that need to be sold, the type of customers that are being targeted, and any financial details such as minimum sales price or minimum profitability.

**Measurable**—The targets should be measurable, allowing senior management as well as the corporate sales team to gauge performance with relative ease and without incurring significant costs.

**Attainable**—The targets should be realistic and attainable by the corporate sales team. Targets should be set after considering the competitive landscape; macro-environmental factors; segment potential; and company strengths, weakness, and capabilities. Setting unrealistic objectives can demotivate the corporate sales team and lead to greater losses in the long term.
Relevant—The targets set should be consistent with the sales and marketing objectives, as well as the overall objectives of the company. Targets should also be relevant to evaluate the performance of the corporate sales team.

Time-bound—The targets should be linked to a time frame to create a sense of urgency for the corporate sales team. Time-bound targets also help the senior management team gauge the level of target achievement with respect to time and make adjustments or take corrective action, if necessary.

Setting Targets

When setting targets, there are two important factors to consider—the type of target and the level of target. Targets can be set based on sales volume, activity, or financial factors. Once the type of target is decided, the level of the target establishes a specific and measurable value that needs to be achieved. When deciding the level of the target, senior management needs to consider factors such as the potential of the territory, the impact of the target on the corporate sales team’s motivation, and the objectives of the company. Targets can be of three types:

1. **Sales volume targets**—Sales volume targets can be measured in units of sales or value of sales achieved. Companies also often use a point system where a certain number of points are awarded for each unit sale of a particular product or for a particular value of sales achieved. The points system is used when the company wants to prioritize the sale of certain products above others. Products that are more recent additions to the company’s portfolio or more profitable may be assigned greater points. Similarly, sales to a new customer may be assigned more points over sales to an existing customer. Sales volume targets are set based on the data available from forecasting, the past year’s sales achieved, or average sales achieved over the previous years.

2. **Activity targets**—Activity targets provide a means to recognize the effort invested by the corporate sales team. These targets are designed to measure the activities that are done to achieve sales as part of the corporate sales teams’ target. Activity targets may include the number of calls made to customers, the number of proposals submitted, the number of demonstrations made, the meetings and seminars held, the amount of over-due payments collected, etc. Activity targets are aimed at rewarding the corporate sales team for the time and effort spent in activities that may lead to sales. Activity targets are suitable for products that have a shorter sales cycle, but for products that require more time to be invested in the sales process, activity targets are preferable.

Activity targets are based on senior management’s understanding of activities that can potentially lead to better sales. If left to the sales person, the activities undertaken may not yield the desired results. Activities that are included as sales targets are based on an analysis of the work needed to achieve sales effectively. Activity targets can help the sales team focus on those activities that have higher impact.

3. **Financial targets**—Financial targets are based on the cost and profit components of sales. Financial targets may be measured in terms of gross margin, net profit, selling expenses, or any similar financial measure. Financial targets are generally considered difficult to implement because
of the difficulty in calculation. Financial targets are also affected by external factors such as competitive pricing, customer flexibility on price, external economic conditions, etc. The level of financial targets set will typically represent the financial objectives of the company or the business unit.

**Example of Target Allocation:**

- A small investment firm is setting new sales targets for their incoming class of brokers. It will use the SMART framework to ensure the goals are applicable and relatable to the brokers to help incentivize and drive their sales, thus aligning the brokers’ activities with company priorities. The targets must also be clear and actionable so they can be measured and used to evaluate performance. The end result might be targets that include the following for the first quarter of the year:
  - Secure five new client meetings per week.
  - Gain new investment of $1 million per month from new clients.
  - Grow sales from the company’s existing book of business by 10 percent.
  - 20 percent of clients should have retirement accounts under management in house.

### 3.2.2.3 Macro-economic Factors and Competitive Analysis

This analysis involves actively scanning the industry (or other industries) and the macro-economic environment for any developments that can pose a serious competitive threat or create an opportunity for the company or its products. Various threats can come from existing players, new entrants, or new technologies that have the potential to disrupt current business practices. Opportunities may come from the departure of an existing competitor from a product category or industry or macro-economic changes that favor a company’s products. Prior to setting targets, it is important to conduct a competitive analysis to understand the competitive landscape and set realistic targets. The frequency of conducting a competitive analysis depends on the industry and its macro-economic factors. An industry that is very dynamic and rapidly changing requires frequent competitive analysis. A competitive analysis helps a company identify opportunities or threats to allocate realistic targets that are achievable for the company’s corporate sales team.

Macro-economic factors and competitive analysis should be performed in a structured manner. One possible method is to create a Probability and Impact Matrix to assess competitive risk events. In this approach, all possible scenarios are listed, with a probability of occurrence and a degree of expected impact assigned to each scenario. The degree of impact is assigned to each risk event using a numerical scale: the higher the impact, the greater the number. Multiplying the probability of occurrence by the degree of impact results in a number that indicates the potential threat level of that scenario or event to a company. A higher number indicates a higher level of threat. After the threat level is assessed, it is then categorized as “high,” “moderate,” or “low” for ease of reference and to rank the importance of potential threats to a company. For example, a competitor’s newly released product may threaten to reduce company revenues by five percent.
This may be an event with a high probability but low degree of impact, so the overall threat would likely be categorized as “moderate.” However, the commercialization of a proven new technology that is costly to implement, but may threaten the very existence of a company’s main products, would be an event of moderate probability with a high degree of impact. The overall threat would therefore likely be categorized as “high.”

Example of Future Competitive Analysis Using a Probability and Impact Matrix:

- An example of how this tool can be used is shown in the following table:

<table>
<thead>
<tr>
<th>Possible Future Competitive Event</th>
<th>Probability of Occurrence (P)</th>
<th>Degree of Impact (Scale of 1-5, 5 being the highest) (I)</th>
<th>Threat Level = P x I</th>
<th>Threat Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry of Company A</td>
<td>0.8</td>
<td>2</td>
<td>1.6</td>
<td>Moderate</td>
</tr>
<tr>
<td>Commercialization of Technology B</td>
<td>0.6</td>
<td>5</td>
<td>3.0</td>
<td>High</td>
</tr>
<tr>
<td>Launch of Product C in Another Industry</td>
<td>0.4</td>
<td>1</td>
<td>0.4</td>
<td>Low</td>
</tr>
</tbody>
</table>

According to this data, the second event—Commercialization of Technology B—is the event that the company should try to avoid or mitigate as it is in the “high” threat category. The company may also create a response plan for those events or scenarios in the “moderate” threat category. Those in the “low” category are often accepted threats since they pose little threat to the company.

It is important to note that the effectiveness of this analysis as a tool depends greatly on the knowledge and experience of the team conducting the analysis. An experienced and competent team with a well-developed perception of what is happening within the company and the external environment can usually envision more realistic scenarios and make better predictions. Senior management may also be asked to provide their suggestions and views during this analysis.
3.2.3 Outputs

3.2.3.1 Selected Sales Metrics*

The performance of the sales team can be measured using a number of different metrics, including sales volume achieved, success of activity-based targets, or achievement of other financial targets. The metrics to measure sales targets are selected based on the nature of the business or the type of products. Sales volume as a metric is used when the sales cycle is short and the demand for the product or service is regular. In the case of products or services where the sales cycle is longer, the metric used may be financial or activity-based. Activity-based targets measure the activities of the corporate sales team that are designed to generate corporate sales. These include calls made to customers, proposal submissions, demos given, meetings and seminars held, and payments collected, among others. Financial metrics such as gross margin, net profit, selling expenses or any similar financial aspect of sales may also be used to measure the performance of the corporate sales team.

Example of Selected Sales Metrics:

- Northlands Heating establishes weighted sales targets for each territory, based on sales potential, to yield a 5 percent sales growth target nationally. Territories with more than twenty construction projects in cold climates are assigned sales growth targets of 7 to 8 percent, while territories with fewer construction projects in warmer climates are assigned sales growth targets of 3 to 4 percent. In addition, Northlands knows that industrial heater sales will be highest during the winter months. Higher monthly sales targets are therefore assigned to all territories during the months from November through February.

3.2.3.2 Selected Sales Targets*

Sales targets are the specific goals assigned to the corporate sales team to achieve over a period of time. Sales targets are very important to motivate the corporate sales team and to help senior management achieve the overall objectives of the company. Sales targets also help senior management to measure the corporate sales team’s performance on an individual and team basis. Companies may set sales targets based on sales volume, activity, or financial measures. The level or amount of targets set depends upon the forecasts, past sales data, past performance, and the competitive landscape.
Example of Selected Sales Targets:

- Northlands Heating sells industrial heaters to help construction companies keep workers warm while working outdoors in cold climates. The company is setting sales targets for each of its sales territories. It has calculated that 5 percent sales growth is reasonable to achieve its revenue goals for the next fiscal year. Northlands, therefore, sets monthly sales targets for each region to achieve the 5 percent sales growth, taking into account the sales potential in each region (i.e., the number of construction company employees in each region, the number of scheduled construction projects, and the average monthly temperatures in each region).
3.3 Create Marketing Assets

Marketing assets are used by the corporate sales team during the sales process. Marketing assets can be created by the company or by external agencies to represent a company or its products. Marketing assets highlight product features and communicate the sales value proposition, and the positioning statement, to appeal to specific target segments. Marketing assets may showcase a company's products or services through text, images, videos, audios, or digital marketing.

Creating marketing assets requires both technical skills and marketing skills. The advent of Digital Marketing has increased the selection of media options from which companies can choose to create and present the business using a variety of marketing assets.

Marketing assets are used at every stage of the sales process. The brand image of the company and the products must be consistently maintained. A trained corporate sales team, with the help of well-prepared marketing assets, can significantly increase the chances of making a sale to a customer.

Figure 3-10 shows the inputs, tools, and outputs for the Create Marketing Assets process.

![Create Marketing Assets—Inputs, Tools, and Outputs](image)

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.3.1 Inputs

3.3.1.1 Product Features*

Product Features is an output of the Create Differentiated Positioning process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.3). The product features are the key characteristics of a product that appeal to a target segment. Products have features that are characteristic of a product category, as well as features that differentiate the products from the competition. Product features that appeal to a target customer can be gleaned or inferred from perceptual maps, which indicate the parameters that a product must have to appeal to a specific target segment and highlight key points of differentiation that the sales team can use in the sales process. The product features are required for anyone creating marketing material to gain a clear understanding of the product, resulting in useful assets for the sales team.

Examples of Product Features:

- A time and attendance software company understands that a key feature differentiating its software from its closest competitor is ease of use and usability. To highlight this advantage, the company relies heavily on product demonstration videos to illustrate its usability features.

- JSA Printers manufactures printing presses. Like many of its competitors, its printing presses feature the latest technology in commercial printing, exceptional print quality, and high productivity. However, JSA prides itself on being an innovator in the industry, with a significant commitment to social responsibility. What differentiates JSA is its focus on sustainability, providing printing companies with energy efficient options and reduced paper waste. Its sales team is equipped with a “sales battle card” that highlights not only the product features that make JSA Printers leaders in the industry but also pinpoints areas where it is significantly out-performing its competitors.

3.3.1.2 Positioning Statement

Positioning Statement is an output of the Create Differentiated Positioning process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.3). The positioning statement is generally a short sentence or phrase that captures the essence of the value that a company’s products offer to its target customers. The positioning statement should create an image of the products, highlighting the most important benefits that offer the most value. The positioning statement reflects key information including the target segments for which the products are positioned as well as brief points of differentiation for the products.
3.3.1.3 Sales Value Proposition*

A value proposition communicates how the company’s offerings help the customer achieve better results. It presents measurable business outcomes, helping decision makers in making faster decisions about buying the company’s products or services. It not only helps in content creation and selection of the type of marketing assets to be created but also helps exhibit tangible product value through the marketing material. Such tangible business outcomes serve as an important tool for convincing decision makers.

Example of Sales Value Proposition:

- A marketing software company wants to differentiate itself from its competitors by developing a new landing page on its website, highlighting how its software can help customers develop more effective e-mail campaigns. In the lead paragraph of its website, the company specifically identifies who will benefit from its software (leading designers and companies everywhere), as well as the differentiating features of the software. The value proposition states, “For as little as $15, we can help your company conduct beautiful and profitable e-mail campaigns, using software that will track results and manage subscribers at a fraction of the cost of other marketing software suppliers.” The marketing company further strengthens the value proposition of its software by including customer testimonials on its landing page.

3.3.1.4 Marketing Strategy

The Marketing Strategy acts as a unifying framework to define, analyze, and use other Aspects of Marketing. As described in the SMStudy® Guide – Book 1, the Marketing Strategy defines the metrics, targets, and budgets for all marketing activities. The budget is a key input for the creation of marketing assets as the resources required for each type of marketing material vary. The targets and metrics help determine the desired reach of marketing campaigns and provide direction for future marketing activities.

Examples of Marketing Strategy:

- The Marketing Strategy for a large international company typically sets sales and profitability targets for the company as a whole. Targets are then assigned at a country level and further broken down at a regional and business unit level, based on local marketing opportunities. The Marketing Strategy therefore serves as a significant input for the creation of marketing activities, assets, and budgets for the entire company.

- A manufacturer of restaurant equipment has developed a multi-faceted Marketing Strategy centered around trade show exhibitions and sponsorships as well as associated e-mail campaigns and social media outreach. Based on this strategy, various assets are created that can both serve as selling tools during the sales process and support the sales effort through consistent messaging.
3.3.1.5 Selected Target Segments

Selected target segments are those market segments that provide the best potential for profitability and success as determined by the company. Selected Target Segments is an output of the Select Target Segments process described in the SMStudy® Guide–Book 1, Marketing Strategy (section 3.2). Various criteria are used in the determination of the segments that the business should target. The selected target segments should be a good match based on organizational strengths as well as each segment's needs; purchasing patterns; and market attractiveness criteria, such as size and growth potential. For consumer market segments, in addition to defining the selected target segments, businesses often include information about demographics, geography, disposable income, psychographics, and purchasing behavior. For business market segments, information about locations, revenues, decision-making hierarchy, and the stage of technology adoption for the companies in the targeted segments are also important details. Knowledge of target segments is essential while creating marketing material because the messages that need to be communicated to the customers depend greatly on the selected target segments. It also helps to customize communication and marketing messages conveyed through various marketing assets.

Example of Selected Target Segments:

- A contact center outsourcing company determined that vice presidents and others in senior leadership roles were the most advantageous individuals to target within organizations as lower level contact center management often feel threatened by the possibility of their department being outsourced.
3.3.1.6 Corporate Sales Team

The existing corporate sales teams provide insights about customer preferences and key parameters that customers look for while evaluating and responding to various marketing assets. Their expertise also helps to validate the messages communicated through the various marketing assets.

The corporate sales team helps in the creation and fine-tuning of marketing assets and is aware of the various marketing efforts needed by the company. This knowledge is useful for the team to communicate more effectively with customers.

Example of Corporate Sales Team:

- The marketing team of an online media company can benefit greatly from leveraging its trained sales team in the creation of new marketing assets. The sales team members are often the individuals who are closest to the clients (the advertiser), and best understand their needs, above and beyond what the company may already have outlined as the customer needs. The sales team would also have insight as to whether there have been any issues with marketing materials in the past and what might need to change. Perhaps the customer does not view the company as innovative enough. Knowing this can help the marketing team manage this optic better with stronger proof points demonstrating the company’s innovation in the industry.

3.3.1.7 Organizational Capabilities

Organizational capabilities are those that allow a company to achieve its organizational goals and gain a competitive advantage. Capabilities can originate from any function or may already be fundamental to a company. Organizational capabilities that are used in the process of creating marketing assets include existing resources and collateral, such as artwork, tools, software, technical expertise, and other skillsets, as well as product and company certifications and credentials. At the corporate level, an important organizational capability would be the availability of funds to allocate for creating marketing collateral.
3.3.2 Tools

3.3.2.1 Meetings and Discussions*

When creating marketing assets for different types of corporate customers belonging to different selected target segments, it is essential to properly analyze and customize messages and information. The marketing assets should clearly showcase the match between a customer’s requirements and the products and services provided by the company. Meetings and discussions play an essential part in the selection and creation of effective marketing assets as they provide a forum for ideas to be discussed and shared among the various stakeholders, including corporate sales team members, senior management, and teams responsible for the technical aspects of creating the assets, thus ensuring a better understanding of the key marketing messages. The marketing team often works closely with the sales team to determine the marketing assets (e.g., brochures, case studies, white papers, presentation materials, samples, video demonstrations, etc.) that will be most effective in communicating the sales value proposition to prospective clients. Sales and Marketing together would also determine the best trade shows and conferences to attend or sponsor in order to network with prospects and raise awareness of the brand. These factors are all considerations in the creation of marketing assets. Meetings and discussions, therefore, are a significant part of the identification, planning, and creation of marketing assets.

Example of Organizational Capabilities:

- Organizational capabilities that could provide a company with a competitive advantage include the following:
  - Economic/Financial capability where a company is able to produce a good or service at lower cost than its competitors
  - Strategic capability where a company offers unique product features that differentiate the product from competitors’ products
  - Technological capability where a company offers products or services that are innovative in design or functionality
3.3.2.2 Marketing Assets Creation Skills*

Marketing assets can be in various forms ranging from simple documents to large banners and multi-media videos. In order to create marketing assets, it is essential for a company to possess or have access to the necessary creative skills and design and print tools such as software and/or hardware.

Creative skills involve artistic knowledge and abilities in various communication forms. The creative team should have a complete understanding of the creative abilities, skills, and tools available within the company for developing marketing collateral. The team should also have a solid understanding of the products or services provided by the company to ensure that the intended messages are communicated to the target audience in a way that leaves a favorable impression. Creative skills and technical expertise can have a direct impact on brand recall, sales, and the success of marketing activities conducted by a company. Skills such as script writing, academic writing, storyboard creation, artwork creation, and video and audio direction are some of the creative skills that are useful when creating marketing assets.

Technical skills are also required in the creation of marketing collateral. The team must be able to proficiently use various tools including software programs and hardware, such as cameras, lights, and recording devices as necessary. Proficiency in various tools will ensure high-quality marketing material is produced in the desired time and according to the desired specification criteria.

A combination of creative skills and technical skills will result in the creation of high-quality marketing material that communicates the exact message desired by the company in a way that most effectively appeals to the intended audience.

Marketing assets can be created primarily for two purposes.

- Marketing assets for branding and advertising—Assets such as banners, billboards, TV commercials, radio commercials etc. are generally used for branding. Such assets may not have a detailed description of products or services as they are mostly used to either introduce a brand or reinforce a brand identity.
- Marketing assets for sales presentations—Assets such as presentation slides, product demonstration videos, product brochures, catalogs etc. are generally used as aids during the sales process including prospecting and conversion.
There may be an overlap between the use of assets for the above two purposes. For example, digital marketing assets such as websites, blogs, online advertisements etc. help in both branding and sales.

**Examples of Marketing Assets Creation Skills:**

- A national commercial leasing company has the conceptual skills and insights to develop messaging for a specific target audience, but needs to hire or train staff on computer graphics software and/or hardware to print promotional brochures, banners for trade shows, and literature for direct mail campaigns. By combining in-house creative skills with new, external technical expertise, the company can develop promotional literature that is cost-effective and impactful for the intended target audience.

- MBOC Inc., a large commercial bank, has a marketing department that is very strong with respect to branding and messaging, print collateral, and website content. Its messaging is consistent and clear, but the company does not have the skills or experience in other marketing channels. The company will need to either grow and strengthen internal resources or outsource the creation of other assets that are more fresh and viral, for example implementing interactive site functionality, introducing videos and innovative digital marketing assets, and using social media channels more effectively. By leveraging its existing strengths and filling the identified gaps in expertise, the company will be poised to better communicate with various target segments.

**3.3.2.3 External Expertise**

External expertise in creating marketing material is particularly useful for companies that lack either proficiency in specific skillsets or the resources to produce certain marketing assets. For such companies, hiring external expertise is a better option than diverting internal resources for this purpose. External agencies also bring industry knowledge from working with customers in similar businesses and are able to guide the company in deciding the type of marketing content, and the various channels to be used. A good external expert conducts primary research or has secondary research data about the industry. External experts can therefore help the company in choosing the marketing material that is most efficient in influencing a target segment.

External expertise can be contracted for the creation of specific marketing assets. External experts allow the company to save on opportunity costs that the company would have incurred had the activities been done in house. External experts can be used for the material creation, presentation, digital marketing, branding and advertising, or a combination of some or all of these.

When hiring external experts for outsourcing any of the activities in this process, it is important to identify the exact set of activities that need to be outsourced. A company may have internal capabilities to create basic marketing material, and it is important to identify such internal resources. However, when creating relatively technical marketing assets such as audio-visual content, for example, it is advisable to use external
expertise. A company that does not have specific expertise in the field of audio-visual content creation may not be able to achieve the desired result without the help of external expertise. Thus, the need for external expertise is often based on the complexity of the content creation and the degree to which the required expertise is specialized or technical in nature.

There are advantages and disadvantages to outsourcing certain components of content creation. External expertise can bring industry experience and knowledge. However, external service providers will not have the product knowledge that internal team members possess and their vision may not be aligned with the Corporate or Marketing Strategy. Businesses need to consider the value that external expertise can bring when making a decision about whether to outsource certain content creation activities and, if the decision is made to outsource, it is essential that the team maintains constant communication with external service providers to ensure that marketing assets remain aligned with desired objectives and that messages remain consistent across all marketing assets.

Figure 3-11 shows various types of marketing assets ranging from those that are relatively straightforward to create, and thus can often be handled by in-house team members, to those that are more difficult to create, and thus may require external expertise.

![Figure 3-11: External Expertise Required Based on Difficulty in Creation](image-url)
3.3.2.4 Digital Marketing

Digital Marketing is discussed in detail in the SMStudy® Guide–Book 3, Digital Marketing. In the context of creating marketing material for Corporate Sales, Digital Marketing plays a crucial role. In Corporate Sales, studies reveal that decision makers are influenced in their decision to buy based on the information that they accumulate through digital media. The process of “due diligence” is now increasingly conducted through various forms of digital marketing media. Information regarding the company’s products, service, processes, and people is easily accessible. This makes it even more necessary to have a positive image on various digital marketing media outlets. The proliferation of devices to access digital media has also led to the exponential growth of Digital Marketing.

The influence of Digital Marketing, however, varies based on the industry. In technology-dominated industries, Digital Marketing spend has already exceeded traditional forms of marketing. In typically traditional or slow-moving industries, the influence of Digital Marketing is less pronounced. However, most companies have advanced toward expanding expertise in Digital Marketing.

While the majority of companies will have traditional marketing material in the form of presentations, brochures, and audio-visual content, it is important to integrate existing content in digital marketing media. In addition, the company will also have to create new marketing material especially for digital marketing media. This can be in the form of social media accounts, audio-visuals exclusively for Digital Marketing purposes, web domains, digital forms, etc. In order to align with the needs of Digital Marketing, the company may even have to adjust the Corporate Marketing Strategy accordingly.

While using Digital Marketing to create leads or to engage existing customers, it is important that the target segment, Marketing Strategy, and sales value proposition are clearly understood. The possibilities and the
reach of Digital Marketing campaigns are high, but at the same time any incorrect information or error in strategy can have cascading negative effects. Since the digital world is accessible to all, and customers are able to contribute content that can be positive or negative for the company, the resulting effects are multiplied when compared to other traditional marketing media.

The following tools can be used to create Digital Marketing assets:

**Online Advertising**

Creating awareness of a company’s products requires that the company frequently communicate about its products to prospective customers. Online advertising campaigns create a continual awareness about the products in customers’ minds through frequent communication. This can create interest that can help convert prospects to inbound leads.

**Examples of Online Advertising:**

- Pop-up advertising can be intrusive, but these ads require a reader to take action. Even if readers decline to respond positively to pop-up advertising, they still need to decline or refuse offers that are made. Frequent pop-ups that are reader friendly and offer a value proposition can dramatically increase brand awareness and increase viewer interest in asking for more information about a product or service.

- A commercial security system company is expanding its online advertising since the company has just launched a new robust website, and is able to sell online. The business is targeting trade publications, real estate sites, and other related industry-specific sites to run new display ads. It has also created a LinkedIn page to promote its newly created videos highlighting its superior products and ease of installation. The videos are extremely valuable tools for sales teams to use with new clients. It has also leveraged local listings, search engine marketing and search engine optimization as well as review sites to reach its target customers and markets.

**E-mails**

E-mail newsletters with relevant company information are also good means to generate and nurture leads. E-mail marketing is sent to existing customers or prospective customers. E-mail lists can be purchased from an external source, compiled by the sales team from various networking events, or generated from existing contacts that have opted in to receive communications and offers. E-mail marketing is largely used to improve the relationship of a business with its customers (current or previous), to foster customer loyalty and increase business, to acquire new customers, or to drive current customers to an immediate purchasing decision. E-mail marketing can be used to send newsletters or company advertisements, or to communicate any promotional offers. The practice involves collecting e-mail addresses of clients and prospects and sending e-mail messages, which contain information about the products, including newly introduced special offers.
When e-mail marketing is used to generate and nurture leads, the content must be precise. If the e-mail is being sent to decision makers, the sales value proposition must definitely be included and highlighted. Decision makers usually receive a high number of e-mails and, therefore, if the email does not communicate a specific quantifiable benefit, there is a significant chance that the e-mail will be ignored. In general, all e-mails must use a standard template developed by the company. The e-mails must try to generate an action from the reader, which can be in the form of clicks, feedback, or a request for demonstration or trial.

More information on e-mail marketing can be found in the SMStudy® Guide–Book 3, Digital Marketing.

Example of E-mail Marketing:

- A company that specializes in mobile phone enterprise solutions for businesses can inform their existing e-mail subscribers about a new phone that offers more features than current models. Each e-mail can provide a brief description of the new product features with a link to see a video that further demonstrates the new features. A link to the corporate sales team’s contact information can make it easy for businesses to gain additional information if the business is considering an upgrade to the new phones for its employees.

Website

The company website is looked upon as the primary source of information about a company and its products. The website serves as a valuable source to provide information for prospects, leads, and customers. While almost all companies have a website, the nature of the content and the presentation of the content on the website can have a significant impact on its success as a selling tool. The style, content, and structure of a website will vary by industry. Therefore, the website must be developed with the target segment in mind. The website must also enable the user to clearly understand the products offered with unambiguous information. The company website has in recent times become the first point of contact with the company especially in the case of corporate customers. The potential customer therefore gains a first impression of the company from the website.

The website must be well designed aesthetically as well as functionally. While the aesthetic design is what attracts the customer to take a closer look at the website, the functionality retains the customer for the longer term. The sales value proposition and the product features are communicated through the website. The customer must be provided with options to communicate feedback about the website as well as products and company service levels. The website is an important medium for collecting unbiased customer feedback and experiences.
Social Media

A company needs to identify the social media options that are best suited for its business. Social networking sites have emerged as one of the best options for the company to share industry insights as well as to advertise audio-visual content. Social networking sites can be used by companies to demonstrate or promote thought leadership in their respective industry by regularly providing updates and links to blog posts, video, or other content that shows an understanding of customer problems and provides solutions.

Thought leadership is about becoming an expert on relevant topics. This is achieved by answering the biggest questions on topics relevant to the target audience. Thought leaders can even come from new companies that are able to deliver interesting content through their social media sites. Desired Customer Value Analysis is an activity through which the company can understand genuine customer problems. The articles or content on social media can address such problems and propose innovative solutions. By having a constant presence in social media that is visited often by the target segment, the company increases its chances of being considered as an option in the event of a new purchase or change of supplier.

On social networking sites, marketing can be done in the following ways:

- **Video Marketing**

  A company can upload videos describing how products work, details about the company, organizational capabilities, and customer testimonials. These are an especially powerful means of acquiring new customers. Videos are inherently more effective than print in communicating the desired message, emotionally resonating with buyers, and explaining complex products. Videos can also be uploaded on video sharing platforms to be shared on other digital marketing media.

- **Image Marketing**

  Image-centric social networks are popular and have an impressive retention rate. For a successful social media marketing campaign, it is important to stay up-to-date on trends. Image marketing is one of the biggest trends compared to traditional text.

  The attention span of the typical consumer is ever shrinking. In an information age where content is available at a single touch, an audience has many choices to access information and can be easily distracted from good quality content.

  When a social media post has lines and lines of text, it becomes easy for people to ignore. Images, as opposed to text, are known to be highly engaging and capture attention, leading viewers to consume more of the company’s content.
Blogs for Business

Driving traffic to the website is the primary objective of any marketing team in today's online business world. Driving traffic to websites can be accomplished in multiple ways, including e-mail marketing, social media marketing, advertising, and search engines. Purchasing mail lists and sending e-mails in the hope that potential clients will respond is often not the best approach, particularly in some industries. Social media can help but success often depends heavily on the type of product and service. Unlike search engine marketing, which can be expensive, blogs are a cost-effective way to promote a website and attract traffic. Each and every blog article is a new index page on a website. It is a reminder to search engines that a website is active and should be indexed.

Blogs are also a highly useful source of content for social media marketing. Links to the blog can be promoted through social media platforms, which can then result in visits to the website. Blogs usually focus on providing information on a particular industry or on answering specific business questions. Blog posts can be helpful to readers and therefore establish credibility for a brand. This means that the traffic that comes to a website through blog posts is much more qualified than the traffic that comes through any other source.

Finally, blogs also help maintain relationships with existing customers. Readers can post comments to express their opinions on a blog post and the author can respond to them. This way, existing customers can engage with a brand and experience a personal relationship. Word-of-mouth marketing, too, becomes a by-product of blogs.

Example of Image Marketing:

- A leading solar energy company has a strong online presence, but it has remained close to traditional online channels, such as display ads on top sites, Facebook, search advertising, etc. It had not utilized image marketing and sites like Pinterest or Instagram. The company knew this worked for cooking and apparel sites but it was unsure how it could effectively leverage images. The company was surprised at the response and interest it got from its new Pinterest and Instagram pages by posting not only pictures of its panels, but unique images of solar panels, environmental-related pictures highlighting the need for solar, "fun facts" images that were shared widely, and even images of staff and clients to help give its company a personality. It discovered that images work well even for companies that do not necessarily have a visually appealing or attractive product.
3.3.2.5 Branding and Advertising

Branding and Advertising is discussed in detail in the SMStudy® Guide—Book 5, Branding and Advertising. Branding and Advertising (BA) includes concepts of consumer behavior, marketing communication, and public relations. Branding is the process of creating a distinct image of a product or range of products in the customer’s mind. This image communicates the promise of value the customer will receive from the product or range of products. Branding should remain consistent across all channels of communication with the customer. Advertising is defined as any paid form of non-personal communication to existing and potential customers that promotes the company’s products through all media—such as radio, television, and print.

Branding concepts are required during the process of creating marketing assets so that the company and the product image are communicated correctly. In a corporate sales process, Branding and Advertising must focus on value communication. An understanding of the sales value proposition, product features, and the target segment are required for branding. The representation of the brand needs to be consistent across the various marketing assets being created.

Advertising creates a link between the producer of the marketing material and the potential customer. Although advertising is more important for Retail Sales, it can also be used effectively for Corporate Sales. Proper use of advertising can generate numerous leads for the corporate sales team. Use of advertising is especially useful when the select target segment is large. In such cases, it can help the company effectively reach a broader audience in less time.
3.3.3 Outputs

3.3.3.1 External Marketing Assets*

External marketing assets include all assets created for the target segment, existing customers, and leads. Among these assets are presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, images, infographics, etc. The target segment in Corporate Sales is not as broad as in Retail Sales, but the value of revenue per customer is much higher. There is often a higher level of customization of these assets. One sale might generate enough revenue to justify developing a set of marketing assets specifically for use with one potential customer. The marketing assets should be designed with the intention of reducing the time to convert as well as to increase the conversion rate.

Examples of Branding and Advertising:

- A marketing firm has determined that one of its key markets is high-growth software startup companies looking to scale their marketing efforts quickly. The marketing company has chosen to conduct paid advertising and attempts to place byline articles in online publications dedicated to supporting the interests of tech startup companies.

- A well-established wholesale outdoor furniture company has always done some advertising, but since the business is over 50 years old, it mainly relies on repeat business. As Internet use has continued to expand greatly over the years, the company realized it needed to step up its online presence and create a cohesive brand image that is consistent across all media. The company reassessed its Marketing Strategy and clarified and strengthened its brand positioning as the leader in classic, elegant outdoor furniture that will last in any climate. It ensured its new, consistent messaging and tone are part of all its advertising—both online and traditional offline. The new messaging was also communicated to all sales reps and incorporated into sales pitches and marketing assets.
3.3.3.2 Internal Marketing Assets*

Internal marketing assets provide sales personnel with the tools that enable them to clearly understand the sales value proposition. Internal marketing assets include scripts, FAQs, and features and benefits sheets for internal call center staff to be well informed and knowledgeable about products; ‘battle cards’ that provide sales personnel with the key features and benefits that differentiate the company’s products from the competitors’ products; and handouts, posters, presentations, or videos that are used to train staff on the company’s products. A strong set of internal marketing assets ensures that the key strengths of the company’s products and the sales value proposition are being consistently communicated to existing and potential customers and ensures that all customer-facing personnel are well informed and confident to sell the company’s products and services.

During the creation of marketing assets, many ideas are discussed and information is shared that would be useful within the company. Documenting such information and insights in the form of internal marketing assets and sharing this information across the company is a practice followed in successful organizations.

Example of External Marketing Assets:

- An enterprise software company with offices nationwide has leveraged various marketing tools in order to create a robust set of external marketing assets to reach its target clients in the technology and entertainment sectors. It developed a new campaign highlighting its latest product line. It also advertised in trade publications, attended tradeshows, ran a robust airport print campaign, and ramped up its Twitter and LinkedIn advertising. At the same time, the marketing and sales teams collaborated to create new customized collateral for the sales teams that tie into all the current advertising and messaging to generate leads.
Examples of Internal Marketing Assets:

- JBS Inc. is an automation and digitization innovator specializing in providing integrated hardware, software, and technology-based solutions to support manufacturing companies in enhancing the flexibility and efficiency of their manufacturing processes. Its focus is on the integration of data from the start of manufacturing to completion of product, including development, production, and supplier data. Customers range from providers of highly technical medical equipment to automobile manufacturers and, in most instances, their clients are making purchasing decisions that will affect their manufacturing processes for a lengthy period of time. Given the highly technical nature of its products and services, JBS spends considerable time training sales personnel on the benefits of using JBS products and services. Sales personnel are provided with comprehensive FAQs, features and benefits sheets, presentation materials and video demonstrations. As well, internal client services and technical support staff are well informed to provide ongoing support in order to manage and maintain the relationship with the client on a long-term basis.

- Jackson Packaging is a supplier of various packaging materials, including stretch wrap, shrink wrap, poly bags, and corrugated containers, servicing various industries. Before every trade show, the team assembles to determine the key goals of the conference. All sales personnel are equipped with a “sales battle card” that highlights the key differentiators between Jackson and its two greatest competitors on the conference floor. In addition, all staff are given a scripted “elevator pitch” which sums up the key benefits and the sales value proposition of Jackson Packaging. As a result, all sales personnel at the conference are well-informed and equipped to generate leads and sales, and all messages to potential clients are accurate and consistent.
3.4 Create Sales Compensation Structure

The sales compensation plan defines how the corporate sales team is rewarded. Among other things, the company’s sales compensation plan describes the various financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities. The components of the compensation plan include salary, incentives, and benefits.

Incentives are the additional amounts paid to reward performance and to further motivate the corporate sales team. Incentives can be in the form of commissions or bonuses. Sales incentives are directly linked to the selected sales targets. While the sales targets act as performance benchmarks, the sales incentives act as motivating factors for the corporate sales team. By linking the sales targets with sales incentives, the company is able to motivate and inspire the corporate sales team to achieve the desired results.

In order to make sure the overall objectives are achieved, the incentives are linked to sales targets using a variety of incentive plans. Incentive plans use various mathematical calculations and formulae that connect the targets with the incentive payout. The incentive payout and the type of incentives to be used are also dependent upon the Finance Strategy and Human Resource Strategy.

Figure 3-12 shows the inputs, tools, and outputs for the Create Sales Compensation Structure process.

![Figure 3-12: Create Sales Compensation Structure —Inputs, Tools, and Outputs]

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.
3.4.1 Inputs

3.4.1.1 Human Resource Strategy

The Human Resource Strategy details the human resource capabilities required to meet the objectives defined in the Corporate Strategy. The Human Resource Strategy considers plans for talent management and acquisition of skilled human resources. It outlines specific initiatives designed to attract, develop, and retain staff so that the organization can effectively compete in the market and ultimately meet the overall corporate goals. Performance of the corporate sales team is an important part of achieving the company’s objectives. Incentives are a significant contributor to retaining top talent in the company. It is therefore important to keep the team members motivated throughout the sales cycle. While designing the incentive plan for the corporate sales team, it is important to understand the factors that really motivate the sales team and tie performance to incentives to ensure that strong performance is being appropriately rewarded. The Human Resource Strategy helps identify the performance measures that motivate the corporate sales team and thereby retain the best performers.

3.4.1.2 Finance Strategy

The Finance Strategy defines the financial approaches that are used by the company to pursue its economic goals and objectives. The Finance Strategy is a key input that helps determine the incentives that can be offered to the corporate sales team. The Finance Strategy sets the limit on the funds available for the corporate sales team to pursue sales objectives. In order to increase sales of a new product or retain market share, the company may need to further incentivize its corporate sales team and the Finance Strategy must be aligned with and support such incentives. The Finance Strategy, therefore, serves as a key input while designing any incentive plan for the corporate sales team. The budget available for incentives is based on the Finance Strategy of the company.

3.4.1.3 Selected Sales Metrics*

The Selected Sales Metrics are an output of the Determine Sales Targets process, and are used to measure the sales targets. The metrics to measure sales targets can be based on actual sales volume achieved, activity, or financial results. The metrics to measure sales targets are selected based on the nature of business or the type of products. While setting incentives, it is important to have a measure of the targets achieved so that the incentives can be paid out appropriately. The selected sales metrics are used to measure the performance of the corporate sales team and to quantify their performance. Once the performance is quantified, it can then be compared with the selected targets to decide the incentives to be paid out.
3.4.1.4 Selected Sales Targets*

The Selected Sales Targets are an output of the Determine Sales Targets process, described in section 3.2. Selected sales targets are the specific goals assigned to the corporate sales team to achieve over a period of time. Sales targets are significant motivators for the corporate sales team and help senior management achieve the overall objectives of the company. In the case of bonus payouts, incentives are set based on the selected sales targets. When a sales incentive is commission-based, the commission rates are calculated based on the target to be achieved. Sales targets are generally set for each individual in the corporate sales team. It is also important to know the sales targets to create formulas for incentive payouts.

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Example of Selected Sales Metrics:

- ActivVision produces fitness and motivational programming intended to be displayed on monitors and TVs in gyms and spas. As their revenue is based on advertising within the programming, ActivVision is aggressively trying to get its programming shown in as many gym franchises as possible. Increasing the number of outlets using their service increases the value of their service to advertisers. The key metrics for their new sales teams are number of locations their programming is shown in, number of screens their programming is shown on, and average number of viewers their programming reaches per month.

- To achieve annual revenue growth of 20 percent, ABC Consulting has asked its sales team to increase revenue by $500 thousand in each assigned sales territory. To achieve this, sales representatives in each territory must re-allocate 20 calls a month from current customer calls to call on new customer prospects identified in ABC’s CRM system.
3.4.1.5 Corporate Sales Team

The main objective of creating incentive plans is to motivate the corporate sales team to perform better and generate higher sales. The performance of the existing corporate sales team is an important input that helps the management understand if any changes are required in the existing incentive plan. Based on the performance of the corporate sales team, the performance measures, incentive plan, and/or the formula for the incentive payouts may be altered. The feedback of the corporate sales team is also used as input for creating the incentive structure.

3.4.2 Tools

3.4.2.1 Meetings and Discussions*

Sales compensation is a critical and complicated activity in sales force management. Therefore, the activities associated with the compensation of the sales team require involvement from many key stakeholders. Designing the sales compensation structure requires a thorough understanding of the objectives of the overall business and the activities of the sales function of the business. There are various plans available for sales compensation structure and no one plan fits the requirements of all organizations,
even those in the same industry and geography. Depending on a company’s business strategy and sales objectives, various stakeholders conduct meetings and discussions to devise the compensation plan for the company. Such stakeholders include senior management and key representatives from various departments like sales, marketing, finance, and human resources. Once the objectives of the sales compensation plan are established, different plans can then be explored, evaluated, and discussed in subsequent stakeholder meetings.

3.4.2.2 Performance Measures

Measuring sales performance is the first step in managing sales performance. Many performance measures can be utilized; however, choosing the right ones can go a long way in making the corporate sales team effective. The choice of performance measures also serves to link strategic sales decisions to tactical decisions. Once performance measures are chosen, prioritizing them is the next step. This is done by giving each measure a weight, based on its relative importance.

Choosing Performance Measures

Performance measures can be broadly categorized into four types:

1. **Production Volume Measures**—These measures help in determining revenue (e.g., revenue expected in a time interval, revenue achieved in an interval, revenue from repeat business, revenue from dormant customers); profit (e.g., gross margin, contribution margin); and items (e.g., number of items sold, contracts won).

2. **Sales Success Measures**—These measures help in improving sales results by focusing on areas such as product (e.g., assortment, balance, packages); accounts (e.g., new, remaining, penetration, growth, lost, win-back); orders (e.g., closure rate, size, period of contract, receivables); and price (e.g., discount promotions, percentage change).

3. **Customer Satisfaction Measures**—These measures evaluate customer satisfaction (e.g., customer surveys, number of complaints received) and stickiness/loyalty (e.g., market share, benchmarked loyalty scores, persistency of orders).

4. **Resource Usage Measures**—These measures help in validating effective use of resources and productivity (e.g., cost per dollar of order, quota sales loading); channels (e.g., partner success, partner participation rates, performance of outlets); and employees (e.g., supervisor balance performance, attrition, ramp up rate).
Weighting Performance Measures

The relative importance of the selected performance measures is designated by senior management by assigning a weight to each measure.

Guidelines for Choosing Performance Measures

It is important not to choose too many measures as part of a compensation plan. This ensures that the sales team can focus on specific activities to which they can relate. Output measures and actual sales results are most effective, as opposed to pre-sales activity measures such as calls made and e-mails sent.

Using no more than three performance measures and keeping 15 percent as a minimum weight for any one measure ensures that each measure is sufficiently important and has an impact. Performance measures should also be chosen carefully to ensure they are preferably mutually exclusive. While the weights assigned to performance measures will vary from one plan to another, a simple weighting plan is as follows:

<table>
<thead>
<tr>
<th>Weighting</th>
<th>Sales Volume</th>
<th>Product Mix</th>
<th>Retention</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50%</td>
<td>20%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Each job on the corporate sales team has its own mix of performance measures and associated weights.

Examples of Performance Measures:

- Johnson Hoteliers Janitorial Supplies has expanded its offerings to linens and has adjusted its sales performance metrics to accommodate this change. Sales team members now have a goal for linen/bedding sales in addition to regular supplies, and the goal is for the new line to comprise at least 10 percent of each representative’s sales, in addition to current sales goals for the other products, which are allocated according to territories and client mix. The company also has account-specific goals such as maintain an 80 percent retention rate, grow sales by 8 percent from its existing base, and acquire at least two new top tier hotels. Rounding out the sales goals are specifics on minimum order size, length of billing terms, and even rate of promotional usage.

- Many companies place a high value on customer satisfaction, and AGS Heating and Air Co. is no exception. It measures customer satisfaction both individually for sales representatives as well as at a company-wide level. For individual team members to receive full compensation they must have received no more than one complaint quarterly and must have received survey-scores consistently above 90 percent. As a measure of company-wide success, AGS measures Net Promoter Score (NPS) which scores the company on a scale of one to ten based on how likely its customers are to recommend them. It has set a goal of eight or above and consistently tracks this measure over time.
3.4.2.3 Sales Compensation Plans

The sales compensation plan describes how the corporate sales team is rewarded. Among other things, the company’s sales compensation plan describes the various financial and non-financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities. The components of the compensation plan include salary, incentives, and benefits. Salary is the fixed amount that is paid at regular intervals. Incentives are the additional amounts paid to reward performance and to motivate the corporate sales team. Incentives can be in the form of commissions or bonuses. A commission is directly linked to the sales achieved by the sales person, whereas a bonus is paid out by the company for achieving or exceeding a certain level of performance. While commissions are paid for each unit of sales achieved, bonuses are paid out only after the sales person achieves or surpasses the desired target. As discussed in process 3.2, targets can be based on sales volume, activity, or financial aspects.

In addition to incentives, the company may also conduct sales contests. Sales contests offer additional rewards for sales people who achieve certain targets or objectives. Sales contests are generally conducted when the company wants to promote sales of a new product or to increase market share.

Benefits are also part of the compensation plan. The benefits that the company provides the corporate sales team may include housing, travel allowances, life insurance, medical and accident insurance, and retirement plans. The range of benefits offered by a company may increase for higher positions within a company. The company may also offer non-financial incentives, such as promotions, awards, and recognition in company publications.

Types of Compensation Plans

The plans to compensate the corporate sales team fall into two major categories: commission-based plans and bonus-based plans. The construction of the incentive formula in both these plans starts with identifying a target to achieve to qualify for an incentive amount. Targets for each sales person are based on territory size and sales potential. Either a commission-based plan or a bonus-based plan is used to calculate and pay out incentives.

Commission-Based Plans

In a commission-based plan, the commission rate is usually calculated by dividing the target incentive amount by the target sales volume to be achieved. Commission-based plans are generally used when sales territories have similar revenue opportunities.

The following are the common types of commission-based incentive plans:

1. Flat Commission Plan

The Flat Commission Plan is the simplest compensation plan. The commission rate is calculated by dividing the target incentive by the target sales volume.

\[
\text{Commission Rate} = \frac{\text{Target Incentive Amount}}{\text{Target Sales Volume}} \times 100
\]

This plan does not have a threshold at which point the incentive payout starts, nor does it have a cap on the incentive payment. It assumes that the territories have similar sales potential. Territories are often realigned to balance the sales potential. This type of commission plan, shown in figure 3-13, is not possible when the sales potential among territories differs significantly.

![Figure 3-13: Flat Commission Plan](image)

2. **Ramped Commission Plan**

In a Ramped Commission Plan, the commission rate is different for different levels of sales volume achieved. In the case of a progressive ramped commission plan, two commission rates are offered. The second commission rate is higher than the first commission rate as shown in figure 3-14. In this type of plan, when a certain sales volume is achieved, the commission rate is increased. This plan therefore rewards sales persons for additional sales volume achieved.
A Ramped Commission Plan can also be regressive implying that the second commission rate is lower than the first commission rate. This is generally used when a company needs to avoid excessive payments and to adhere to predefined budgets.
3. **Commission with Base Salary**

The flat commission plan and the ramped commission plan do not offer a base salary. However, the commission with base salary plan does. In this plan, the commission paid is in addition to the base salary. The commission received can also be ramped either progressively or regressively based on sales targets.

![Figure 3-16: Commission with Base Salary](image)

4. **Commission with Limits**

This plan places a threshold and a cap on the compensation plan. A threshold is the level below which no incentive is provided and a cap is the maximum level at which an incentive is paid. Any amount exceeding the cap will not qualify for additional incentive payouts. A threshold is generally placed primarily to motivate the corporate sales team to a minimum level of performance, which justifies the base salary being paid. It is also considered as the minimum level of acceptable performance.

Although caps are intuitively demotivating for the corporate sales team, a company may place caps when it needs to discourage excessive sales that are beyond the company’s production capacity or exceed budget.
5. **Variable Commission Plan**

A variable commission plan offers different commission rates for different objectives. The most common form of variable commission involves offering different commissions for different product categories. This type of plan guides the corporate sales team toward the company’s preferred sales outcome or to encourage sales of a product that is particularly challenging to sell. The variable commission plan may also use a value table. The value table alters the value of the sale depending on the product category while the commission rate remains the same. The value of the sale is altered by using an adjustment factor. For example, a sale of $10,000 of a particular product category with an adjustment factor of 75 percent would be adjusted to a value of $75,000 for compensation purposes.

Another method of employing a variable commission plan involves using product points. A product points plan awards different points for different product sales. This plan encourages the sale of products considered to be important by the company. For example, the points awarded per dollar of sale of a newly introduced product may be higher than the points for a mature product. The points are aggregated to determine the commission rate.

Variable commission plans may also be linked to profitability with higher margin sales being rewarded with higher commission rates than lower margin sales.
6. **Linked Commission Plans**

Linked commission plans are an advanced form of commission-based plans. These plans tie the payout of incentives to two or more performance measures. Linked commission plans may also have a negative impact if performance is not good. Three common types of linked commission plans are hurdles, multipliers, and matrices.

- **Hurdles**—Hurdles link two or more performance measures. These plans require the salesperson to accomplish one target to realize the benefits of a second target. Hurdles are generally used when the company wants to attain an objective but at the same time wants to meet certain conditions. A typical case is when the company wants to achieve revenue targets but also wants the sales of a particular category or categories of products to reach a certain level. For example, a link hurdle for a sales person can be that sales of products in category A and B must be at 80 percent of the target in order to trigger the ramped commission rate for all product categories.

- **Multipliers**—Multipliers link performance measures together using a multiplying factor. Unlike hurdles, multipliers may have a reducing effect on the incentive value of the first performance measure. However, some companies prefer to have only a positive effect from the multiplier. Table 3-1 provides an example of a multiplier-linked commission plan.
<table>
<thead>
<tr>
<th>Component</th>
<th>Performance</th>
<th>Commission Rate</th>
<th>Multiplier</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measure 1: Commission Rate</td>
<td>Above 100%</td>
<td>8%</td>
<td>130%</td>
</tr>
<tr>
<td>Measure 2: Commission Multiplier</td>
<td>120% and above</td>
<td>120%</td>
<td>120%</td>
</tr>
<tr>
<td></td>
<td>110% to 119%</td>
<td>110%</td>
<td>110%</td>
</tr>
<tr>
<td></td>
<td>105% to 109%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>100% to 104%</td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td></td>
<td>95% to 99%</td>
<td>80%</td>
<td>80%</td>
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<tr>
<td></td>
<td>90% to 94%</td>
<td>70%</td>
<td>70%</td>
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<tr>
<td></td>
<td>80% to 89%</td>
<td>60%</td>
<td>60%</td>
</tr>
<tr>
<td></td>
<td>Below 80%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3-1: Multiplier-linked Commission Plan

In this example, a sales person who achieves 106 percent of sales targets would receive commission at the rate of 110 percent of 8 percent. In this case, 8 percent is the incentive payout for the first performance measure and 110 percent is the multiplier.

- **Matrix**—A matrix-linked commission plan is used when the company wants to resolve and achieve two competing objectives. The competing objectives could be higher sales volume versus profitability, core business versus new product sales, etc. This plan is particularly useful when the sales person is required to achieve two competing or two unrelated objectives. This plan specifically indicates the incentive payout for various levels of performance.

Figure 3-18 shows a matrix of the rate of commission applicable for various levels of sales volumes and gross margin achieved. The values depict the commission rates for which the sales person is eligible based on performance. A sales person who has achieved the target on both sales volume and gross margin is eligible for a commission of 3.8 percent.
7. Commission for the Stratified Sales Team

When sales people are assigned to customers, the accounts are classified based on the size and potential of the account. There may be large accounts, mid-size accounts, and minor accounts. Commission rates are fixed based on the account size. The group of larger accounts has the lowest commission rate, while the group of small accounts has the highest commission rate. This approach compensates for differences in sales volumes with respect to the territory size. Therefore, a smaller territory with comparatively lower sales potential generates similar total incentives to a large territory due to the higher commission rate.

Bonus-Based Plans

Bonus-based plans are used when the territories are not evenly sized and cannot be realigned to be made equal. In such cases, the sales volume or revenue achieved may not be directly related to the actual sales performance of the sales person but rather to the potential or size of the territory. In bonus-based plans, the incentives paid out are linked only to the target and not to the actual sales volume or revenue achieved. The incentive formula is therefore expressed as a percent or portion of the target incentive amount or base salary for percent of target accomplished. For example, Territory A may have a market size of $10,000,000 while Territory B has a market size of $5,000,000. In this case, sales people working in Territory A may have a 10 percent commission while sales people in Territory B may have a 20 percent commission.

1. Bonus Step Plan

The bonus with steps is the most commonly used bonus-based plan. It provides higher incentives for higher performance on a step-wise basis. It expresses the payout as a percent of the base salary or the total target incentive. Figure 3-19 shows a typical bonus plan with steps. In this example, a sales person who achieves 100 percent to 104 percent of a sales target would qualify for a bonus equivalent to 25 percent of the base salary of $100,000.
2. **Bonus Formula Rate**

The bonus formula rate does not have steps as seen in the bonus step plan. This plan instead allows for incentive payment over the full range of target achievement. It is similar to a commission plan. However, the incentive payout is based on the total target incentive rather than the actual sales volume. Figure 3-20 shows a plan with a bonus formula rate. The bonus formula plan details are shown in Table 3-3. In this example, an individual who achieves 90 percent of target receives a $36,000 bonus.

<table>
<thead>
<tr>
<th>Component</th>
<th>Annual Base Salary = $100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Salary</td>
<td>Performance</td>
</tr>
<tr>
<td></td>
<td>150% and above</td>
</tr>
<tr>
<td></td>
<td>125% to 149%</td>
</tr>
<tr>
<td></td>
<td>110% to 124%</td>
</tr>
<tr>
<td></td>
<td>105% to 109%</td>
</tr>
<tr>
<td></td>
<td>100% to 104%</td>
</tr>
<tr>
<td></td>
<td>90% to 99%</td>
</tr>
<tr>
<td></td>
<td>80% to 89%</td>
</tr>
<tr>
<td></td>
<td>Below 80%</td>
</tr>
</tbody>
</table>

Table 3-2: Bonus Step Plan
Target Incentive | Annual Target Incentive = $40,000
---|---
Bonus Paid as a Percent of Target Incentive | Below 100%—1% target incentive for each percent of target achieved
                                               | Above 100%—2% target incentive for each percent of target achieved

Table 3-3: Bonus Formula Plan

3. Linked Bonus Plans

Bonus plans use the same linkages as commission plans—hurdles, multipliers, and matrices.

- **Hurdles**—Hurdles link two or more performance measures together. Hurdles are generally used when the company wants to meet objectives with certain pre-conditions. For example, the company may want its salespeople to achieve a particular revenue target while at the same time maintaining a high customer retention rate. In such a case, a higher bonus or bonus for performance achieved above the target is paid out only if the precondition of customer retention is met.

- **Multipliers**—Multipliers link two or more performance measures using a multiplying factor. Companies generally use multipliers to increase the range of the incentive payouts or to add additional weights to objectives. In the case of more than one objective, the primary objective of achieving sales is directly linked to the bonus plan. Supplementary objectives are each
assigned a multiplier, which can enhance the bonus payment. A bonus plan using multipliers is shown in Table 3-4.

<table>
<thead>
<tr>
<th>Target Incentive</th>
<th>Annual Target Incentive = $40,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus Paid as a Percent of Target Incentive</td>
<td>Below 100%—1% target incentive for each percent of target achieved</td>
</tr>
<tr>
<td>Multiplier</td>
<td>Above 100%—2% target incentive for each percent of target achieved</td>
</tr>
<tr>
<td>Multiplier</td>
<td>For objective 1—110%</td>
</tr>
<tr>
<td></td>
<td>For objective 2—120%</td>
</tr>
<tr>
<td></td>
<td>For objective 3—110%</td>
</tr>
<tr>
<td></td>
<td>For objective 4—130%</td>
</tr>
</tbody>
</table>

Table 3-4: Bonus with Multipliers

- **Matrix**—A matrix linked bonus plan is used when the company needs to achieve two competing objectives. This is similar to the matrix-linked plan used to decide the commission rates. This plan gives the specific bonus payout percent for various levels of performance.

**Special Plans**

Special plans consist of hybrid plans, sales objective plans, and team incentive plans. While commission-based plans and bonus-based plans are the most commonly used incentive plans, there may be instances where special designs are required.

1. **Hybrid Plans**

Hybrid plans are a mix of the bonus plan and the commission-based plan. In a hybrid plan, the company may use a bonus plan for performance achieved until the target is achieved and a commission-based plan after that. This helps to balance incentive payments in territories of dissimilar size.
2. Key Sales Objectives Plan

Key Sales Objectives (KSOs) are unique objectives created for each sales person. KSOs provide an effective framework that links the sales person’s overall activities to performance incentives. KSOs provide a more holistic approach to assess the sales person’s performance than sales volumes. Targets are based on the aggregate points that the sales person acquires from all the KSOs. The advantage of using KSOs is that the company is also able to control and incentivize the means by which the corporate sales team generates sales. The general practice is to set quantifiable KSOs and assign a weight to each KSO. When designing KSOs, it is important to note that:

- The weight of a single KSO should not be more than 50 percent or less than 10 percent.
- The number of KSOs should preferably be limited to five.
- The selected KSOs should have an impact on sales and need to be measurable.
- The KSOs need to be reviewed by at least two levels of supervisors.
- The selected KSOs need to be capped as required.

3. Team Incentive Plan

Team incentives are based on the performance of the team. In this type of plan, the entire team is rewarded when the team performs well. The team incentive component may comprise the entire or only part of the total incentives for an individual in a team. Team incentives are generally used by a company to motivate the individuals in a team to contribute towards the team objectives. Each team member may have a unique incentive plan where a part of the incentive is drawn based on achievement of the team’s objectives and another part based on the individual’s specific objectives. The team-based component drawn by an individual may vary depending on the role of the individual and the potential contribution of the individual toward achieving the team-based objective.

4. Gainsharing

Gainsharing plans link incentive payouts to the overall growth in company revenue or profit. Gainsharing is applicable not only to the sales team, but to the entire workforce of the company. It can be used as a measure to raise the overall motivation level of the workforce. When gainsharing is used as the only means of incentive payout, employees may not be motivated to perform well if they feel they cannot significantly impact financial results. However, gainsharing is more effective in small companies where the performance of each individual has a direct impact on the overall performance of the company.

5. Sales Contests

Sales contests are short-term incentive programs that are intended to motivate the corporate sales team to achieve certain sales targets or objectives. Sales contest rewards are sometimes called Special Performance Incentive Funds (SPIFs). They are not part of the company’s regular
compensation plan but are used when the company intends to increase sales of a product or launch a new product, or when the company is under pressure from competition. Sales contests may be team based or individual based depending on the company’s requirements. SPIFs are generally given in the form of monetary rewards, prizes, or vacations for the sales person. Sales contests are designed to have a clear objective, an exciting theme, equal probability of rewards for all involved, and attractive rewards.

Examples of Sales Compensation Plans:

- Intero Mortgage implemented a commission-based plan for its sales agents whereby commission is paid continuously for every sale. A commission rate is multiplied by revenue generated to determine payout. The commission rates vary by product. For example, a salesperson might earn 3 percent on sales up to a territory goal and 5 percent on sales beyond the goal. The company has also included a salary component but the variable component is larger under this plan than with a bonus plan. Under this commission-based plan, each of the sales agents relies on commission earnings in addition to salary as an important part of income.

- Vaspar Insurance set up a bonus-based plan whereby each sales agent is typically given a revenue quota/target for a territory, and incentive payments are tied to performance relative to those defined targets. For example, the sales agent might receive a first bonus payment at 80 percent of quota, a second payment at 100 percent attainment, and a third at 115 percent. The company has also provided each sales agent with a salary component, so that if any sales agents do not sell enough to earn the bonus, they can still earn a reasonable wage.

3.4.2.4 Formula Construction

The compensation provided to the salesperson, as a percentage of the sales achieved towards the targeted sales, is called the payout rate. The payout rate varies based on the plan chosen. The following are the most common formula calculations for payout rates.

1. Flat Commission Payout Graph and Formula

When the payout to a salesperson is based on a linear relationship between compensation and sales, it is called a flat commission payout. Figure 3-21 shows the graph and formula for this kind of payout.
Figure 3-21: Graph for a Flat Commission Structure Formula

The slope, payout rate is calculated as follows:

If $50,000 is paid out for $1,000,000 of sales, the payout rate is calculated as:

\[
\frac{50,000}{1,000,000} \times 100 = 5\%
\]

(Multiply by 100 and add a % sign)

The flat commission schedule, when published for the sales team can be as given as shown in figure 3-22.

<table>
<thead>
<tr>
<th>Component</th>
<th>Flat Commission Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commission Rate</td>
<td>Sales Performance</td>
</tr>
<tr>
<td>All Sales</td>
<td>5%</td>
</tr>
</tbody>
</table>

Figure 3-22: Flat Commission Schedule

2. **Ramp Commission Graph and Formula**

When the commission paid out to the salesperson is governed by different payout rates for different ranges of sales achieved, a ramp commission structure applies. This is illustrated in figure 3-23.
The calculation of the payout rate is carried out for different ranges. For the second slope indicated on the graph, the formula is the same as that of the flat commission. However, the numbers change as incremental compensation and sales are achieved as shown below:

\[
\frac{(150,000 - 50,000)}{(2,250,000 - 1,000,000)} \times 100 = 8\% 
\]

This means the salesperson will receive 5 percent for any sales achieved up to the target of $50,000, and 8 percent for any sales achieved above $50,000. The sales commission paid out per dollar is 8 cents to every dollar for the second range of targets, as opposed to 5 cents per dollar in the first range.

3.4.2.5 Compensation Plan Administration

The success of any sales compensation plan depends to a great extent on the administration of the plan. Improper sales compensation administration can lead to sales force dissatisfaction and can affect the performance of the sales organization. Sales people depend on the administration to ensure a smooth and proper execution of the compensation plan. Failure to fulfill this responsibility can erode the trust of the sales team. There are generally four components of compensation plan administration. These are policies, procedures and accountabilities, automation, and reporting. These administrative components must be designed specifically to suit the requirements of the company and need to be effectively implemented to ensure the success of the sales compensation plan.
• **Policies**

Sales compensation requires detailed policy statements. Such policies are necessary to avoid any confusion and to ensure smooth compensation administration. The following are sections that should be included in the policy document:

- Quota allocation and linked incentives
- Changes related to account assignments, territories, and incentive plans
- Authority structure for approval of program changes
- Changes in compensation program due to change in employment status of the sales force
- Reimbursement of sales expenses
- Sales crediting rules
- Rights and obligations of the sales team
- Expectations of personal integrity

• **Procedures and Accountabilities**

Procedures provide the documented steps required to implement the sales compensation plan. Workflow charts need to be created to establish accountabilities and timelines. Such documentation ensures that everyone in the team knows his or her responsibilities. The following are some of the topics a workflow chart can address:

- Assignment of Accounts
- Sales Crediting
- Management of Quotas
- Calculation of Incentives
- Audit and Assessment
- Reporting
- Exceptions and Adjustments

• **Automation**

A variety of automation solutions are available today to manage the sales compensation administration functions. A specific type of automation system can be used depending on the needs of the organization. A few of the automation options available to sales compensation administrators are desktop applications, dedicated applications, and custom solutions. To run these systems, administrators can choose between installed solutions, hosted solutions, and outsourced solutions.

• **Reporting**

Different stakeholders in the sales compensation program require different types of reports. Administrators need reports to track the implementation of the sales compensation program.
Finance needs sales compensation and performance data to prepare financial reports for the company. Senior Management in the sales team monitors sales compensation to understand the effectiveness of the program in meeting the sales objectives.

3.4.3 Outputs

3.4.3.1 Selected Sales Compensation Plans

The selected sales compensation plans have a huge impact on the effectiveness of any sales organization. An effectively implemented sales compensation plan is a key motivator for sales people to acquire new accounts, upsell to existing accounts, maintain good relations with key accounts, and contribute to the overall success of the business. There are a variety of models available today to compensate sales teams. The components of the compensation plan include salary, incentives, and benefits. Compensation plans for the corporate sales team fall into two major categories: Commission-based plans and Bonus-based plans. No one model can fit the requirements of all sales organizations. Models therefore need to be modified and adapted to suit the specific needs of the company. The selected sales compensation plans should ideally motivate the sales people to achieve the goals set for them while also ensuring that the overall sales objectives are met.
Examples of Sales Compensation Plans:

- Nac Inc., an insurance organization, has created an effective sales compensation plan. Their sales compensation plan is clear, has focus, motivates the sales agents to work hard, and rewards success. The company determines that the best approach for its sales team is a commission-based plan, but it took some time to finalize plan details as the company explored a number of options, including a salary plus commission plan, offering bonuses for sales generated, and providing incentives for non-financial activities such as customer response times, number of leads generated, and customer satisfaction ratings. In the end, Nac Inc. chose the approach that best rewards strong performance, drives sales, and ensures employee satisfaction, as one of its primary goals in establishing the new plan was retaining top talent.

- HPS Assessments is a provider of psychological assessments for hospitals, mental health centers, private practitioners, and school psychologists. In addition to providing its sales associates with a bonus-based incentive plan, the company offers in-house client support representatives a team-based, gainsharing bonus that is based on the total revenue of the sales team’s product line as well as on other performance metrics. The in-house team is evaluated using customer satisfaction ratings, so that if customer service targets and revenue targets are met, the entire team is rewarded. While the formula for the sales associates’ total compensation is based on a 60/40 split between base salary and incentive, the in-house team’s ratio of base to incentive is 90/10, recognizing that the in-house team has less control or impact on the overall revenue of the product line. This sales compensation plan not only rewards employees for strong performance, it promotes teamwork and fosters a cooperative environment.

- A national pharmaceutical company is rolling out a new sales incentive plan that is sales volume based. The new plan will include a point system to help simplify which products are priorities and drive sales accordingly. According to the new incentive plan, a sale of a new drug in its first year is considered a one hundred-point sale, as these sales are the most profitable. A sale of a drug that has just gone generic is awarded higher points to push the sales, but not as high as a new drug. These sales have a point value of sixty. All other drugs that have been on the market a long time are ranked from 0 to 50 based on specific internal profitability metrics. At the end of the quarter, the fifty sales representatives with the most sales will receive additional cash compensation, and the top ten will be awarded an island vacation.
The SMstudy® Guide series is developed by VMEdu, Inc., a global education and certification course provider that has educated over 400,000 students world-wide in more than 3,500 companies. It is the result of a collaborative effort from a large number of Sales and Marketing experts with extensive experience, knowledge, and insights from a variety of industries and disciplines.

This fourth book, Corporate Sales, outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company’s products and services; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities.

Corporate Sales is one book in a series of six. Others in the SMstudy® Guide series that can be used to complement the initiatives and tools detailed in this book are Marketing Strategy (MS), Marketing Research (MR), Digital Marketing (DM), Branding and Advertising (BA), and Retail Marketing (RM).