

ADAPTING A SALES STRATEGY TO MEET NEW CHALLENGES

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Adapting a Sales Strategy to Meet New Challenges

Evolving Sales Strategies

A company's sales strategy defines which customers and prospects the company sells to (and, by implication, which it does not sell to), what the value proposition is, and how the selling is done. Successful sales strategies are never stagnant; they evolve constantly as external and internal pressures create the need to build the most effective connection between companies and their customers.

In this chapter, we discuss how to recognize the events that precipitate the need to change your sales strategy and how to put the change into operation. To illustrate the process of changing a sales strategy, we introduce two case studies here and return to them later in the chapter.

United Airlines Responds to New Industry Realities

Salespeople at United Airlines build and manage contractual partnerships between United and corporate travel departments and travel agencies. This sales force's mission is to capture a disproportionate share of high-profit travel (largely business travel) for United. For many years,

United’s sales success was driven primarily by price and by personal relationships between its salespeople and their customers. In the early 2000s, however, a number of events—including the declines in air travel following September 11, 2001, high fuel prices, and inflexible labor agreements—created significant financial challenges for United and the entire airline industry.

To help the company succeed in a more demanding environment, United’s leadership team reshaped the company’s sales strategy. It embraced a value-based selling approach that focused on the total business value that United creates for customers. Instead of relying on price and personal relationships alone to drive sales, salespeople began to work closely with corporate and travel agent customers to understand their needs and tailor a customer-specific mix of offerings that created business value well beyond best-price alternatives.

Figure 16-1 summarizes how United’s sales strategy changed to enable the company to succeed in the new environment. Later in this chapter, we’ll lay out the process United used to accomplish this change.

Novartis Pharmaceuticals Strives to Enhance Sales Effectiveness

The Novartis Group is a leading multinational manufacturer of pharmaceutical products. The company employs a large number of salespeople who educate physicians on patient profiles and the benefits and side effects of the company’s drugs for treating different patients and diseases.

Novartis is engaged in an ongoing effort to continuously enhance its global sales effectiveness. Every year, the company conducts an

	Old Sales Strategy	New Sales Strategy
Which customers to sell to?	Travel agents and corporate travel departments.	Continue to focus on the same audience, with a slight shift in emphasis toward corporate travel departments.
What is the value proposition?	United has a good selection of routes at competitive prices.	United provides services and support programs that enhance business value beyond best-price alternatives.
How is selling accomplished?	Loosely defined sales process. Discussions between salespeople and customers focus on routes and price, and on nurturing friendships.	Well-defined sales process (see Figure 16–12) that adds consistency and discipline to customer interactions and focuses customers on the total business value that United delivers.

Figure 16-1. Sales strategy change as United Airlines responds to a new, more challenging environment

effectiveness review to identify ways to enhance sales. After the review, the company leadership establishes an improvement plan, executes it, and measures the resulting progress. Several enhancements that Novartis has made as part of this process have involved adjustments in the company's sales strategy.

Figure 16-2 summarizes how a sales force effectiveness review for Novartis Pharmaceuticals in the United States affected the sales strategy and helped drive growth. Again, later in the chapter we'll provide more detail about these reviews and the process that Novartis used to accomplish changes in its sales strategy.

The Forces of Change

Sales strategies quickly become dated as customer needs and buying processes evolve, the competitive landscape or economic outlook changes, and/or companies launch new strategies, enter new markets, or introduce new products. Even in the absence of significant external and company events, the best companies continually fine-tune their sales strategies as they strive to constantly improve and become more competitive.

How to Know When a Sales Strategy Upgrade Is Needed

Very often, major events trigger changes in sales strategy. Frequently those events originate outside the company. For United Airlines, a number of external events created pressure on the industry, forcing the

	Old Sales Strategy	New Sales Strategy
Which customers to sell to?	Physicians who write prescriptions for the types of drugs that Novartis sells.	Strategically concentrate effort on the top 35 percent of prescribing physicians.
What is the value proposition?	Message that sells benefits and reduces the perceived risk of using the company's drugs.	Tailored message that moves physicians incrementally along the path to adopting Novartis products.
How is selling accomplished?	Gain access, understand physician needs, deliver value proposition, and remind physician of value.	Changes to the specific activities emphasized at each step of the selling process enabled a more effective delivery of the tailored value proposition.

Figure 16-2. Sales strategy change as Novartis Pharmaceuticals in the United States strives to enhance sales effectiveness

company to reevaluate its sales strategy. In 1999, Shell Energy responded to government deregulation of the natural gas industry in the state of Georgia (see Chapter 2) by developing a much more proactive sales strategy aimed at acquiring major corporate customers in the face of competition. Other external events that frequently create a need to change sales strategies include:

- Increased competitive intensity that creates pressure on companies and salespeople to find new ways to differentiate their offerings
- Customer consolidation
- Economic cycles

Hearing Aids Manufacturer Responds to Change in the Sales Channel

For years, salespeople at a hearing aids manufacturer sold a broad line of hearing aids to audiologists, ear-nose-and-throat (ENT) physicians, and other hearing specialists, who would recommend and sell the right devices to their patients. To be successful, salespeople had to convince practitioners that the manufacturer's devices were medically superior to those of its competitors. Then, in the late 1990s, a new purchasing channel shook up the market. Rather than purchasing hearing aids directly from the manufacturer, many practitioners were joining group purchasing organizations that bought in large volume and consequently got better pricing than individual practitioners could. The new market structure required a change in the manufacturer's sales strategy. To be successful, salespeople had to do more than sell to individual practitioners based on medical facts. A new *market segment*—buyers at the group purchasing organizations—had become important in the sales strategy. These buyers required a new *value proposition*: They had to be sold on business criteria—price, distribution, service, and overall value—in addition to product features. In turn, the manufacturer established a new *sales process* for group purchasers that involved assessing their business needs, developing a value offering, negotiating contracts, and continually reinforcing business value.

Events originating within a company can also provide the impetus for sales strategy change. Any time a sales organization launches a significant new product or enters into a new market, sales strategy is affected. In the late 1990s, Kinko's made a strategic decision to seek out larger corporate customers (see Chapter 2) in addition to the business travelers, college students, and employees of small businesses who had traditionally used the company's service centers. This required Kinko's salespeople to contact a new type of customer with a different value proposition and sales process.

Company acquisitions and sales force mergers are other classic examples of company events that usually lead to a redefinition of sales strategy.

Overhauling Sales Strategy Following the Hewlett-Packard-Compaq Computer Acquisition

The 2002 acquisition of Compaq Computer by Hewlett-Packard (HP) created a need for a substantial sales strategy change that affected all of the combined company's more than 6,000 salespeople. HP and Compaq had been rivals for years, selling against each other at the same accounts, and now these two large sales organizations with broad product portfolios, different compensation plans, and very dissimilar cultures had to be integrated. Over a period of six months, an integration team worked to create a single combined sales organization aligned around a new sales strategy and culture. The new, larger combined sales organization allowed HP to reach more customers and prospects. Because of its broader product and service offering, the new company's value propositions became more powerful, and delivering these more powerful value propositions required more complex selling processes. Implementation of the new sales strategy required adjustments to almost every sales effectiveness driver. Extensive planning, good communication, and swift implementation helped HP implement major sales strategy revisions without losing many customers following the acquisition.

While major events are obvious triggers for sales strategy change, other, more subtle signals can also indicate that a company's sales strategy needs to be upgraded. As we described earlier, sales leaders at

Novartis engage in an ongoing hunt for such signals in order to ensure that they are constantly fine-tuning their sales strategy to be the best that it can be.

The Sales System framework shown in Figure 16-3 provides a structure for diagnosing emerging sales strategy issues. By working backward through the framework, you can identify signals of potential sales strategy concern and trace their causes upstream to determine what adjustments you might need to make.

The framework (working from right to left) suggests the following series of diagnostic questions that you can ask:

- Are our *company results* below expectation? Is the company losing sales, or is growth less than expected? If so, perhaps changes in which customers and prospects our sales force sells to, what value it sells, or how the selling is done can improve our results.
- What do our *customers* say? Trouble is looming if customers are not responding well to our salespeople or if customer satisfaction is waning. Is our sales force calling on the right customers and prospects? Are the value propositions on target with our customers' needs? Do our customers find our selling process to be effective and efficient?
- What *activities* do our salespeople engage in? Is their selling process made up of activities that add the most value and produce the best possible results? If the best-performing salespeople engage in different sales activities from average performers, then perhaps adopting the methods of top performers can improve our sales strategy.

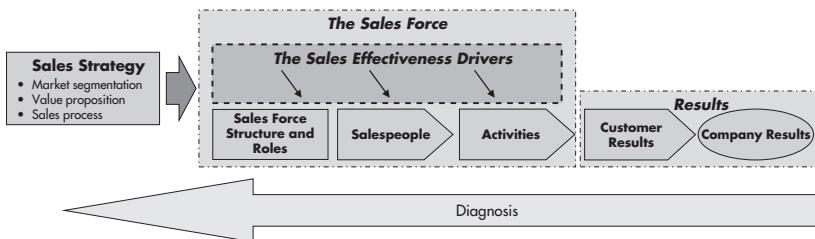


Figure 16-3. Diagnosis: Do we need to change the sales strategy?

- What do our *salespeople* and sales managers say? If their feedback indicates that our current value propositions and sales process are not working well with customers, perhaps our sales strategy needs to be reexamined.
- Do we have appropriate sales force *roles and structure* in place? Does our current structure encourage salespeople to spend time with the right types of customers and prospects? Do roles allow salespeople to embrace and implement a value-added selling process?

If a careful diagnosis suggests that your company might benefit from a sales strategy upgrade, a well-planned and proactive process will ensure the successful implementation of a change in your sales strategy.

Implementing a Sales Strategy Upgrade

Whether a change in sales strategy is prompted by specific external or internal events or by a company's desire to improve its effectiveness, implementing a sales strategy change involves two main steps, shown in Figure 16-4 within the context of the Sales System.

First, implementing a sales strategy change requires defining what changes in the company's market segments, value proposition, and selling process are needed.

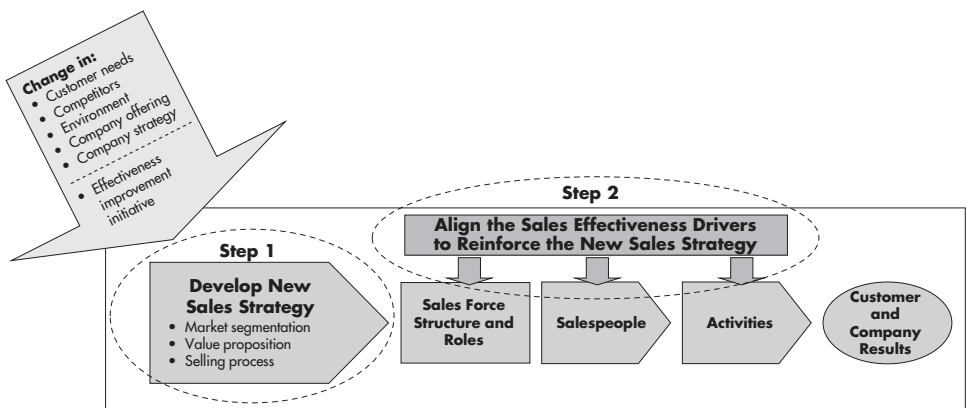


Figure 16-4. Two steps for implementing a sales strategy upgrade

Second, implementing a sales strategy change involves getting the sales organization to execute the new selling process effectively—that is, to perform the activities noted in Figure 16-4 correctly. Since performing activities well depends on salespeople’s skills and abilities, and also on the sales force structure and the definition of its roles, any change in the selling process is likely to require changes to the sales effectiveness drivers that affect these dimensions. A sales strategy is most potent when every sales effectiveness driver supports and reinforces that strategy.

Step 1: Developing a New Sales Strategy When Faced with Challenges

Chapter 3 shares ideas for developing a sales strategy that maximizes effectiveness and helps companies outperform their competitors. Here we share ideas for rethinking sales strategy in the context of a changing environment or as part of an initiative to improve effectiveness.

A Process for Identifying Needed Sales Strategy Changes. When you have identified a need to change your sales strategy, the questions laid out in Figure 16-5 can help you identify what changes are required.

Sales strategy starts with a definition of who your customer is, so

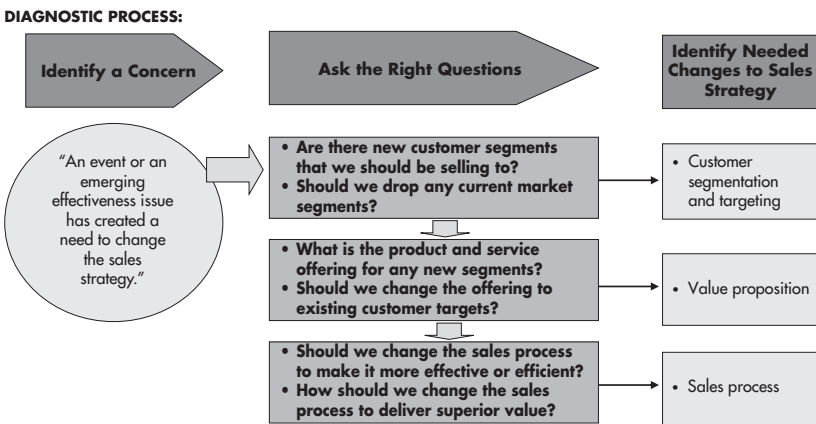


Figure 16-5. Identifying how to change sales strategy in response to events or emerging effectiveness issues

that you can then determine what it is that the customer values and figure out what the best sales process is for delivering that value.

There's a natural hierarchy among the questions that helps you identify how to change a sales strategy:

1. The change starts with an evaluation of customer segmentation and targeting strategies. If your sales force needs to target different types of customers and prospects, then typically you must formulate a new value proposition and develop a sales process for the new audience. The emergence of a new market channel required the hearing aids manufacturer to develop a revised value proposition and sales process tailored to the needs of a different type of customer.
2. Next, a sales strategy change requires reevaluation of the value proposition. Even if the audience your company reaches remains the same, if the value proposition changes, then your sales process is likely to change. At United Airlines, delivering a new value proposition to a largely unchanged group of target customers required considerable change in the sales process.
3. Finally, changing the sales strategy requires you to take a fresh look at the sales process. Even when the same customers are targeted and the value proposition is largely unchanged, a company can sometimes evolve its sales processes to achieve higher impact. For example, Novartis identified how changes in the specific activities emphasized during each step of the sales process could make for a more effective delivery of its value proposition. Figure 16-6 shows a set of questions that another company used to continuously improve

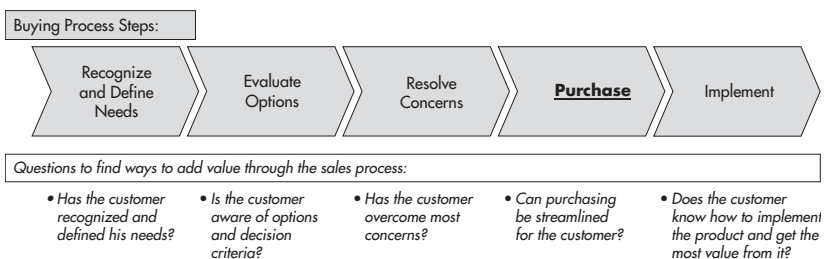


Figure 16-6. How one company identified opportunities to add value through the sales process

its sales process. The questions look at each step of the customer's buying process and help the selling company find ways to increase the effectiveness of its sales process by sharing expertise or information that can help buyers make the right purchasing decision.

Developing a New Sales Strategy When the Company Faces Commodification or Slowing Growth. When faced with the challenge of sustaining and improving success in markets that are experiencing increasing competition or slowing growth, many companies adopt a “consultative” sales approach to help them maintain sales, profits, and market share in the more challenging environment. These companies invest in training their sales forces in consultative selling approaches, but the most successful implementations of consultative selling require more than training—they start with a look at how the various elements of the sales strategy need to change in order to fully embrace an effective yet efficient consultative selling model.

A process like the one shown in Figure 16-5 can guide a successful sales strategy change—one that derives the most value from a consultative selling model:

- Start with customer segmentation and targeting. Understand your different customer segments and what those customers need and value. The framework in Figure 16-7 uses two dimensions—customer need for a product versus a solution, and a customer's level of expertise—to segment customers in order to understand what they value and what sales processes will be most effective with them.
- Next, determine what your different customer segments value so that you can develop the most effective value proposition for each segment. In the Figure 16-7 framework, a customer who needs a product that he knows a lot about probably values an easy and inexpensive purchasing process. A customer who wants a solution to an unfamiliar problem, on the other hand, will probably value advice and consulting throughout the purchase process. Your value propositions will be most effective when they are tailored to the specific needs of each of your customer segments.
- Finally, design a sales process that delivers value effectively and effi-

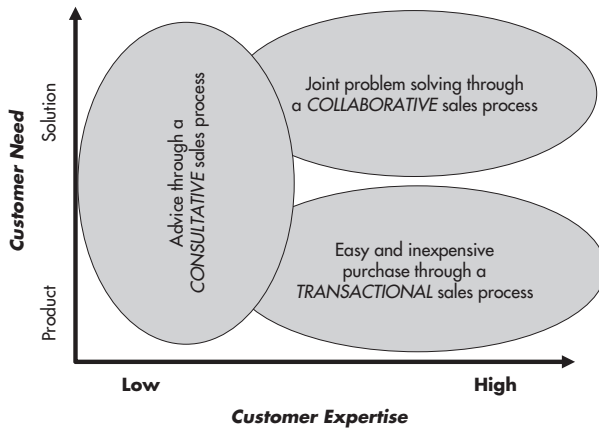


Figure 16-7. The role of customer expertise and needs in determining the value proposition and sales process

ciently to each of your market segments. As the example in Figure 16-7 shows, not every customer is likely to value a consultative sales process. Customer expertise and needs determine what type of sales process—transactional, consultative, or collaborative—is likely to be valued most by each of your customer segments.

Step 2: Implementing Sales Strategy Change by Aligning the Sales Effectiveness Drivers

Once a new sales strategy is developed, the next step is to implement it, which requires getting salespeople to change their activities and their behaviors so that the new selling process is carried out effectively. The Sales System framework provides an approach for implementing a sales strategy change.

Figure 16-8 shows a series of questions that helps in identifying the sales effectiveness driver changes needed to support and reinforce a new sales strategy. Once the needed changes have been identified, you will need to examine your sales force structure and roles, assess the skills and capabilities of your sales force, and finally, look at any needed enhancements that will encourage sales force activities that align with the new strategy.

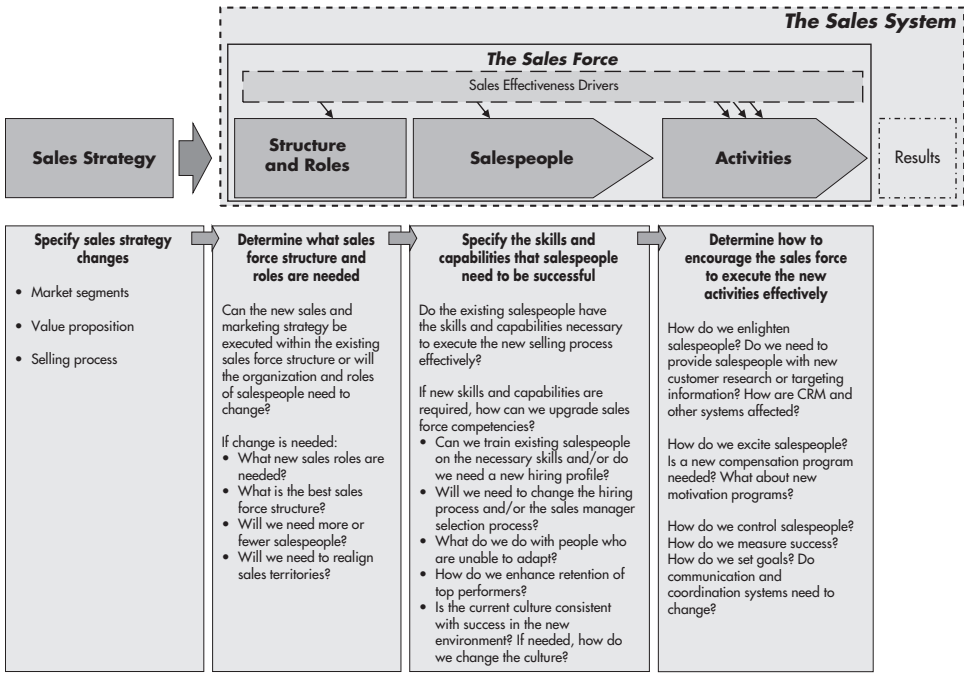


Figure 16-8. A process for implementing sales strategy change

Case Study Examples: Sales Strategy Change Across a Spectrum

Some sales strategy changes are very significant and involve a major overhaul of a company’s market segments, value propositions, and selling processes. Other changes are more moderate, and still others are incremental. The scope of the sales strategy change determines the extent to which the sales effectiveness drivers will need to be adjusted.

Figure 16-9 shows a continuum of sales strategy change. The sections that follow describe the situations that United Airlines and Novartis faced and the solutions they implemented.

Refining the Sales Strategy to Accelerate Sales Growth at Novartis Pharmaceuticals. Even incremental changes in a sales strategy require careful attention to the sales effectiveness drivers. Pharmaceutical

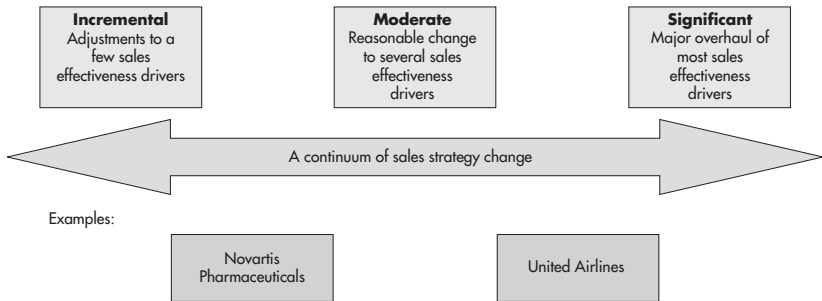


Figure 16-9. Two examples that span the spectrum of sales strategy change

manufacturer Novartis uses a structured process to continuously enhance its global sales effectiveness. An annual sales force effectiveness review helps the company identify ways to constantly improve the performance of its sales organization. Often this involves adjusting the company's sales strategy.

Figure 16-10 summarizes how sales strategy adjustments that came out of two sales effectiveness reviews at Novartis Pharmaceuticals in the United States were implemented using the sales strategy change framework (see Figure 16-8).

Example 1: Sales strategy enhancements and sales effectiveness driver changes that focus effort on high-value physicians. One of the first initiatives identified through the sales force effectiveness review process was an effectiveness-enhancing sales strategy adjustment for Novartis Pharmaceuticals in the United States. A 2001 analysis revealed that salespeople's time was scattered among a large number of physicians, many of whom did not write many prescriptions for the company's classes of drugs. Identifying the physicians the sales force should target resulted in a significant improvement in sales effectiveness. Novartis altered its sales activity to strategically concentrate on approximately the top 35 percent of physicians who wrote the most prescriptions for the company's classes of drugs.

Implementation of the new sales strategy required some adjustments to the sales effectiveness drivers.

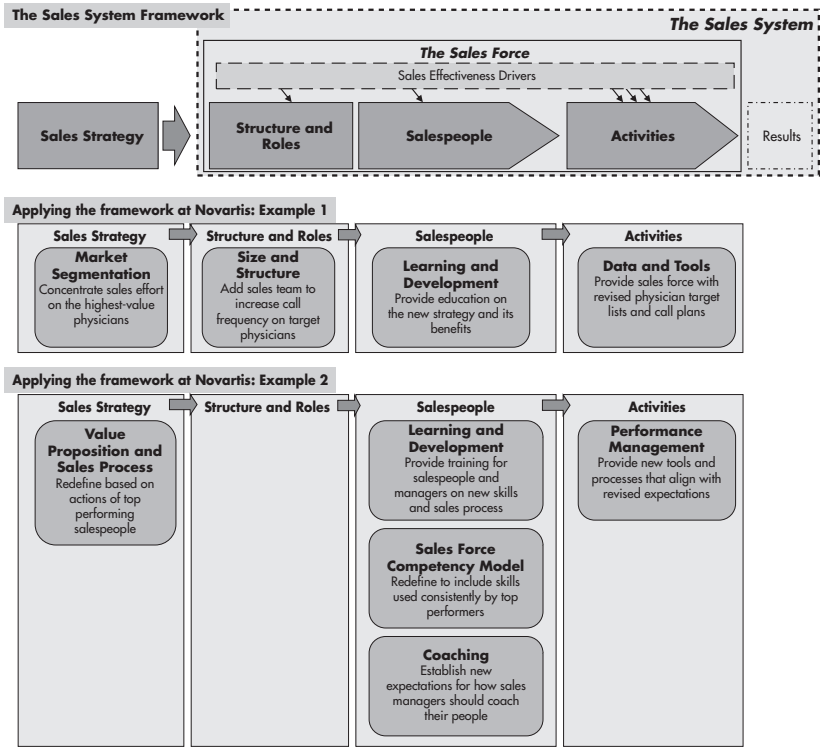


Figure 16-10. Changing the sales strategy at Novartis by aligning the sales effectiveness drivers

- **Structure and roles.** The addition of a new sales team helped the sales force increase the frequency of calls on the highest-value physicians.
- **Salespeople.** Training programs taught salespeople which physicians they should target and communicated the benefits of executing the new sales strategy.
- **Activities.** Marketing personnel provided targeting data and tools to allow the sales team to effectively retarget physicians across the sales force.

Following implementation of the initiative, the company experienced a significant acceleration in sales, which it attributed to the strategic shift in sales effort.

Example 2: Sales strategy enhancements and sales effectiveness driver changes that propagate value propositions and selling processes used by top performers. In another initiative that came out of the sales force effectiveness review process at Novartis, sales leaders observed high-performing salespeople (identified using Performance Frontier Analysis, described in Chapter 2) on typical sales calls in order to identify how they interacted with physicians. Average performers were observed on calls as well, and their behavior was contrasted with that of the high performers. Interviews with district sales managers and physicians provided further input for determining what sales force behaviors were most successful in educating physicians regarding the value of Novartis products. Novartis identified a set of success principles differentiating top-performing salespeople and used them to improve the sales process for the entire sales force.

Sales leaders focused on specific behaviors that could improve every step of the sales process and move physicians incrementally along the path to regularly prescribing Novartis products, including:

- Emulating the relationship-building activities used by top performers to improve their access to physicians
- Using the call preparation, probing, and listening techniques used consistently by top performers to better understand customers and their needs
- Adopting the approaches utilized by top performers to adapt communication strategies to physician and patient needs so as to deliver the company's value proposition more effectively
- Emulating the communication techniques and relationship-building activities used by top performers to strongly reinforce value

Implementing the sales strategy change required several adjustments to the sales effectiveness drivers in order to align sales force systems and programs with the new selling model, reinforce the desired behaviors, and set new expectations for salespeople and managers.

- **Salespeople.** The sales force success principles were incorporated into a selling skills training program for the sales organization called Performance Frontier—The Next Generation in Sales Excellence.

After the initial phase of training, “mini-training” refresher modules reinforced specific elements of the training and helped drive high adoption of the new selling model by the entire sales force. Sales managers also received new leadership training. A team composed of sales, human resources, and training and development leaders created a new sales force competency model and established hiring guidelines and coaching expectations for managers that were aligned around the new competency model.

- **Activities.** A new coaching tool and field coaching report were rolled out to aid managers in more effectively evaluating salespeople within the new selling model. The company also realigned the performance management processes to reflect the new sales approach and selling competencies.

The new selling approach was linked to a more favorable perception of Novartis salespeople among physicians and better sales results, and the success of the program in the United States led Novartis to adapt the new training approach for use with its sales organizations in other countries. In addition, Novartis has used Performance Frontier Analysis to identify success behaviors for roles outside the sales organization. Annual sales force effectiveness reviews at Novartis continue to reveal new opportunities for sales strategy improvements.

Aligning the Sales Effectiveness Drivers to Effect a Major Sales Strategy Change at United Airlines. Earlier in this chapter, we described how United transformed its sales strategy to embrace a value-based selling approach that focused customers on the total business value that United creates.

Figure 16-11 summarizes the process of transforming the sales strategy at United Airlines using the sales strategy change framework (see Figure 16-8).

“Value-based selling is simple in concept: Win and grow customers through product, service, and program offerings whose total value relative to price exceeds that of alternatives. But the reality has proven more difficult. Transforming from deeply engrained behaviors such as friendship, product features, and

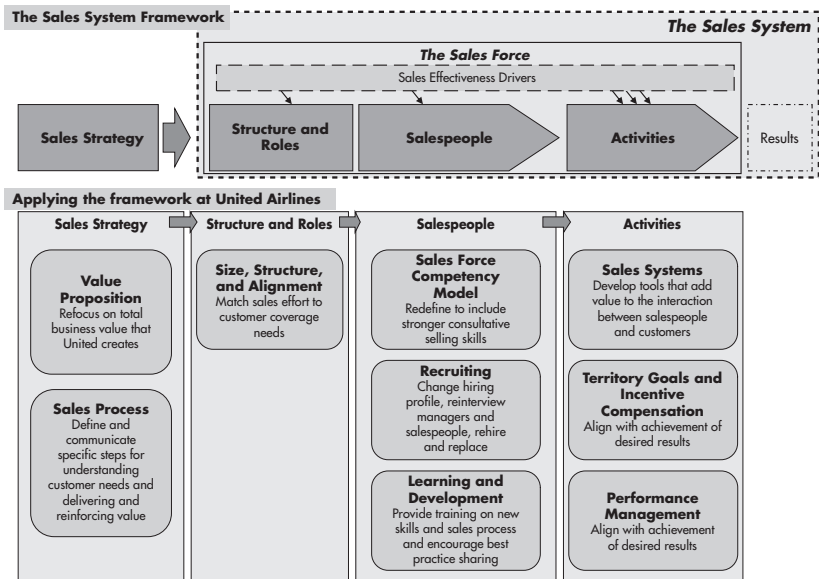


Figure 16-11. Changing the sales strategy at United Airlines by aligning the sales effectiveness drivers

price-based selling to value-based selling requires dramatic shifts in sales culture, strategy, operations, skills, and execution. A comprehensive and purposefully orchestrated approach to capability building is required to achieve excellence in value-based selling.”

Mike Moorman,
Managing Principal, ZS Associates, Chicago

The new United Airlines sales strategy. United’s new sales strategy was formulated based on extensive customer research with more than 1,200 corporations and travel agencies. This research revealed that many customer segments placed significant value on factors other than a low-price ticket and a good network of routes. Many customers were looking for what United terms “valued consultative travel management support.” These customer insights shaped the development of the new sales strategy.

Instead of relying on price and personal relationships alone to drive sales, United’s new strategy required salespeople to work closely with corporate and travel agent customers to understand their needs and

show them how United could tailor a customer-specific mix of airline routes and seats, consultative services, travel management and support programs, and comfort and productivity for business travelers that created business value well beyond best-price alternatives. The new sales strategy included a new value proposition and a new sales process for delivering that value to customers.

Figure 16-12 summarizes the key steps in the new sales process.

Aligning the sales effectiveness drivers around the new sales strategy at United. Multiple adjustments in the sales effectiveness drivers were needed to bring the sales organization into alignment with the new sales strategy.

- **Structure and roles.** Since the new sales strategy required different selling activities, United reevaluated the size and structure of its sales force in light of the revised customer workload. The company developed a new sales structure that matched the number of global, national, key, and field account managers to the opportunity, and redesigned field sales territories to ensure that sales effort was allocated effectively in terms of market potential. The new structure included a telesales group that encouraged efficient support of selected small and medium-size accounts.
- **Salespeople.** To make the new sales strategy a success, United needed to effect changes in its salespeople and their skills. The company developed a new sales force competency model that outlined the skills and capabilities needed for success in executing the new sales strategy. In addition to traditional sales and relationship-building

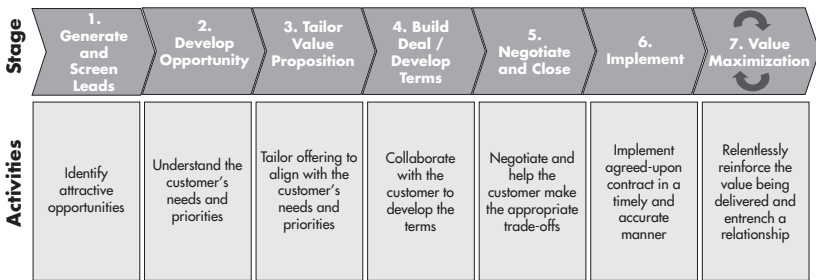


Figure 16-12. Key steps in the sales process at United Airlines

skills, the new model called for salespeople who could work closely with customers to understand their business needs and demonstrate how United could meet those needs. Sales leaders implemented several changes in sales effectiveness drivers to align the sales organization around the new competency model. A revised sales force hiring profile was developed, based on the new competency model. The change in hiring profile required United sales leaders to make some difficult personnel decisions. The entire sales force had to reinterview for jobs, and approximately 30 percent of the people who did not have the capability or desire to adapt to the new selling model were replaced. Once the new sales force was selected, all salespeople received training in the new sales process and the consultative selling skills they would need in order to be successful at executing the process. Sales managers received additional training in how to effectively coach salespeople in the new process. Sales leaders also established mechanisms to encourage sharing of best practices across the organization.

- **Activities.** United implemented several changes to the sales effectiveness drivers to ensure that the sales force effectively carried out the activities needed for successful implementation of the new strategy. Sales leaders developed systems to assist in the interaction between salespeople and their customers. A suite of sales technology products—designed to help salespeople demonstrate to customers the value that United offers—permitted a more structured, menu-based discussion that helped salespeople better understand the unique needs and priorities of customers so that solutions could be tailored to best align with those needs. The technology also helped reinforce the total business value of solutions. Sales leaders introduced territory goals, based on measures and outcomes on which salespeople could have an impact. The goals reflected territory opportunity and were designed to motivate profitable share growth, not just revenue. Sales contests recognized and rewarded the salespeople who attained the highest percentage of goal. Sales dashboards created transparency concerning territory performance and goal achievement. Revamped performance management systems encouraged sales force behaviors that aligned with the new sales strategy and that would drive the desired results.

What Actions Were the Most Important in Achieving the United Sales Strategy Transformation?

Jeff Foland, senior vice president of worldwide sales for United Airlines, identifies the following actions as key contributors to the successful implementation of United's new sales strategy:

- “We anchored everything around deep customer insights gained from unprecedented industry research.”
 - “We developed and institutionalized a more effective and structured sales process, providing us with a common language around how we sell and a structure around our training and tools.”
 - “We were very explicit about what success looks like for account management and what good first-line sales management and coaching means.”
 - “We introduced discipline to call planning fundamentals and institutionalized and recognized good performance by creating heroes and holding them up for the organization to see.”
-

Results at United. The new sales strategy had positive results for United's sales force, its customers, and the company. Sales force feedback was very positive. Salespeople stated that the transformed culture was more strategic, professional, and aggressive and that customers seemed pleased with the new approach. Comments from customers include, “This is the most professional sales process I've seen” and “This is more thorough work than anything I've seen from an airline and is tailored specifically around our needs and priorities.”

Following implementation of the new sales strategy, United established contractual relationships with many high-priority new accounts and renewed contractual relationships with many high-priority existing accounts. Company leaders felt that the new sales strategy made substantial performance contributions worldwide as fuel prices soared past \$100 a barrel. As fuel costs continue to rise, further challenges lie ahead for United and the rest of the airline industry.