

2007

THE CHALLY WORLD CLASS SALES EXCELLENCE RESEARCH REPORT

The Route to the
Summit



Overview:

Winning Company Profiles

Table of Contents

Executive Summary

Methodology

Ordering Information

For availability of the full report, go to:

www.chally.com/benchmark

or email

BarbSimmons@chally.com

Table of Contents

Winning Company Profiles.....	I
The Chally World Class Sales Excellence Research Report.....	III
Dedication	V
2006 World Class Sales Force Benchmark Executive Summary.....	1
Methodology	9
Benchmark 1: Customer-Driven Culture.....	17
<i>Ensure that Your Salespeople Know Their Customer's Business.....</i>	<i>18</i>
<i>Demonstrate the Value You Create for Your Customer.....</i>	<i>20</i>
<i>Establish Formal Feedback Mechanisms – Both Good and Bad</i>	<i>22</i>
Benchmark 2: Recruiting and Selection	29
<i>Recruit and Hire Specialists</i>	<i>32</i>
<i>Go Beyond the Interview</i>	<i>34</i>
<i>Make Sure there is a Cultural Fit.....</i>	<i>36</i>
Benchmark 3: Training and Development	41
<i>Sales Management Coaching Aligned with Training and Development Programs.....</i>	<i>47</i>
<i>Coach, Coach, and then Coach Some More.....</i>	<i>49</i>
<i>Measure Results.....</i>	<i>52</i>
<i>Provide Just-In-Time Training that is Easily Digestible</i>	<i>54</i>
Benchmark 4: Market Segmentation	59
<i>Clearly Define Your Target Markets.....</i>	<i>61</i>
<i>Organize Around Your Customers, Not Your Products.....</i>	<i>63</i>
<i>Deploy Your Resources Wisely Across Market Segments</i>	<i>65</i>
Benchmark 5: Sales Processes	71
<i>Formalize the Way You Sell</i>	<i>73</i>
<i>Sell How Your Customers Buy</i>	<i>75</i>
<i>Clearly Define Your Selling Roles.....</i>	<i>77</i>
<i>Measure and Manage Inside the Pipeline</i>	<i>79</i>
<i>Share Best Practices</i>	<i>81</i>
Benchmark 6: Information Technology.....	87
<i>Customize Technology to Your Business, Not Vice Versa.....</i>	<i>89</i>
<i>Avoid 'Big Bang' System Development</i>	<i>91</i>
<i>Make IT Valuable for the Salesperson ... And the Customer.....</i>	<i>94</i>
Benchmark 7: Organizational Integration	99
<i>Request Dedicated Functional Resources to Support the Sales Force</i>	<i>101</i>
Appendices	105
Benchmark Survey Interview Questionnaire.....	106
Customers Interviewed for Research.....	109

2006 World Class Sales Force Benchmark Executive Summary

The 2006 Theme: Change

If there were a theme for the 2006 World Class Sales Benchmark Research, it would have to be Change. Not a change in our research – This year our team again interviewed over 2,500 customers and collected their opinions of more than 4,000 individual salespeople. Nor a change in the outcomes – Customers again identified only a handful of sales forces that they truly perceived as ‘World Class’. Rather, the changes we observed this year were in the demands that customers are placing on salespeople and the ways that sales forces are responding to those needs.

The changing dynamics between buyers and sellers are being driven by larger societal trends that are affecting us all. The proliferation of information, the mobility of the work force, the ease of communication, the globalization of markets ... these and other trends have altered the way we live. Similarly, they have altered the way we work. The overriding philosophy of these best sales forces, simply stated, is: “Be the outsource of preference.” The basic priority, therefore, is to add value to the customer’s business.

Changes at all the world class sales forces are still in process. Customers did not credit these top sales forces with perfection...just being closer to it than their competitors. In fact, most of the top-ranked sellers were surprised to be named. While customers see how far sellers have come, the sellers themselves remain focused on how far they still have to go.

New Requirements, New Culture

To be the “outsource of preference” forces a seller to refocus the corporate culture.

Creative engineers or other technical experts who invent new products are not enough to sustain a competitive advantage.

Too many new products do not match customers’ priorities or are too difficult to understand or use; sometimes they are simply not needed. A major challenge is moving a selling organization to become “customer driven” from whatever driving force had previously dominated corporate strategy. As Figure 1 demonstrates, a simple scale distinguishes the progression companies can make toward a customer focus. Corporate managers who are rewarded for quarterly profit, for example, have little likelihood of investing the time needed to develop “customers for life” relationships or partnerships. The focus must change from product to benefit or business result. Grandiose products and services with more capacity, features, or options are often just seen as overpriced. Additionally, products and services must be simple to use and manage, either in their own right or because the seller manages the complexity as part of the sale. The focus must also change from price and delivery to ease of use, not only of the product but in doing business with the seller.

The outsource of preference will take responsibility for managing the relationship or, as sometimes defined, the “partnership” between seller and customer. This requires the role of the salesperson, and consequently, the role of the sales managers who train and develop the salespeople, to change.

An examination of the actual sales figures, or metrics, produces some show-stopping surprises. Since the salesperson is the key contact point between seller and buyer, the most important skill is that of the sales

manager who coaches and develops the salesperson. However, most sales managers are more administrator than coach. The surprise finding: salespeople who get at least one half day a week, one-on-one, with their managers are twice as productive than other salespeople. This means a manager cannot be fully effective in coaching or developing more than four or five salespeople. The results clearly demonstrate that a sales manager having a span of control of more than four or five to one can't be fully effective, no matter how much formal training is provided or how powerful the compensation plan is.

In addition, well-coached and very effective sellers become so valuable that their roles are actually changing. Top sellers are changing from product developers, to relationship managers, from "solution sellers" to consultants. In some cases, order taking, service, technical support, and product expertise are not even directly provided by the salesperson.

The Critical Sales Evolution of the Millennium: Outsourcing the Sales Force

These new demands have stressed the major product, technology or even marketing-driven companies. They realize their strengths are in product development, research, or other driving forces, and they are coming to realize these strengths need to be maintained, rather than diluted by attempting to develop a very different corporate mission and culture. They are turning to "Alternatives Channels", be they efficient call centers, market segment distributors, or highly specialized "Value Added resellers" (VARs). In 1992, all of the world class sales forces represented their own products. In the mid 1990's, we began to see distributors such as Boise Cascade and CDW. By 2007, all of the world class performers are specialized sales and service organizations who manufacture no products themselves. World class sales

How Well Different Corporate "Driving Forces" Support the Development of a World Class Sales Force

Corporate Driving Force	Typical Examples	Major Focus	Average Customer Evaluation of Sales Force	Likelihood of Developing a World Class Sales Force
Customer Driven	World Class Sales Winners	Customer Retention	91%+	High
Sales Driven	Value Added Re-sellers (VARs) Specialized Distributors	Market Penetration	88-95	High
The Invisible Corporate Threshold for Internal Sales Excellence				
Market Driven	Consulting Services	"Project" Sales	75-90	Moderate
Technology Driven	Financial Services Software Pharmaceuticals	New Applications	50-80	Low
Manufacturing or Product Driven	Office Equipment Building Supplies Raw Materials	New Products	50-80	Very Low
Venture or Stock Price Driven	"Venture" owned businesses	M & A	40-70	Very Low

Figure 1

forces have transformed their approaches in order to set themselves apart in the eyes of their customers.

Changing Customers

To put the changes in perspective, think of how differently you yourself purchase things now than you did in the past. Recall how you might have purchased a television in 1992, the year that HR Chally began benchmarking world class sales forces. Without the Internet and easy access to information, your search for a TV probably began with the Saturday newspaper and a trip to an electronics store. When you encountered a retail salesperson, you were likely early in your buying process. You were probably still in 'education' mode and wanting to learn about the products that are available.

By the time you encounter a salesperson today, you have probably already educated yourself on the alternatives and begun to narrow your choices. And with the increased complexity of the products (high-definition formats, flat-panels, etc.), you have probably also amassed a long list of technical questions that you will expect the salesperson to answer with great authority and confidence. Compared to 1992, you are a much more sophisticated buyer.

Consequently, you are a more demanding buyer. You are less tolerant of the typical deer-in-the-headlights salesperson who is no more useful than the tag on the retail display that you can read for yourself. You expect salespeople to be skilled, knowledgeable, and above all, value-added. If salespeople cannot demonstrate in a very brief amount of time that they can understand and resolve your concerns, you will quickly discard them and move on to another salesperson or to another electronics store.

These are the trends that sales forces face today ... increasing product complexity, increasing customer sophistication, decreasing access to buyers, and decreasing customer loyalty. These factors all combine to create a selling environment that is more challenging now than ever before. The power has clearly shifted

from the seller to the buyer, and buyers are using that power to turn up the heat on the salespeople who court them. As any sales executive will recognize, this is the bad news. But there is good news, too.

Changing Salespeople

The good news is that these changing customer expectations are very apparent. Customers expect salespeople to change along with them. They expect salespeople to transform themselves into professionals who are deft at identifying and satisfying their new buying needs. Having conducted extensive research into customer purchasing behavior, we are able to enumerate these new buying needs. This list of expectations essentially defines the role of the new sales professional of the 21st century. In the customers' own words ...

Need #1: "Be personally accountable for our desired results"

Customers are tired of pass-the-buck sellers. They do not want a salesperson to close the deal and run, they want to work with a partner who is personally committed to a successful outcome. Business-to-business customers are usually accountable for the results inside their organization, and they want someone else to be accountable alongside them.

Need #2: "Understand our business"

The second customer need flows logically from the first: For salespeople to personally manage a customer's results, they must deeply understand the customer's business. This means knowing the customers' competencies, strategies, challenges, and organizational culture. To be a value-added professional, intimate customer knowledge is now a prerequisite.

Need #3: "Be on our side"

Customers have little or no control over what happens inside the salesperson's company. Yet, the inner workings of the selling organization can have a dramatic impact on the buying experience. For this reason, buyers expect salespeople to be their internal advocates, manipulating their own company's processes and poli-

tics to see that the customer gets what they need throughout the buying process.

Need #4: "Design the right applications"

Customers want salespeople to think beyond technical features and functions to the actual implementation of the product or service in the customer's unique business environment. They want to know not just what the offering will do ... They want to know what it will do for them. They expect the new sales professional to be a business consultant who thinks beyond the transaction to the customer's end state.

Need #5: "Be easily accessible"

If anything has changed in the workplace since 1992, it is the connectivity of today's work force. Desk phones, PC's, and pagers have been replaced by cell phones, laptops, and Blackberries. This 24/7 access to communication has not escaped the notice of customers. They expect salespeople to be constantly connected and within reach, whenever and wherever they need help.

Need #6: "Solve our problems"

The word 'solution' has been overused and misused as much as any other term in the last decade, but its prevalence does point to one major shift in customers' expectations. Customers no longer buy products or services, they buy solutions to their business problems. They expect a professional salesperson to diagnose, prescribe, and resolve their issues, not just sell them products.

Need #7: "Be creative in responding to our needs"

With easy access to information, anything that was known yesterday is old news to most customers. When they have a business problem and pursue outside assistance, it is because they perceive their problem as unique and not addressable with conventional solutions. Buyers expect professional salespeople to be innovators who bring them fresh ideas to solve their problems. Creativity is a major source of value in today's salesperson.

These seven needs are the new customer expectations. They are not secrets hidden away from the sales force; they are

demands that salespeople encounter every day. Sales executives, too, are aware that customers are now more demanding and want different behaviors from their salespeople. The challenge for executives is to put these demands in the context of their own sales force and create an organization full of people that can meet these new customer needs with the right skills and aptitudes.

This is how world class sales forces set themselves apart in the eyes of their customers. Their sales forces have evolved with their customers and have created these capabilities in their salespeople. They have identified the organizational levers that determine success with today's customers, and they are driving their sales organizations to higher levels of professionalism than their peers have yet been able to attain. This document is a report based on our research into these organizational levers that world class sales organizations have identified and exploited.

Changing Sales Management Agendas

As the demands on salespeople have changed over the last 14 years, so have the agendas of the sales executives who must invest wisely to ensure that their sales forces are in tune with their customers' needs, and 2006 was no exception. In the four years since our last research effort, sales executives have not only shifted emphasis among their existing benchmark agenda items, new benchmarks have emerged as top priorities of the leading sales forces. The areas of focus we observed in this year's class of World Class Sales Benchmark winners were:

1. Creating a Customer-Driven Culture
2. Recruiting and Selecting the Right Sales Talent
3. Training and Developing for the Right Set of Skills
4. Segmenting Markets in Meaningful Ways

5. Implementing Formal Sales Processes (New)
6. Developing Enabling Information Technology
7. Integrating Other Business Functions with Sales (New)

It is no surprise that creating a *Customer-Driven Culture* continues to lead the agenda for sales forces that are considered the best of the best by their customers. As the customers' needs have shifted over the years, these companies have remained in sync with their customers by uncovering and adapting to the new demands on their salespeople. This focus on customer needs and expectations will probably never fall from the list, because it is so fundamental to the success of a sales force. Without it, companies become internally focused and tend to impose their own needs on customers, rather than imposing the customers' needs on their salespeople. What is evolving, though, are the methods that sales executives are employing to drive this philosophy into the heads of their sellers. As you will see, world class sales forces are experts at connecting customer strategies to selling reality.

One very clear trend is a dramatically heightened emphasis on *Recruiting and Selection* in leading sales forces. These companies have come to realize that every other competitive advantage they can achieve in the marketplace (better products, better pricing, better relationships, better technology, etc.) is fleeting except for having better human capital. Nearly every other aspect of a business can be duplicated by a competitor except the quality of the people they employ.

As a result, world class sales forces are putting more and better effort into finding and hiring the right people for the job. They are putting more effort into the task by investing more in the process and casting a wider net. They are putting in better effort by pursuing more specific skill sets that map into their increasingly complex and specialized selling roles. Across the board, this is an already large and growing concern for sales executives.

Another benchmark that has exploded in its prominence is *Training and Development*. Getting the raw talent in the office building is a critical accomplishment, but two factors make continued investment in the sales force an imperative. Foremost, top sales forces are now highly complex organizations with processes and technology that are tailored to their particular selling tasks. A top salesperson from another company cannot simply step into a specialized selling role of another company and be expected to hit the ground running. The 'onboarding' process is growing to a scale never before seen in the sales organization.

The second factor that makes Training and Development so critical is the rate of change within world class sales forces. These organizations tend to be nimble and willing to change as soon as the market dictates. With complex internal processes and technology in a constant state of evolution, continuous training is the only way to keep the sales force operating at peak productivity within the organization's business model.

Another staple on the list of World Class Sales Benchmarks is *Customer Segmentation*. Like Customer-Driven Culture, Customer Segmentation is fundamental to creating the differentiated customer experiences that lead customers to rave about a sales force. Reviewing the new customer demands like *Understand Our Business, Design the Right Applications, and Solve Our Problems*, it is easy to see why Customer Segmentation is so critical for a sales force to succeed in the customer's eyes. Sellers cannot accomplish these objectives with a one-size-fits-all approach to the market, so grouping customers who are alike and aligning sales resources accordingly allows salespeople to develop familiarity with their customers' business issues. It enables the salesperson to become a specialist with credibility and to engage customers with confidence.

A new entrant to the list of world class benchmarks this year is *Formal Sales Processes*. These are the tasks and activities that define how a sales force manages its time, its opportunities, its custom-

ers, its territories, its salespeople, and its business. In the past, sales process was almost inextricably mingled with information technology, but the processes are finally standing on their own as sales executives strive for consistency of execution and measurability of performance.

The top sales forces that we observed manage their organization with the discipline of a manufacturing assembly line, with explicit processes that can be benchmarked and improved in the spirit of Total Quality Management. They monitor and measure their salespeople from every possible perspective to isolate best practices and pinpoint opportunities for improvement. They leave little to chance by setting clear objectives for their sales force, providing a roadmap of how to succeed, and managing their salespeople within this framework of formal sales processes.

Information Technology is now a well-entrenched part of any sales force. From e-mail to CRM, it is hard to imagine a modern sales force without technology there to hold it together. The trend that we do see with IT, thankfully, is the recognition that Sales Force Automation is not a silver bullet that will cure all the ills of a dysfunctional sales force. After the meteoric growth of SFA tools in the 1990's, sales executives are settling down and putting information technology in perspective as an enabler of salespeople, not a reformer of them.

IT is undeniably critical to any company, and all world class sales forces rely heavily on technology. They use hardware and software to capture, manipulate, and share information and to run their businesses efficiently. However, no leading sales forces would (or could) point to information technology as a source of competitive advantage. Nor would they say that their CRM application is the backbone of their sales force. What they will do is point to how much more effective their salespeople are as a result of well-designed and properly-implemented technology. World class sales forces are very deliberate and thoughtful in the ways they leverage the power of information systems.

The final agenda item in our benchmark research is a second new entrant this year. We observed that sales executives are becoming very skilled at *Integrating Other Business Functions with Sales*. Traditionally, Sales has been the function in a company that was least understood and most in its own silo. Sales executives rarely went out of their way to engage IT, HR, Marketing, and other peer groups in any capacity.

Increasingly, sales executives are finding themselves at the table with these other business functions. They work with IT to build customized technology. They work with HR to hire and develop highly-skilled sellers. They work with Marketing to equip and inform their salespeople. No longer is Sales trying to go it alone in the world. Top sales forces focus on their core competencies and leverage other groups to improve the performance of their people.

Changing Faces

Amid all of this change, we are pleased to recognize four new faces as winners of HR Chally's World Class Sales Force Benchmark award.

- Applied Industrial Technologies
- Corporate Express
- Global Imaging, Inc.
- Insight Enterprises, Inc.

These companies were deemed to be the best-of-the-best by the only people who are qualified to judge them – their customers. In a time of increasing demands on a sales force, these four organizations were agile enough to change in lockstep with their customers and exceed their high and ever-changing expectations.

In the following pages, we will explore in greater depth how these world class sales forces achieved this high level of performance. As you will see, they are innovative companies that have worked diligently to plan and execute changes that were frequently off the beaten path. Changes that put them in very elite company as World Class Sales Forces.

Winning Company Profiles



Applied Industrial Technologies

Applied Industrial Technologies (NYSE: AIT) is one of North America's leading independent distributors of bearings, power transmission components, fluid power components and systems, industrial rubber products, linear components, tools, safety products, general maintenance, and a variety of mill supply products. Applied® represents more than 2,000 manufacturers worldwide, offering more than 2 million specific products to about 156,000 customer accounts within a broad cross-section of industries, including primary metals, pulp and paper, food processing, chemical processing, mining, utilities, textiles, agriculture, and automotive.

Headquartered in Cleveland, Ohio, since its founding in 1923, Applied® employs more than 4,600 associates in more than 450 facilities in 48 states, 5 Canadian provinces, Mexico, and Puerto Rico. The company changed its name from Bearings, Inc. to Applied Industrial Technologies in January 1997.

www.applied.com



Corporate Express

Corporate Express, Inc., a Buhrmann company

(NYSE: BUH), is one of the world's largest business-to-business suppliers of essential office and computer products and services with 2005 sales of approximately \$4.6 billion in North America. Corporate Express' product offering includes office and computer supplies, imaging and computer graphic supplies, office furniture, facility supplies, document and print management, desktop software, promotional products, and other similar products.

Corporate Express' broad product offering, commitment to service, distribution expertise, technological excellence, and world-class associates bring a distinct competitive advantage to the office products industry. With operations in more than 17 countries and strategic partnerships in an additional 11, Corporate Express is currently the only B2B office products company with a true one-company global capability.

www.corporateexpress.com



Global Imaging Systems

Global Imaging Systems, Inc. offers thousands of customers a One-Stop Shop providing 1) a broad line of digital office imaging

solutions including the sale and service of copiers, fax machines and printers, 2) video conferencing and other electronic presentation systems, and 3) network integration and management services.

Since its founding in June 1994, Global has acquired more than 80 businesses and has operations in 32 states and the District of Columbia. The operating companies are organized into core companies in key markets across the U.S. The remaining businesses operate as satellites of the core companies. Under the Company philosophy of "Think Globally, Act Locally" and a decentralized structure, core companies operate under their pre-acquisition names and management, preserving and building upon existing customer relationships.

www.global-imaging.com



Insight Enterprises, Inc.

Insight Enterprises, Inc. is a leading provider of a broad range of top name-brand IT computing products, software and advanced IT services helping companies around the world enable, manage and secure their IT environment. Located in major cities around the globe, Insight provides local account services in over 170 countries and has the process knowledge, technical expertise and management tools necessary to ease the burden of selecting and purchasing IT assets while streamlining IT management and costs.

Insight combines more than 200,000 products with one of the most comprehensive IT service offerings in the industry to tailor solutions to businesses and public sector organizations. Today, small-and-medium businesses, enterprise, government and education clients rely on Insight for expert technical support, industry-leading integration, onsite deployment, management, and more.

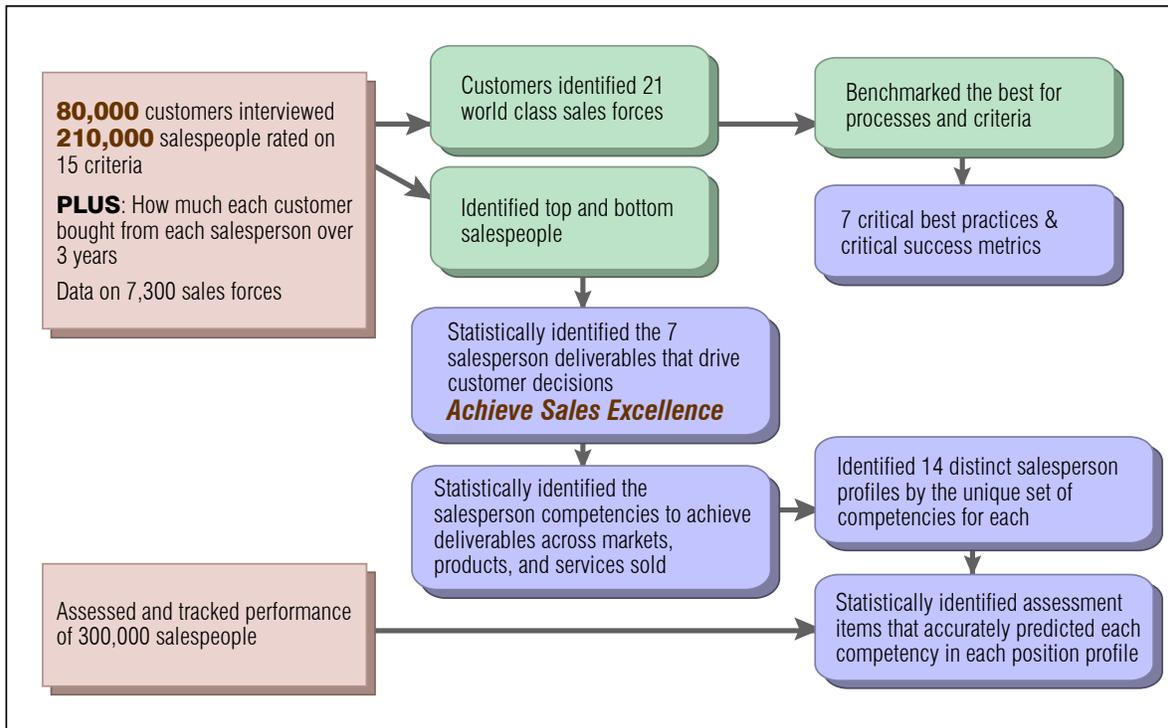
www.insight.com

Methodology

The HR Chally Group has conducted World Class Sales research projects since 1992. Each World Class Sales research cycle has involved two phases. The first phase is the assessment of the corporate needs of customers and their ratings of excellent sales forces through telephone interviews. These results are presented in the Phase I Executive

Summary. The second phase, with the cooperation of the customer-rated World Class sales forces, provides full benchmark research results, including best practices, metrics, management processes, and profiles of each World Class sales force. Overall, Chally has developed the leading Six Sigma styled set of World Class sales force metrics and databases.

Overview of the World Class Sales Databases & Metrics



Phase I: Survey Calls To Customers To Identify World Class Sales Companies

Data Collection

Using resources such as American Big Business Directory, decision makers were randomly selected from an even distribution of large and small companies (determined by number of employees) across industry, geographic location, and position classifications. Likely positions of contacts were identified for each market segment

to be investigated so that contacts would be distributed over a variety of position classifications. An introduction call was made to each potential contact to explain the research and to ask for an appointment to complete the interview. At the appointment time, a survey interview was completed. See Appendix for the survey interview questionnaire.

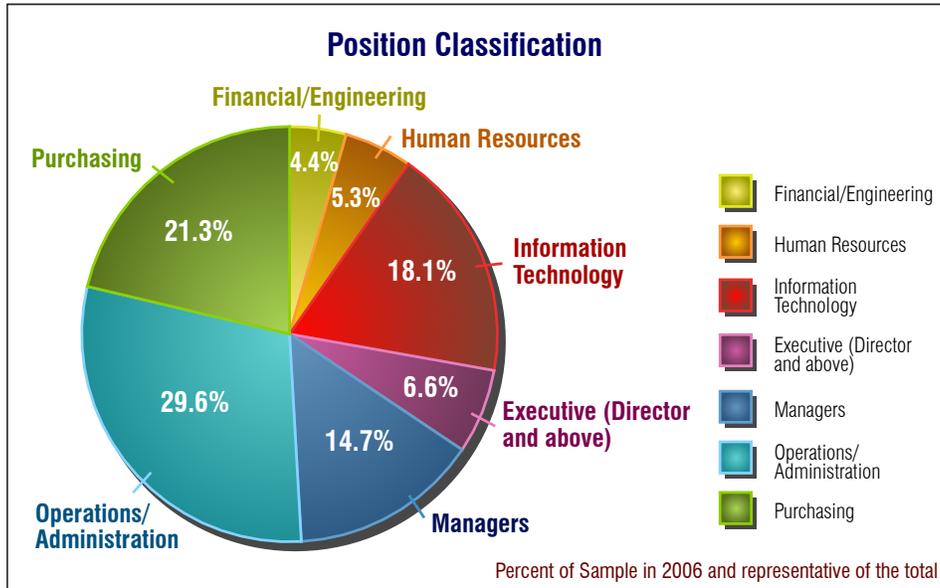
Company Size

	Total Surveys Completed Prior to 2006	Surveys Completed in 2006
Small Companies or units (1-249 Employees)	90,315	1029
Large Companies or units (250+ Employees)	120,300	1418
Overall Response	210,615	2447

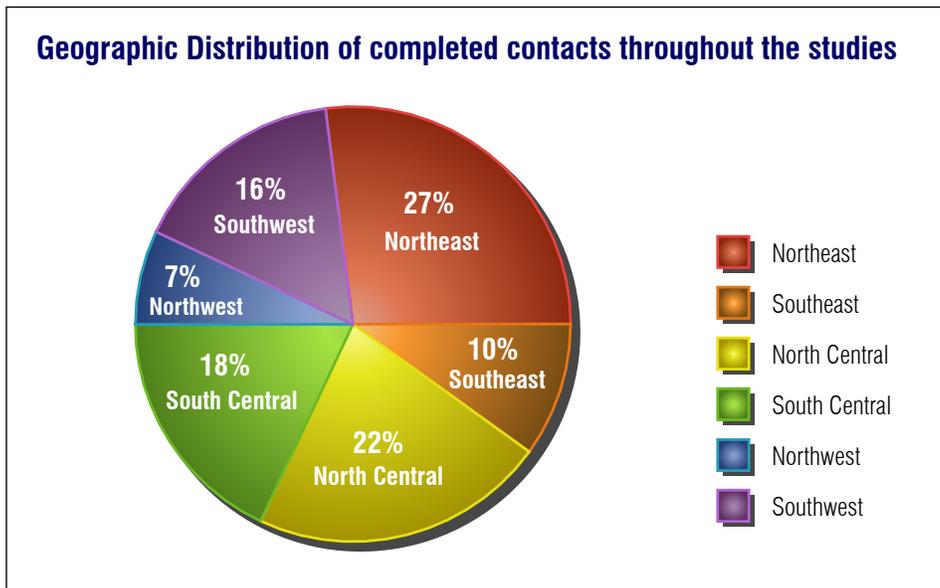
Industries Represented by the Completed Contacts

Aerospace	Energy	Media
Agriculture	Financial Services	Metals
Automotive	General Services	Non-Profit
Beverage/Food Products	Healthcare	Paper
Chemical	Information Technology	Printing & Publishing
Construction/Building	Legal	Public Sector
Distribution	Manufacturing	Retail
Education	Materials	Transportation

Position Classification



Geographic Distribution



Data Analysis

Open-ended questions went through a two-step coding process. Data was gathered using a customized version of Survey-Pro to populate an SQL database. Further analyses were run using the Statistical Package for Social Sciences (SPSS). Each variable included in the study was subjected to detailed univariate analysis. These analyses provided a further check of the data quality and a guide to the interpretation of the data. Companies mentioned most frequently as World Class, and the reasons why they were mentioned, were identified.

Results

During the 2006 research project, Applied Industrial Technologies, Corporate Express, Global Imaging Systems, and Insight Enterprises, Inc. were the only companies to meet the criteria of being rated on average as "Very Good" or better by at least 50 customers. All four companies agreed to participate in Phase II of the research.

Prior winners include: Allegiance Healthcare Corporation, Applied Industrial Technologies, AT&T Consumer Products, AT&T Middle Market, AT&T Global Business Communications Systems, Boise Cascade Office Products (twice), CDW, DuPont, Exxon Corporation, GE Industrial Control Systems, Grainger, Inc., IBM Corporation, John Deere and Company, Moore Corporation Limited, and Motion Industries, Inc., (twice).

Phase II: Determining Methods of World Class Sales Forces

Each of the target companies was sent a congratulatory introduction letter discussing the history of the project and steps involved in participation. They were then contacted by telephone to solicit participation. The primary company contacts were provided with the reasons their customers identified the sales forces as World Class. The contacts were then asked to identify key sales functions which they thought would result in customer satisfaction in these areas. Each interview resulted in the identification of critical success factors, key processes that explain and support critical success factors, and individuals responsible for each process. Telephone interviews were scheduled and conducted with each of the individuals responsible for a process. Based on these interviews, Chally developed a company profile and identified best practices for each of the target companies. Best-In-Class company profiles were then reviewed by target company representatives for accuracy. From the best practices, a set of key sales metrics was identified and subsequently collected from each of the target companies. On-site visits to confirm information gathered through telephone interviews and to gain first-hand exposure to best practices were conducted when possible.



Copyright © The HR Chally Group

1900 Founders Drive, Dayton, OH 45420
Telephone: (937) 259-1200 Fax: (937) 259-5757
website: www.chally.com