Let's talk about sales growth

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High-growth companies have differentiated themselves in sales through analytics, big data, and a focus on the changing technology landscape.

Slow-growth companies can learn much from the world's sales leaders and their best practices in presales, analytics, and use of technology. In this episode of the *McKinsey Podcast*, Mitra Mahdavian, an associate partner in McKinsey's Marketing and Sales Practice, and Maria Valdivieso de Uster, the director of knowledge for the Practice, speak with McKinsey's Barr Seitz about how companies successfully drive sales growth in a digital world.

Podcast transcript

Barr Seitz: Hello, and welcome to the *McKinsey Podcast*. I'm Barr Seitz, global publishing head for McKinsey's Marketing and Sales and Digital Practices, and I'm very happy to introduce our two guests today: Mitra Mahdavian, an associate partner in our Marketing and Sales Practice, focused particularly on tech in sales, and Maria Valdivieso de Uster, the director of knowledge for the Marketing and Sales Practice and coauthor of *Sales Growth: Five Proven Strategies from the World's Sales Leaders* (John Wiley & Sons, May 2016), which has recently come out in its second edition. I'll be talking to Mitra and Maria about how sales can drive growth, what strategies work, and how sales is evolving in today's digital world.

Maria, the first question is for you. I was walking past the bookstore in an airport the other day and saw at least a dozen books on sales. Does the world really need another book on this topic?

Maria Valdivieso de Uster: Hi, Barr. Yes, I think the world needs a new book on sales growth. This book is a conversation with more than 200 leaders across different organizations. It's for sales executives and sales management, and it provides strategies and tactics that are proven on how to drive growth.

Barr Seitz: Great, so growth is certainly a topic that's getting a lot of attention, particularly with the economic climate being so challenging. But, Mitra, there are companies that are still able to grow, even within the constrained environment we are in today. What are they doing that the others aren't?

Mitra Mahdavian: It's an interesting question, Barr. We did a lot of research, both an extensive survey of sales executives and many interviews, and we found that there were five practices that shine through that differentiated the fast-growing companies from the slow-growing companies.

First, they find growth before their competitors do. So they invest in identifying growth opportunities, whether through understanding trends or drilling into big data or finding pockets of growth in their existing markets. Second, they sell the way their customers want to buy. They use multiple channels to reach and serve customers of all different sizes and different markets. And they optimize and organize across direct, indirect, and digital channels very efficiently. Third, they soup up their sales engines, and especially, they invest in sales operations, presales, and the alignment between marketing and technology to fire up and build their engines for growth.

Fourth, they focus on their people. This one goes without saying, that there's a need to spend time training, coaching, and mentoring the frontline sales teams and to balance that between both the drive for near-term growth and building longer-term capabilities for the field.

And finally, they lead from the top: they invest in and gain commitment from the organization and are able to build the vision for their change and their plans from the executives and from the top down—but they also invest in change management and implement change from the ground up.

Barr Seitz: That's a great overview of what the book covers and what sales leaders are able to do. In all those areas, what are the one or two that stand out for you, where sales leaders differentiate themselves?

Mitra Mahdavian: One was the deployment and use of technology and analytics. We found that sales executives are continuing to invest in deploying analytics and technology to make their sales teams more productive, both in the front end of sales—digital channels, ecommerce capabilities—and in the back end with capabilities for their planning and sales operations. That was a clear theme that emerged.

The second was people. We know from our own research and the time we spend with our clients that talent and sales talent is always a critical topic, but we were surprised that many of the executives that responded to our research felt that they still didn't have the capabilities they need for growth. And they still haven't even been able to identify some of the capabilities they need for the future, and how they need to be moving their sales teams.

Maria Valdivieso de Uster: The one that also stuck for me is investing in future growth. One of the themes that many of the leaders mention is that companies and sales leaders are so busy thinking about the quarter and the annual quotas that it's hard for them, but they push themselves to think about where growth is going to come from ten quarters from now.

What are some of the trends around technology, around demographics, around regulation, and how is that going to affect their current business and their future business? They are bold enough to invest in a current budget to capture that. We saw that fast-growth companies invest between 4 to 6 percent of their sales budget to capture future growth.

Barr Seitz: I imagine that future growth outlook depends a lot on analytics and digital, as you were pointing out, Mitra. That's a key feature. Maria, in the first edition of your book, you cover digital and analytics, but the changes we're seeing in those areas weekly, if not daily, highlight how much has changed since that first edition came out. Emphasizing the extent of that change, you open a chapter citing Taylor Swift. I'm going to ask a question I never thought I'd ask at McKinsey: What can sales leaders learn from Taylor Swift?

Maria Valdivieso de Uster: She is incredible at managing an omnichannel strategy. That is, she's able to have fantastic engagement with her fan base, and she continues to build her fan base through her social-media channels.

At the same time, her concerts are phenomenal, money-making events. Then on top of that, she's very good at figuring out what channels are going to work for her and which ones are not—so how she leverages iTunes and other channels for her benefit. I think she's phenomenal at that.

What companies are struggling with in today's world is how to create a seamless, omnichannel experience for their customers. Customers expect to be able to access products and services through a variety of channels: some of them are direct channels, some of them are third-party channels. But they're expecting the same service levels, and they're expecting that you—as a vendor, as a company—are able to understand them through all these different channels. That creates complexity, and it also creates cost. But we've seen that winning organizations are able to capitalize on omnichannel strategy.

Mitra Mahdavian: And that's increasingly true with the modern buyer and the way customers want to buy today. We found the top channel for B2B buyers, when they're doing research on what they want to purchase, is just an online search—the Internet.

We also did some research on B2B decision makers, and you wouldn't be surprised to know that they're always on for business, even during their commute, their evenings, and their weekends. They spend a lot of time on their cell phones and tablets, doing research on business products via their personal devices. More than ever, that omnichannel presence for B2B buyers is important in reaching target audiences for all companies.

Barr Seitz: What's interesting about this point with integration is that it's a theme that comes through in the book a number of times. But I was particularly struck by the point with presales, which is often overlooked. In presales, to really function, it needs to be an integral part of the sales pipeline. Mitra, can you tell us what presales is, and what its value is?

Mitra Mahdavian: Presales is a dedicated team of experts that spend their time on a mix of technical and commercial activities. Let me give you some examples: things like crafting solutions for customers' problems or managing deal qualification and bid.

We found that companies that invest in this capability are able to achieve win rates of 40 to 50 percent in new business and 80 to 90 percent in renewal business, well above average rates of what we see with other companies.

What enables companies to achieve that kind of success is that they're able to better deploy their resources against opportunities that matter. They don't just identify leads; they spend the time to qualify and do the prework to understand which opportunities are going to provide the highest results, typically by doing advanced analytics or using historical trends as predictors.

Another opportunity in presales is submitting bids. We found that many companies end up not having acted on leads, even a few days after they've been submitted. Companies that have invested in presales are able to more effectively deploy resources against those leads and act on them more quickly. That integration of activities and deployment of resources— with some digital and technical abilities to make them more efficient and intelligent—is what allows those companies to capture additional growth.

Maria Valdivieso de Uster: One of the things I would add is that presales resources tend to be expensive, and you have to be mindful in how you align them and assign them to different projects. Many of the clients that I've worked with and many of the companies we interviewed— they're thoughtful as to understanding what deals are competitive, which ones are strategic, and which ones are complex—and they develop a formula to assign resources based on need. Alternatively, you can end up spending in the wrong places, and you can end up decreasing your sales through that.

Barr Seitz: Given how important presales is, why do you think it's such an overlooked area?

Maria Valdivieso de Uster: It's an overlooked area for a few reasons. The one that I would highlight is that many organizations have developed presales resources and capabilities in a nonorganized manner. You might have a sales rep that ends up having more technical skills, so you end up leveraging that sales rep much more like a technical expert as opposed to systematically thinking about the right organization structure and capabilities required.

In times of slowdown, companies unfortunately look at nonquota-carrying resources, and many presales experts tend to be nonquota carrying, and they cut that first. When companies continue rebuilding their sales forces, they tend to forget to continue to bring this capability in.

In technology companies you tend to see better organization structures, and you tend to see much more advanced presales processes and practices. I would look at those organizations as some of the great examples.

Mitra Mahdavian: Many of the companies that are doing presales well have also invested in the technology to make resources productive. Having analytical insights and tools to better understand where in the deal cycle to plug in and which deals to plug into, they're able to get the most leverage from the resources that they've invested in.

Barr Seitz: Excellent. OK, I want to pivot away from the tactical area of presales and move to our crystal-ball moment of this podcast. In the book, you look at a number of trends and extrapolate what they could mean for sales. Knowing that this is a dangerous question with few clear answers, where do you see the future of sales? Maria, let's start with you.

Maria Valdivieso de Uster: This is one of my favorite questions, and it was one of my favorite parts of the research for the book. I saw a few trends emerging, so let me share those with you. The first one is a trend around automation and artificial intelligence.

One of the things we learned through some of the research conducted by the McKinsey Global Institute is that with today's technology, up to 40 percent of sales activities can be automated, which is tremendous, if you think about it—40 percent of sales activities can be automated. If we think about technology evolving, that number could get up to 50 percent.

If you look across different roles, of course it varies. For example, for a hard salesperson, 80 percent of his role can be automated. But if you think about a sales manager, it's only 5 to 10 percent. As Mitra has mentioned throughout the podcast, technology's here to stay, and we have to help sales leaders think about how to embrace technology and what technology to use.

With that, artificial intelligence is also coming—will come and will stay here. We see bots being used already in customer service, and there's a very small bridge to cross to move bots from customer service to transactional sales processes and sales products. We will be seeing bots more and more. I was surprised by the level of technology, and how smart the bots are, and how much they could learn from different interactions.

The other big area that we saw is around outsourcing, so letting somebody else do the selling for you. It's a different type of outsourcing in the sense that it's end-to-end marketing and sales outsourcing. Again, in some of the more transactional sales, we've already seen being able to outsource all the way from starting a campaign to acquiring a customer, where the vendor or the organization is paying for performance.

Mitra Mahdavian: The opportunity with analytics and digital in sales is tremendous, and we've seen that in the results of companies that have started to deploy these capabilities in their sales. As we go forward, we'll see more and more of those solutions adopted in sales, beyond the traditional applications of analytics and tools (such as customer relationship management or basic forecasting) to more advanced functionality (such as deal-scoring, next-product-to-buy insights, and better ways to deploy sales resources to opportunities like we were talking about earlier).

That's going to enable sales teams to unleash a level of productivity that's going to be higher than anything we've seen in the past and, at the same time, allow them to do what they do best, which is selling and spending time on selling activities rather than on some of the back-office tasks that may be taking their time away.

Barr Seitz: With all this talk about digital, technology, and robotics, I'm going to voice something I know we're all thinking: that the machines are going to take over the world. I know it's easy to get caught up in those kinds of quasi-apocalyptic views of machines, and that makes great for great movies, but as you both have pointed out during this podcast, it's easy for the need for humans and leadership to get lost in all this talk, and it's particularly crucial. What stories of leadership stuck out for you and why?

Maria Valdivieso de Uster: One of my favorite conversations was with Jeff Schomburger, the global sales leader for Procter & Gamble. We talked to him about big data in sales. It was very interesting because he kept mentioning to us that the fundamentals of selling have not changed. The questions that are being asked have not changed. However, we have much more data and ways of answering those questions. Many organizations struggle with making their data strategies a success, and that is because they have a lot of data, but they don't know how to turn data into insights.

Many organizations have insights, but they don't know how to make the insights actionable for the sales rep out on the front line. One of the things that I found fascinating in talking to Jeff was how to actually drive insights, shopper insights, all the way down to the account manager that is having discussions with a retailer, and then bring those insights into strategies on how to drive sales growth.

Mitra Mahdavian: As you said, Maria, the need for basic selling capabilities and the empathy and solution-selling capabilities that a salesperson brings are not going away. In fact, what's happening is that the bar on that is going higher and higher over time, because with digital and technology enabling the basics of information getting to customers, the bar for the sales rep's role is increasing over time to be more solution led, more consultative.

So the need for sales teams to be investing in developing those skills for their front line is increasing. It's this duality of building the skills on the empathy side, the solution-selling side, and the relationship-building side while at the same time investing in some of these new capabilities that allow the sales team to use and leverage the analytics and the technology that exists today—and bring those insights to their customers more effectively and connect to them faster.

The CEO of a large tech company told us that she recently visited a call center and met a few young millennial inside-sales reps that had recently closed a few large, complex deals. She was astonished.

She asked them, "How were you able to close these deals remotely without ever meeting the customers?" The inside-sales reps said, "What do you mean we haven't met the customers?

We talk to them all the time, we FaceTime, and we're connected on social media. We have a ton of information about them from our systems and from our lead call process, so of course we've met the customers."

It was this interesting moment where the CEO realized that the new generation of sellers think about the selling process in a different way, compared with the historical, traditional view of wining and dining and meeting up in person.

Barr Seitz: Maria and Mitra, you've told some great stories, and we have some great statistics here behind the strategies, but I imagine a question you get all the time is, OK, that's great, but how do we do this? Any examples or cases or minicases that you can share about a company that embarked on a change to drive greater sales growth?

Maria Valdivieso de Uster: We talked to the head of sales strategy for a global technology company, and the first thing he mentioned that was quite interesting was that the reason for the sales transformation was that the customer was pushing for it. The customer didn't need to buy products anymore but had problems that needed to be solved.

They came to the organization and said, "We need to solve all these problems, help us with solutions. Don't sell products to us, sell solutions to us." Of course, it's easier said than done, so for the organization to move away from just selling products to selling solutions, they had to change quite a bit.

They had to change how they were organized. They had to change how they inspired people. They had to change the technical expertise required. It was all starting with a customer.

Mitra Mahdavian: The biggest step was aligning the leadership around a common vision. There was siloed activity in the various geographies and in the different parts of sales, and for all of that to come together in a harmonized fashion, there was an effort required to make sure that the vision at the top was clear enough that it could then get translated to the field in a harmonized and aligned manner.

The second thing was getting specific on change management, down to the rules and responsibilities on the front lines. So not just a theoretical exercise of what we want to do differently or how we want to be organized differently or what are some of the new things we want to bring to our customers, but drawing that red thread through the roles and what the field was doing, how they were spending time, and what they were being trained on—and making sure that all of those things came together to deliver the customer experience the company was aspiring to deliver.

Barr Seitz: I imagine, as with any change effort, that what is planned is different from what happens on the ground. Can you talk about what did happen in assigning those roles? How did the organization set itself up to react and change to make this successful?

Mitra Mahdavian: It's a good question, Barr, and the fact is things change. What made this effort, and what made those sales transformations accessible, was the focus on salespeople and the focus on customers, because that gave a true North Star throughout the journey, which was a two- to three-year journey of transformation.

As you said, not every role transition went the way it was expected, not every capability effort, not every harmonization played out the way it was planned. But because there was a true North Star of the customer experience—what the customer wanted, and also our people and our sales teams—it allowed the company and sales leadership to come together when they hit some of those roadblocks and some of those questions, to reevaluate and reset their direction but always align to where they wanted to go and that true North Star for them.

And that was a big part of what made this successful, because it's one thing to say that this is what we want to do but it's another to play that out and live that transformation every day for three years. Unless you have that anchor point of where you want to get to and what you're trying to do, it can be easy to get fragmented quickly.

Maria Valdivieso de Uster: I think also the way they measure the success of the program: on the one hand, it was measuring the impact on profit, but on the other hand, and equally important, it was measuring the impact of customer satisfaction. All of it being back-anchored on the customer was quite critical for the successful transformation.

Barr Seitz: Could you provide a detail in terms of how having, as you say, that North Star of understanding the customer in a practical situation allowed them to overcome a hurdle, which is just a natural byproduct of any transformation effort?

Mitra Mahdavian: Sure, I'll give you one example. There were two sales roles that had similar activities. One of the efforts coming out of the sales transformation was to merge the roles. But keep in mind, this was thousands of people in each role, and so for it to get merged at an account level was quite an undertaking.

One of the things that happened was that although there was an original description and definition for what the combined role was going to do, there was also an understanding that we were going to learn as we go. The transformation itself would show what works and what doesn't work, and we would correct course as needed.

When that aspiration of a combined role was taken into the geographies and into the account level, there were questions raised: is this the right thing, what about the responsibilities that fall off, how would we handle certain types of customer requests, and do all customers need the same thing from this role.

All these questions came up. We had the attitude of "We will go back and we will reassess so that we can handle the questions that come up appropriately," and then second, we had the North Star of "How does the customer want to buy?"

For all these questions that were raised: what is the right thing, this is how we want to sell, this is how we used to sell, or this is what's worked historically—coming back to say, OK, but what do we think the customer needs moving forward, how would the customer prefer to interact with this role, what are the responsibilities of this role that matter most to the customer—those two things allowed for the role definition to evolve slightly over the course of about a year. That was the timeline required to truly merge those two roles.

Barr Seitz: Great. I'm afraid we're out of time, but thank you for joining me in this conversation. If you want a copy of *Sales Growth*, you can find it on the Amazon and Barnes & Noble sites, among others. You can also follow Maria on Twitter @m_valdivieso1. And you can keep up with the latest from the Marketing and Sales Practice by following us @mck_mktgsales. Thank you for joining us today. □

Mitra Mahdavian is an associate partner in McKinsey's Silicon Valley office. **Maria Valdivieso de Uster,** who is based in Miami, is the director of knowledge for McKinsey's Marketing & Sales Practice. This interview was conducted by McKinsey Digital and Marketing and Sales Practices' **Barr Seitz**.