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What enterprise-technology companies must know to drive digital-sales growth

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Dianne Esber
Wei Wei Liu
Åsa Tamsons
Lareina Yee

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B2B companies often achieve subpar results from digital-sales initiatives—and tech companies are not immune to this problem. How can they reverse the trend?

Over the past few years, many B2B companies have taken a cue from their B2C counterparts by increasing their investment in digital sales. But most have achieved limited bottom-line impact, with expected gains failing to materialize or falling far below expectations. Often, the problems arise because companies have trouble achieving benefits at scale, with many promising initiatives losing momentum after the pilot stage.

Enterprise-technology companies are not exempt from these problems. In fact, they grapple with more complications than most B2B or B2C players do when they undertake digital-sales efforts (see sidebar, "Enterprise-technology companies face unique challenges during their digital-sales efforts"). That said, the enterprise-technology companies that persist in improving their digital-sales execution can achieve incredible value. In the recent McKinsey Digital Quotient Diagnostic, the companies with the best digital capabilities generated an 18 percent total return to shareholders, compared with 10 percent for the rest of the field.[1] They also reduced their cost to serve by between 40 and 60 percent, and their five-year revenue growth was five times greater than that of their peers.

We have identified five steps that will help enterprise-technology companies to emulate the leaders in the diagnostic and tap the full value of digital-sales growth.

1. Creating a comprehensive and focused digital-sales strategy

According to McKinsey's Digital Quotient Diagnostic, only 25 percent of enterprise-technology companies have developed a comprehensive digital strategy, encompassing sales and other initiatives, that relates to their overall business strategy.[2] (See "How B2B digital leaders drive five times more revenue growth than their peers" for more on information digital leaders). Instead, many players launch numerous small-scale initiatives in different business units. Few ask themselves what they are trying to achieve or how much impact they want to obtain. These scattered efforts may modestly improve costs and revenues, but they fail to deliver big returns.

Enterprise-technology companies may struggle with strategic questions because they are still adjusting to the new landscape. In the Digital Quotient Diagnostic, only 20 percent of respondents stated that they understood how digital is disrupting their industry.[3] It is also clear that many enterprise-technology companies do not understand what value digital will deliver, making it difficult to prioritize initiatives, including those related to sales.

To address these issues, enterprise-technology companies need to treat digital as a strategic priority, giving it the full attention of top executives and a place on the C-suite's top agenda. For instance, leaders must develop a clear view of

Enterprise-technology companies face unique challenges during their digital-sales efforts

Enterprise-technology providers, regardless of whether they are hardware- or software-centric, face significant barriers as they launch their digital-sales initiatives:

- The bar is higher. Among enterprise-technology customers, 52 percent prefer online channels along the entire customer decision journey. That compares with an average of 37 percent across other industries. Enterprise-technology customers also expect sophisticated digital-sales solutions.[1]

- Products are more complicated. Enterprise-technology companies must tailor their digital-sales efforts for each account rather than relying on a single platform.

- Channel risk is higher. The risk of channel conflicts is much greater for enterprise-technology companies than for their B2C counterparts.

- Price dispersion is typically wider and less transparent. Enterprise-technology companies typically optimize their prices across channels and customers by projected demand, the likelihood of sales, and other factors. That makes it more challenging for companies to enter new channels or deploy new go-to-market models that reduce pricing flexibility. The fallout from incorrect pricing can also decrease margins significantly.

- Competition is stiffer. Amazon, Facebook, Google, and other digital masters are expanding their presence in the enterprise-technology sphere. This exacerbates the customer-experience and digital-technology deficiencies that hobble enterprise-technology companies.

[1] McKinsey B2B Customer Decision Journey Survey, 2016.

their digital-sales gaps and determine what value they can attain by closing them. They must also establish long-term, company-wide goals, prioritizing initiatives by their impact.

Different business units can take the lead for individual initiatives, as long as they work in coordination. Every project they launch—from large ones that could potentially create significant new revenue streams to small-scale initiatives—must have clear goals relating to the larger vision. Digital-sales programs should also take advantage of a company's established capabilities, such as those related to user-experience (UX) design tools.

In addition to coordinating initiatives, the best companies refine their existing processes, adopting best practices across the business and creating capability-building programs for employees. If one group develops a successful digital-sales solution or identifies a novel use case, it should share these insights across the organization and create solutions that other groups can use.

2. Concentrating on customer needs

Enterprise-technology players garner most of their profits by developing complex products with leading-edge features. When it comes to digital sales, however, the focus on technology can lead these companies to overcomplicate and overcustomize their efforts, making the sales process difficult for customers. Adding to the problem, most enterprise-technology companies have been slow to automate and simplify the customer decision journey—the path buyers travel as they make a purchase. Instead, they focus on automating internal processes. Not surprisingly, many B2B customers report a subpar sales experience.

Enterprise-technology companies may have difficulty developing a customer-focused strategy because they tend to have far less knowledge of their target segments than B2C companies do. In the Digital Quotient Diagnostic, for example, only 40 percent of respondents stated that they thoroughly understood their customers' changing needs and expectations.[4] This lack of insight may explain why traditional enterprise-technology companies often lose business to digital natives—recent entrants to the B2B space, such as Amazon—which provide simple, customer-friendly solutions at lower prices.

The best enterprise-technology companies will address their deficits by examining their target segments' needs along the customer decision journey. As a first step, companies must identify the factors that influence the key decision makers at each of the journey's stages, including the points where they assess their options, conduct research, and evaluate possible choices. Later in the journey, companies must gather information on the purchase experience, product usage and service, repeat-purchase rates, and customer loyalty. Ideally, they will obtain insights about the customer decision journey from multiple sources, including their own observations, internal and external data, and research about customer behavior and preferences. Some of the most useful real-time customer insights may be obtained by using advanced analytics to detect patterns in customer behavior or by consulting a standing customer panel that can suggest new solutions and provide feedback.

Enterprise-technology companies should provide digital options along the entire customer decision journey, since buyers increasingly expect them. For instance, over 90 percent of B2B customers conduct online research when making purchase decisions, and 84 percent prefer to make repeat purchases through digital channels.[5] In one case, a telecom operator's major customer threatened to switch to another vendor because it could reorder only through a representative. This is not to say that companies should completely abandon offline channels, however. In fact, customers prefer in-person interactions at many points, such as the first stage of a complex purchase.

As companies create their digital strategy, they should focus on ensuring that customers can navigate seamlessly between channels. They should also emphasize the importance of strong omni-channel interactions, regardless of whether these occur digitally, in person, or over the phone. In other words, companies should concentrate on creating the best customer journeys and experiences rather than on making a sale.

3. Shifting from rigid to agile

Across industries, companies often emphasize the importance of agility and speed when implementing digital-sales solutions, especially those that involve multiple organizational units. By moving rapidly, companies can quickly adapt to market changes, including the emergence of new competitors, economic shifts, evolving customer preferences, and the introduction of innovative products.

Our Digital Quotient Diagnostic suggests that many established enterprise-technology companies are having difficulty applying agile processes, and this could interfere with their digital-sales efforts. For instance, only

20 percent of the respondents stated that they were comfortable with the rapid-testing and -revision cycles that agile requires, and upward of 70 percent said they needed more than six months to move from the idea-generation phase to implementation when developing products or services.[6]

To apply agile principles at scale within the sales organization, established enterprise-technology companies must significantly alter their current work processes. Sales teams typically develop complex digital-sales solutions over many years, testing them only when they are complete. A more agile approach includes "growth hacks"—short, ring-fenced initiatives favoring a highly iterative process of testing and learning, with the high involvement of the sales front line. These hacks streamline progress and create value by helping companies reduce the time spent planning initiatives on spreadsheets.

Although growth hacks keep sales representatives motivated by delivering quick wins, they will not materially improve a company's overall performance unless leaders compile and disseminate strategic knowledge gleaned from them. Companies can then improve existing processes by using these new insights. As leaders roll out the new processes, they should be flexible and make additional refinements based on lessons learned in the marketplace.

To move from growth hacks to large-scale initiatives, companies must assemble cross-functional teams that are empowered to make decisions and have access to state-of-the-art collaboration tools. As they launch initiatives at scale, they may also benefit from a build–operate–transfer approach, which involves implementing new technology solutions or software applications in a "sandbox"—a restricted testing environment where companies can experiment with code changes and other departures from standard IT practices. After creating a satisfactory test solution or a minimum viable product (along with the skills to support it), companies can expand usage into all business units.

Enterprise-technology companies must make some organizational changes to gain the full benefits of agile. These may include moving certain groups to one new location, so they can collaborate on-site with other functions. Companies could also switch from a functional structure to one that groups employees by solution or customer journey.

4. Recruiting and nurturing talent

Despite extensive skills in software development, engineering, and related areas, only 34 percent of enterprise-technology companies in our Digital Quotient Diagnostic stated that they had the capabilities needed to implement digital-sales solutions.[7] Lacking the requisite skills, many players struggle to create digital content, apply advanced data analytics, or implement social-media campaigns.

Addressing capability gaps requires enterprise-technology companies to be more thoughtful when evaluating organizational issues. Before any project starts, they should identify the capabilities needed (both for sales technology and operations) and develop a plan to fill those roles. While executive leadership is important for any initiative, it is also crucial to find midlevel talent. Employees at that level can make or break digital initiatives, and they are ultimately responsible for bringing products, services, and offers to market. For instance, companies will need talented scrum masters to lead cross-functional agile teams.

As digital initiatives proceed, sales organizations must identify their top performers, as well as the traits and skills that lead to success. With these insights, they can effectively invest in continuous coaching and capability building.

5. Monitoring results with relevant metrics

While more than half of enterprise-technology companies consider digital-sales programs a top priority, only 25 percent can quantify the return on investment for every initiative implemented.[8] This disconnect may occur because companies often rely on traditional key performance indicators to measure progress—ones that are often not appropriate for digital initiatives. In other cases, companies create digital KPIs but fail to hold staff accountable for performing strongly on them. Both of these errors can doom digital-sales programs.

While traditional metrics, such as those for conversion, are valuable, the best enterprise-technology companies will find new ways to measure the success of digital-sales programs. For instance, tracking release speed is always important to gauge whether agile methods are becoming institutionalized. Other metrics that might be valuable include digital adoption rates, content views, and an increase in online customer interactions. For every metric established, companies must diligently track their progress and share the results with all relevant groups.

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While successful digital-sales efforts can take many forms, they all share one common feature: successful implementation requires a combination of top-down direction and bottom-up enthusiasm. Leaders should develop a comprehensive strategy and create the systems, processes, and structures needed to support digital-sales efforts—and that includes adapting products and pricing models when needed. Together, these efforts will transform the customer experience, putting enterprise-technology companies on par with B2C leaders. ■

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1 The McKinsey Digital Quotient Diagnostic, conducted from 2014 through the first quarter of 2017, includes data for about 200 B2C and B2B companies around the world. It evaluated 18 management practices—related to digital strategy, capabilities, culture, and organization—that correlate strongly with growth and profitability. The top digital players, defined as those with a Digital Quotient of 50 or higher on a scale of 0 to 100, accounted for about 10 percent of the 255 companies in the database. The sample of enterprise-technology companies included both software- and hardware-centric businesses.

2 McKinsey Digital Quotient Diagnostic, covering 2014 through Q1 2017.

3 Ibid.

4 Ibid.

5 McKinsey B2B Sales Global Survey, May 2016, McKinsey Channel Survey.

6 McKinsey Digital Quotient Diagnostic, 2014 through Q1 2017.

7 Ibid.

8 Ibid.

Dianne Esber is a partner in McKinsey's San Francisco office, where **Wei Wei Liu** is a consultant. **Åsa Tamsons** is an associate partner in the Stockholm office. **Lareina Yee**, a senior partner in the San Francisco office, leads the Tech Infrastructure and IT services sector for McKinsey's High Tech practice.

Contact for distribution: Jenna Gravino
Phone: +1 727 561 5805
Email: Jenna_Gravino@McKinsey.com

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