

DRAFT

Old School, New School

Introducing the "Virtual Account Executive"

Much has been written about millennial buyers and their behaviors in the retail/consumer world. They prefer doing their own online product research and they prefer transacting online rather than dealing with a person either by phone or in stores.

But little has been written about the implication of these same buying behaviors when millennials enter the work environment. When millennials buy on behalf of their employers, we shouldn't be surprised... they behave the same way. They want to do independent product research, they want to enter their own orders whenever possible and they don't really want to meet face-to-face with vendor sales reps. They would rather communicate via collaboration tools and other digital forms of communication. While this is most prevalent with millennials, many of these same buying behaviors are apparent in B2B buyers from other generations — Gen X, Gen Y and even Baby Boomers.

Think about that... you have a large and growing number of B2B buyers that don't want to meet with sales reps. How can a company promote its products and brand with customers that don't want to meet with its sales reps? At the same time, most B2B sales organizations are still built around the critical importance of scheduling face-to-face meetings. For decades, this has been the core of the B2B sales process. Sales reps need to be "out in the field" meeting with prospects and current customers. Well, that is all about to change.

Successful selling to millennial buyers requires a transformation in the way sales organizations are structured, the way sales reps do their work, the tools they need to be successful and indeed a change in the core skill sets of sales reps. The "new school of B2B selling" looks very different than the "old school".

These changes will impact industries at different rates based on the prevalence of millennials in key buyer roles. Millennials are very common buyers of IT services but they are less likely to be buyers of construction equipment or rolled steel. And certainly, not all buyers of IT services are millennials so selling approaches will be a mix of old school and new school with a growing mix of new school.

We believe the proper response is to begin transforming the sales organization toward what we call "the Virtual Account Executive (Virtual AE)". This role is not the

same as outside sales and it's not the same as inside sales — it's an entirely new role with some features of both. Here are some characteristics of a Virtual AE:

- More frequent digital communications and much less reliance on face-to-face meetings (but face-to-face meetings would still be held periodically)
- Programmatic distribution of product and company information to prospects and customers... nurturing relationships online rather than waiting for grand sales meetings
- Distributing new types of value to prospects and customers that goes beyond the value of the company's products and services. This is the key to success in the new school of selling. What does your company know that would be valuable to prospects and customers? Do you have data that would be valuable if shared? Do you have insights and points of view of value to customers? Do you have information about different use cases of your products and the ROI achieved? Every company knows something of value to its customers that would help in building a digital relationship
- Leveraging these new types of value across the entire sales organization so they can be distributed to customers and prospects by many Virtual AEs
- More scientific management of account targets, the frequency of contact and the nature of that contact

Not only is the Virtual AE model more responsive to millennial buyer behaviors but it creates a much more productive sales organization. Early users of this model have reported 50%-100% improvements in overall sales force productivity thanks to reduced travel time and more effective customer interactions. By incorporating this digitally enabled role to meet the needs of certain customers, organizations can:

- Shorten sales cycles
- Increase conversion rates
- Reach more customers
- Achieve greater sales consistency
- Bring new sales people up to speed more quickly

The Virtual AE role isn't a nice-to-have; it is quickly becoming an essential component of the sales model for many companies. This paper examines what that role looks like; how it is addressing the needs of today's tech-savvy customers; and some of the many considerations for businesses that are looking at incorporating this powerful new role into their sales model.

Why Isn't the Old School Selling Model Working?

For decades, B2B companies have sold in the same way. They hire and train sales people, assign them a territory or set of customers, then send them into the field to find and move prospects through a prescribed, predictable set of gates in the sales funnel. In this old-school approach, the sales person's primary duties are to find prospects, educate them on the company's products, and build relationships that lead to closed sales and lasting business. Many sales reps are successful in this model but many are not.

The job of an outside sales rep is becoming even more complicated due to the changing customer buying behaviors that aren't aligning with this long-accepted sales model. B2B prospects, particularly younger ones, don't want or need a sales rep to educate them on their products. They are self-educating and, according to Forrester, making more than 70% of their purchase decision before they ever speak with a sales person.

There is often a huge disconnect when a traditional sales rep fails to understand how far the prospect is down the purchasing journey. The buyer may have already short-listed potential vendors and just wants a product demo or wants answers to questions about system security. Meanwhile, the seller is wondering whether this is a qualified prospect and how to enter the prospect's information in salesforce.com. This, we have observed, is unlikely to result in a successful interaction.

At the same time, there are large segments of buyers who don't want a close relationship with sellers — the "relationship sale" is not attractive to them. They want a product or service and they want information, often with as little interaction with a sales rep as possible. As one millennial buyer put it, "I don't need someone to buy me donuts every month. But if I have questions, I want quick, honest and complete answers."

This new reality has forced companies to wrestle with some transformative questions. How do we address the growing segment of millennials and similar tech savvy buyers? How do we build a team of sellers who can use digital channels to generate new prospects, can engage with customers both digitally and in-person, can quickly determine where the buyer is positioned in the buying cycle and can provide information through the channels the customer most prefers? How do we determine which customers should be handled with a more digital approach and which require a more traditional sales approach?

In exploring sales approaches that address these issues, organizations are finding that the most effective way to reach many buyers is through a Virtual AE. Virtual AEs use digital communication channels to generate new leads, to nurture customer/prospect relationships and to connect customers with whatever internal expertise they need. Where old sales models use more of a "push" approach – a sales rep knocks on a door and pushes a product or service – the Virtual AE relies on creating "pull" connecting with tech-savvy prospects who have already done much of their research and guiding them along the path towards a sale.

This new role isn't simply a glorified inside sales function or an add-on to the old school outside sales role; it involves reinventing the traditional sales process. It requires rethinking the way companies reach and interact with customers. This transformation has already started in companies that sell to the youngest buyers – tech companies, in particular – but will rapidly spread to other industries.

There are many lessons to learn from early adopters of the Virtual AE model. One company discovered the need for significantly new skills to operate in the Virtual AE model (technology skills, understanding of millennial buyer behaviors, disciplined balance between digital forms of communication and in-person meetings and an ability to build relationships based on value beyond the company's products and services).

Another company recognized that introducing Virtual AEs would drive simplification and standardization of their total sales model. They realized that geographic territories were limiting the delivery of company expertise because this expertise wasn't physically in the territory. The Virtual AE model resolved that limitation by providing customers in all geographies with digital access to the best expertise in the company regardless of physical location.

What the Virtual AE Role Looks Like

As the title suggests, Virtual AEs interact with customers more virtually than face to face. They deliver information, make connections, give demos and set meetings to address customer needs from a remote location. This means less face time with customers and more communication via collaboration tools and other digital means. Support resources are also remote and are available virtually whenever needed. All this makes interactions more efficient and on-demand for the prospect/customer.

Think of Virtual AEs as the quarterbacks that integrate the company's products/services, pre-sales support personnel, tech support, insights from company data, and knowledge capital... all for the purpose of creating demand and closing new business. But this is largely done via digital interactions with prospects and customers. This represents a major transformation from today's more "relationship" oriented sales approach. It is moving sales from relationship selling to value-based, information-based selling. Those who have implemented this model have discovered major improvements in sales productivity and overall sales ROI (as measured by gross margin generated per economic unit invested in sales).

The Virtual AEs work is sometimes supported by predictive analytics. An AI-supported scheduler might assign accounts with specific "actions required" that appear on the home page of a Virtual AEs workstation. Since systems help prioritize accounts, activities and next steps, this can remove the unpredictability of variable talent in sales organization. And since these systems enable Virtual AEs to operate virtually, they can

often interact with 20 prospects/customers each day instead of just the three or four they'd be able to visit if they were traveling for in-person meetings.

A leading technology company has fully integrated the principles of Virtual AE into their business and they demonstrate what is possible. They made a sustained investment in the technology required to support all the people involved in the Virtual AE process. This technology intelligently routes sales activity, helps qualify leads by identifying and presenting the Virtual AE with competitive information.

Here's how it worked for this technology company. Say a potential buyer has been researching accounting software. The buyer has narrowed down the preferred products to four or five, and wants to see a demo of the software. As soon as the prospect "raises their hand" to indicate that interest, a Virtual AE reaches out to determine where the prospect is positioned in the buying process. Within minutes the Virtual AE can have an online meeting with the prospect to demonstrate exactly what the buyer is looking for. If during the demo the prospect has a pressing question about security that the Virtual AE can't answer, the Virtual AE could set up a virtual meeting between the prospect and the company's top security expert for later that day.

Timely support for all sales roles is a major driver for the Virtual AE model. For example, a leading provider of data center and network maintenance services ensures strong support to their Virtual AEs with 10-15 technical support people at any one time who could jump into a call. They maintain an overall ratio of one technical specialist for every three AEs. Such a ratio can only work if utilized virtually.

Another company utilizes the Virtual AE model to ensure that qualified leads are nurtured over a period of time through a series of touchpoints rather than a single call — this is done using their knowledge capital and proprietary data that's valuable to customers. Yet another company uses the Virtual AE model to staff territories with industry vertical specialization — they weren't able to provide full coverage of industry expertise in their legacy territory sales structure.

Virtual AEs are delivering in minutes or hours what traditional sellers often took days or weeks to deliver. This will be the new normal... the same factors that have caused B2C retailers like Amazon to turn next-day or even same-day delivery into the baseline and re-defined our timing expectations for all businesses. Many buyers are no longer willing to wait for answers, information and product or service delivery. Virtual AEs help companies meet those expectations with engagement that is aligned to customers' preferences and built around an omni-channel approach (multiple concurrent channels).

Yet this new model begs an important question: How can companies promote their brands and products without being physically in front of a buyer?

Early experience with the Virtual AE model suggests the key is content that provides value beyond the benefits of a company's products and services. We see B2B companies

creating “intelligence centers” that generate information, insights, knowledge capital and informative data that expand the value of the relationship beyond the product/service. These incremental sources of customer value seem to be required to deepen and maintain a virtual customer relationship.

All this will require a new playbook for how to interact with customers. It will require new tools, and perhaps even different people who can operate in this selling environment. Will all existing sales reps be effective in this environment? No. A skills transformation will be required over time (remembering that some customers will still value the old school method of selling as we go through this transition).

Implementing a Virtual AE Model

To achieve its full potential, the Virtual AE sales model must be more than expanding inside sales to encompass some of the mid-sized customers or telling a traditional field sales team to just work from home and minimize travel. To be successful, the Virtual AE role must be viewed as a truly new sales model, custom-designed for the targeted customer segments and the particular products/services to be sold in those segments.

It would be wrong to think every customer will only interface with a B2B company through digital channels. A company's largest global accounts, for instance, will still need a high-touch approach with traditional nurturing and relationship-building by experienced sales talent. Small, low-profit accounts that need little interaction may best be served by telesales and online self-service capabilities for both greater efficiency and lower cost. For companies with a large number of mid-sized customers in between these two extremes, the Virtual AE might be a powerful new sales model.

Beyond the size of the customer, the complexity of the company's products and services will also affect the implementation a Virtual AE model. For instance, a company's mid-market \$100k data management software might be a fit for the Virtual AE model while the company's mission-critical \$4 million risk management software would probably lie outside that model. A mid-sized customer ordering products on a fairly predictable schedule might be a fit while a large international prospect with complex needs that vary by location might not.

Implications for People and Systems

Not surprisingly, the Virtual AE role often requires new talent, with different skills, motivations and personalities than a traditional field sales rep. The role also requires new technology support. Systems must migrate from 'reporting on workflow' (such as a traditional CRM log/report on activities completed) to 'driving workflow'. Data cannot be passive but must be leveraged to boost effectiveness – for instance, pulling outside data from LinkedIn to trigger activities based on role changes, or analyzing system usage data

to identify patterns. Collaboration must become more dynamic and more shared – email, for instance, must be replaced by collaboration tools.

It takes a certain skill set to navigate these changes effectively. Many organizations that have simply shifted some of their field reps to a virtual sales role have been disappointed in the results. That's because the skills necessary for an old school sales process – networking, education, relationship-building – are very different from the skills needed to carry on effective virtual, data-driven interactions. Sales management skill requirements also are different, moving from field-based ride-alongs and coaching to monitoring the digital interactions of Virtual AEs. Recognizing these role changes and the associated skill changes is critical to the success of implementing a Virtual AE model.

Several companies have chosen to hire new employees to become their Virtual AEs. One company hires young college graduates that can be selected based on personality fit, technology skills and process discipline. They receive an intensive 4-6 month training and continuous coaching. Another company recruits from senior internal sales people at competitors.

One company implemented a Virtual AE team against its large pool of mid-market accounts and the team performed spectacularly, closing \$1.3 billion in new sales in its first 24 months. But Virtual AE turnover was 20-30% in the first year. The company discovered that while certain benefits such as working remotely provided value to the reps, the ticket items were smaller than the reps had sold in the field to large, global accounts, which meant their total compensation was lower. So, although reps were closing plenty of business – and in many cases doing it from remote locations – they were leaving the company for higher-paid positions as global account reps at other organizations. To counteract this scenario, it is important for companies to define a career path for Virtual AEs who want to make more money, giving them options to sidestep into other sales positions with higher compensation after a certain number of years or level of performance as a Virtual AE. The Virtual AE role can be positioned as valuable training ground for advancement opportunities.

Most organizations find that building a Virtual AE approach – which reaches more customers per rep than a field sales approach – into their sales model reduces their headcount needs. If, as one company discovered, you can cut your 3,000-person sales force down to 2,000, and those 2,000 increase the company's total sales, the EBITDA improvements would be significant. Another company experienced a substantial decrease in cost of sales over the first four years of their Virtual AE model. Before implementing the Virtual AE model, the cost of sales was 14% of revenue but declined to 7.5% within three years after implementation.

Conclusion

Changes in buyer behaviors in the B2B market are triggering a major transformation in B2B selling models. For some companies, particularly in the technology industry, this transformation has already occurred but it will soon permeate all B2B selling situations. We are in the early stages of this transformation.

The benefits of implementing a Virtual AE model go well beyond the benefit of connecting with customers in the manner they prefer. Virtual AE models have driven major economic benefits including doubling sales productivity, allowing industry/ specialty skills to be delivered into geographic territories where that was not previously possible and leveraging specialty skills in groups such as pre-sales and tech support.

This change is coming but it shouldn't be feared but instead welcomed as a driver of significant performance improvement.