CEO ROAD MAP
GET MORE OUT OF YOUR SALES FORCE IN 2017

The Anatomy of a Sales-Driven CEO
How CEOs Avoid The Most Common Go-to-Market Mistakes
WHAT IS THE STUDIO?

The Studio is SBI’s new multimillion-dollar, one-of-a-kind, state-of-the-art executive briefing center located in Dallas, Texas. It was developed by SBI specifically for executive teams inside of companies with aggressive revenue growth goals, who don’t have a lot of time to waste, and have a lot on the line.

BOOK NOW

SalesBenchmarkIndex.com/TheStudio
How CEOs Avoid the Most Common Go-to-Market Mistakes
Discover how top-growth CEOs sidestep four major pitfalls in going to market. Agility and willingness to iterate rapidly give these executives the edge.
By Matt Sharrers

The Right Stuff
Does your sales leader have what it takes? Yesterday’s “A-Player” may crash and burn when your corporate strategy changes.
By John Staples

Navigating Sea Changes: New Outlook for Marketing Leadership
As informed buyers rewrite the rules of customer engagement, forward-looking CEOs have adjusted their revenue growth strategy—and along with it, the “A-Player” profile for their marketing leader.
By Dan Perry

CEO ROAD MAP
THE ANATOMY OF A SALES-DRIVEN CEO
What is a sales-driven CEO and why should you care?
By Greg Alexander

The Untapped Growth Lever
Power revenue growth with a pricing strategy that captures more of the value you create.
By James Wilton
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10 Tenets to Live (or Die) By
“How we’re organized is fundamentally different today than it was a year ago. And it will be different a year from now than it is today, that’s evolving.”

“Customer acquisition costs became really important. We made trade-offs in allocating sales spend to go after higher-growth markets without disrupting the core sales pipeline of the traditional direct sales model.”
The Sales-Driven CEO

Sales-driven CEOs create more shareholder wealth than any other type of CEO.

More than product-driven CEOs. More than ops-driven CEOs. More than finance-driven CEOs.

What is a sales-driven CEO?

A sales-driven CEO is a CEO whose strategy is based on having the best sales force in the industry. He, or she, has determined to win by outselling the competition. For this type of CEO, sales strategy trumps product differentiation, customer service excellence, and price leadership.

Why do they outperform?

They consistently grow revenue faster than their competitors and their industry. As organic revenue growth leads to an increase in free cash flow, and multiple expansion, a sales-driven CEO at the helm is tightly correlated to exceptional shareholder wealth creation.

In this edition of the SBI Magazine we explore what traits sales-driven CEOs have in common, how they behave differently than other CEOs, and how you may put this information to use (see "The Anatomy of a Sales-Driven CEO" on page 30).

Can you become a sales-driven CEO, hire one, or act like one?

Yes you can, and you should. The payoff is worth the effort.

How?

To start, read this edition of the SBI Magazine. It is dedicated to helping CEOs drive sales performance.

Pay special attention to the feature articles. For instance, on page 40 Matt Sharrers presents a brilliant piece, titled "How CEOs Avoid the Most Common Go-to-Market Mistakes," which deals with coverage and channel strategies. On page 48 John Staples penned an insightful article on ways to make sure you don’t hire the wrong head of sales. And pricing expert James Wilton on page 58 discusses the easiest way to grow revenues, which is getting smart on pricing your products and solutions.

If you are a board member, or investor, who needs organic revenue growth to increase enterprise value, make sure you have a sales-driven CEO running your company. This de-risks your investment and increases the probability of a successful exit.

If you are a CEO with aggressive revenue growth targets to make, and don’t have any time to waste, implement the ideas in this edition of the SBI Magazine. This will result in you growing revenues faster than your competitors and industry.

GREG ALEXANDER
CEO
WHAT IS SBI?
SBI is a management consulting firm specializing in sales and marketing that is dedicated to helping you make your number.

HOW DOES SBI WORK?
SBI uses the benchmarking method to help clients accelerate their rate of revenue growth. Benchmarking allows our clients to leapfrog their competitors by getting access to emerging best practices from the top sales and marketing leaders.
The ratio of customer acquisition cost (CAC) to customer lifetime value (CLTV) is the clearest indicator of how your go-to-market investment is creating shareholder returns. Companies with high CLTV:CAC ratios enjoy a robust sales and marketing ROI. Low-ratio companies spend a small fortune to acquire customers that do not pay off. The sweet spot for CLTV:CAC ratio is 3x to 5x. Less than 3x, the company is likely overspending on acquisition—destroying shareholder value because it’s not getting an adequate return on the GTM investment. More than 5x, the company is likely underfunding growth and allowing competitors to gain market share.

The figure below shows a company experiencing double-digit growth in revenue, total customers, and CLTV while closely managing acquisition costs. However, the CLTV:CAC ratio reveals that the CEO is likely not funding enough growth and thereby missing opportunities to maximize shareholder return. —Tim Foster

### Fiscal Years Ending January 31

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<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
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<tr>
<td>Total Subscription Revenue</td>
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<tr>
<td>Total Customers</td>
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<td>Average Subscription Revenue per Customer</td>
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<tr>
<td>CAC</td>
<td>$502,543</td>
<td>$512,823</td>
<td>$550,806</td>
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<tr>
<td>CLTV:CAC Ratio</td>
<td>4.6</td>
<td>6.7</td>
<td>6.9</td>
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</tbody>
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In this example, CLTV:CAC ratios of 6.7 and 6.9 exceed the 5x target—signaling the company is not funding enough growth.

### Halt Marketing Waste

**Break down** the marketing budget to ensure that allocations are in line with your goals. Start by categorizing line items for staff and program budgets and create buckets that match objectives. Then analyze the staff spend by assigning percentages for each team member’s time. If the category allocations don’t match where time is being spent, go deep to find waste. Analyze program spend the same way.

In the figure example, staff and program dollars are bucketed for major marketing thrusts. This breakout should then be brought into alignment by mapping budget buckets to business objectives. Misalignment will be obvious. —Vince Koehler

### Commercialize Innovation

**Ninety-three percent** of executives indicate that organic growth through innovation will drive the greater proportion of their revenue growth. Three areas of concentration spur successful innovation:

1. **Formalize your innovation process.** Sanction innovation throughout every part of your company. Good ideas come from anywhere, so give them a chance to flourish.

2. **Align your innovation process with the customer.** Focus on solving your customers’ needs more than your own.

3. **Align product management with sales and marketing.** Make sure all three groups work from the same script to successfully commercialize an innovation. —Dan Bernoske
Boost Enterprise Value

**Companies create** significant value by pulling the customer acquisition cost (CAC) lever. Consider a 1,200 employee midmarket company. In this example scenario, the company’s CAC was roughly $100,000 before aligning its sales and marketing strategies. However, the marketing team had been building a lead-generation engine that was in direct conflict with the sales team’s big-game hunting strategy.

<table>
<thead>
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<th></th>
<th>Before Alignment</th>
<th>After Alignment</th>
<th>Alignment Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of New Customers</td>
<td>100</td>
<td>133</td>
<td>33</td>
</tr>
<tr>
<td>Customer Acquisition Cost</td>
<td>$100,000</td>
<td>$75,000</td>
<td>$25,000</td>
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<tr>
<td>Contribution per Customer</td>
<td>$400,000</td>
<td>$425,000</td>
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<td>EBITDA Impact</td>
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<td>Multiplier</td>
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<td></td>
<td>5x</td>
</tr>
<tr>
<td>Value Created</td>
<td></td>
<td></td>
<td>$4,125,000</td>
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</tbody>
</table>

Customer acquisition cost analysis (example data to illustrate impact)

By aligning strategies and resources across the two functions, this company effectively reduced CAC to $75,000 per customer. It achieved this improvement by increasing the number of customers acquired through an inside sales function that could absorb the marketing leads. As a result, the company created an additional $25,000 of contribution margin per customer in year 1.

—Eric Estrella

Solid product, marketing, and sales strategies define performance conditions that make up 50 percent of the sales success equation. The balance comes from having the right talent to execute your plans. Before you set up another sales leader for failure, assess and address your organization’s performance conditions and talent. Then decide how you’ll invest your people, money, and time to finally achieve your revenue targets.

—Barry Somervell

**Right the Equation for Sales Success**

**Do you think** it’s time to hire another sales leader? Statistics say this happens every two years on average. It calls to mind a classic definition of insanity: doing the same things and expecting different results.

Solid product, marketing, and sales strategies define performance conditions that make up 50 percent of the sales success equation. The balance comes from having the right talent to execute your plans.

“Solid product, marketing, and sales strategies define performance conditions that make up 50 percent of the sales success equation. The balance comes from having the right talent to execute your plans.”

—John Kearney

**Put Differentiation To the Test**

**True or false:** Customers are willing to pay for your differentiation. False differentiation is either not important to the marketplace, or it gives you a mistaken sense of superiority. The real test for differentiation comes when you get in front of prospects. If they exhibit a willingness to invest in your product, you’ve found the right point of differentiation.

—John Kearney
SBI LAUNCHES
THE STUDIO

WHAT IS THE STUDIO?

The Studio, SBI’s multimillion-dollar, state-of-the-art executive briefing center has opened for business. Get three months of work done in three days by getting unlimited access to all of SBI’s experts under one roof, at one time.

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THOUGHTS

Outsell the Competition: Whether you’re leading the field or playing catch-up, a mystery shop helps uncover exactly what the sales force needs to do.

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IDEAS

Unleash Revenue Growth Opportunities: Defining the markets in which you will or will not compete is the real driver of revenue growth.

PAGE 16

INSIGHTS

Strike the Right Balance: Your revenue number is at risk without a concerted effort to bring strategy and execution into alignment.

PAGE 22
Outsell the Competition

Whether you’re leading the field or playing catch-up, a mystery shop helps uncover exactly what the sales force needs to do to win more deals.

By Andrew Urteaga

By masterfully blending strategy and execution, the world’s top growth leaders consistently outpace their competition and their industries in revenue expansion. It starts with picking the right strategy: operational excellence, product leadership, or customer intimacy. When you have no product or price advantage, customer intimacy is your ticket to success.

Rooted in deep knowledge about your customers as well as your competitors, the customer intimacy strategy calls for a unique offering that meets the needs of the individual customer. It must be clearly differentiated from the competition. Typically, sales initiates the customer interaction. If that is the case at your organization, you need to pose two crucial questions:

• How do you know whether your sales reps are better than the competition?
• How do you know what shortcomings your sales reps need to overcome?

Whether you’re leading or trailing the competition, it’s imperative to understand precisely where and how your sales force needs to be successful.
Conducting a mystery shop both on your organization and on your competitors helps uncover why you’re winning or losing.

Emerging Best Practice: Mystery Shop
A mystery shop enables organizations to measure quality of service, assess compliance with regulations, or gather specific information about products and services. This tool is used externally by market research companies and watchdog groups, or internally by companies themselves. Read on to learn more about this emerging best practice.

Step 1: Determine Your Target Audience
Go after accounts that are going to spend a lot this year and avoid the others. You must understand your sweet spot to focus research efforts properly. Analyzing verticals or geographies that are not aligned with your corporate objective could lead you to the wrong conclusions.

Step 2: Outline Your Buyer’s Journey
Understand how executives make purchase decisions for your products and services. Mapping this process step by step will help you determine when deals fall out of the funnel. For example, are you losing deals early in the process or when buyers are evaluating their options? Develop a list of questions across the buyer’s journey to gain insights.

Step 3: Baseline Your Competition
First, ask your sales leader which competitors show up in the most deals. This can be pulled from win-loss reviews. Second, assess whether these competitors are targeting your sweet spot. Don’t waste cycles trying to diagnose a competitor who is selling into markets, accounts, or buyers you are not pursuing.

Step 4: Pull Insights from Your Competition
Your three best resources are customers, prospects, and competitors. Start by going back to your opportunities sold in the last quarter and interview key buyers. Pinpoint where in the buyer’s journey you are differentiating from the competition. It’s not as simple as asking why your customers choose your solution. Then follow the same process with prospects. Go as far back as you need to until you can determine the trends.

Lastly, add your competitors’ former sales reps to your interview process for open sales positions. Yes, you read that correctly. LinkedIn can be a great tool. Search your competitors and find salespeople who previously worked at their organizations. Interview them to find out your competitors’ critical success factors. Who knows? They may be a great fit for your position.

By gathering enough data points, you should be able to outline your competitors’ sales processes as well as their go-to-market strategies.

Step 5: Develop Sales Success Factors
Gather the insights and iterate your strategy. Translate this information into action plans for the different functions across your organization. This will focus everyone’s attention on the key levers for success. By ensuring strategic alignment of this execution plan, you’ll see the proper behavioral changes cascade throughout your organization.

Next Steps
To operationalize your strategy, you need to understand where and how your team wins. This takes deep domain knowledge of your customers, your competitors, and your own organization. Flawless execution allows you to find new sources of competitive advantage to exploit while generating long-term value.

For a comprehensive set of questions to help define who you compete with and how you win, download our 10th annual strategic planning workbook, How to Make Your Number in 2017... and Every Year Thereafter.

How to Make Your Number in 2017
Predictable and hassle-free. Download our 10th annual workbook to explore emerging best practices from top performers—and get started on your own Revenue Growth Methodology.

sbi.tips/2017workbook

February 2017 · SBI Magazine · 11
Gaining Momentum

Prevent revenue misses by embracing the right growth drivers to reach your sales goals.

By Tom Maloney

How many times has sales missed revenue growth goals? More often than not, the root cause is a sales number that was set incorrectly. Corporate strategy is the main culprit. For example, a corporate strategy may define the markets in which your company competes without identifying the accounts sales should call on. That one scenario could result in the wrong booking or revenue target.

The sales team will consistently achieve success when your corporate strategy supports the right revenue growth drivers. Different strategic objectives call for different mind-sets to establish the correct sales number: market expansion, new market exposure, and market share gain.

Set Achievable Sales Goals
Aligning revenue growth drivers with your corporate strategy is the key to establishing achievable sales goals. The following definitions describe how each strategic objective comes to bear in determining the right sales number.

- **Market expansion**: When revenue growth depends on overall expansion of market segments represented in your portfolio, corporate resources should encourage increased sales activities. For example, launching a new product expands sales opportunities for revenue conversations. If the corporate strategy does not allocate the right level of product and marketing resources, then the market expansion goal will suffer and sales will miss the number.

- **New market exposure**: If your segmentation analysis uncovers highly profitable niche markets, pursue them. Unless there is a compelling strategic reason not to pursue a growth market, the CEO should ensure corporate resources support the sales efforts. One way to accomplish this is authorizing new hires or channel partners to go after novel markets. Then include a number from these new markets in the sales plan.

- **Market share gain**: This objective focuses on increasing share in an existing market. To steal revenue from competitors, this plan requires a distinctive type of sales professional. So the corporate strategy should incorporate a talent component. This will put sales and HR on notice to add talent tactics to their functional strategies.

Don't Skimp on Resources
Corporate strategies are unquestionably valuable for CEOs. But most fall short on producing revenue growth. To help set and deliver on the right number, define drivers that are aligned with corporate objectives. And then provide the resources your team needs to meet revenue growth goals.

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ERHUI1979/ISTOCK

ERHUI1979/ISTOCK
Consensus-building is tricky.
Ask any CEO who’s trying to get agreement from a bunch of successful executives with strong opinions and healthy egos. Nonetheless, the entire team has to be heading in the same direction to grow revenue faster than your industry and your competitors.

Problem is, everyone has different ideas about the best way to allocate capital for growth. The product leader lobbies for R&D investments because he believes great products sell themselves. The marketing leader sees branding and content as a priority. The sales leader calls for more feet on the street. HR believes leadership development is the highest-impact strategic initiative. Meanwhile, the CEO wants better execution of the corporate strategy across product, marketing, sales, and HR functions.

Interlocking Efforts
They may all be right. But investments in disparate activities do not yield the desired results. Worse yet, lack of consensus across functional teams maintains the status quo. Or if change does take place, it occurs in silos. It’s extremely difficult to effect constructive change without clear interlocks across functions.

How do the top CEOs do it? By focusing on the common interests of the executive team. They understand each leader’s mental model, and appreciate the motivation and goals of each function. They also recognize individual strengths. Then they create shared goals and incentives to unify the team.

Individual Accountability
Next, they ensure these goals and incentives are tracked accurately and cascade down to everyone. Individual employees know clearly how their job contributes to the functional strategy. They are held accountable by their boss and by their peers, with visual dashboard reports.

Siloed decision-making stalls positive change and stalls revenue growth. Achieve consensus by aligning your executive team to a united vision.

For example, to see how John Suh, CEO at LegalZoom, interlocks the corporate strategy with sales, visit SalesBenchmarkIndex.com/legalzoomceo.
Enrich your revenue growth strategy by expanding into new markets—and sidestepping the competitive bloodbath.

By Eric Bauer

Existing portfolio. However, the market share gain strategy provokes retaliation and competitors can easily erode long-term value.

**Develop a Repeatable Formula**

According to a Harvard Business Review study, the most sustained, lucrative growth comes when a company pushes out the boundaries of its core business into an adjacent space. Companies profitably outgrow their rivals by developing a formula for expanding those boundaries in predictable, repeatable ways. Consider this: Average companies succeed only 25 percent of the time in launching new initiatives. A repeatable formula doubles that success rate—and some companies achieve success rates upward of 80 percent.

Three principles of repeatability to keep in mind:

1. **Do no harm:** Make sure any moves into adjacent markets don’t put your core business at risk.
2. **Calculate the odds:** Enter new markets when you have an opportunity to be one of the top three players.
3. **Be selective:** Analyze, assess, and focus on the one adjacency that will accomplish your growth objective. Limiting variables increases your odds of success.

**All revenue growth is not equal.**

The most valuable revenue growth strategies are spurred by products or services that create and expand markets—attracting new customers and convincing your current customers to buy more. Easier said than done. The alternative is to increase market share for your existing portfolio. However, the market share gain strategy provokes retaliation and competitors can easily erode long-term value.

**Discover Untapped Potential**

The process of identifying the right market hinges on an accurate understanding of unmet needs. Research customer behavior and insights to discover where untapped potential exists. These insights, together with a well-rounded strategy and execution plan for penetrating new markets, are the key to accelerated revenue growth.
Your 2025 Revenue Plan: 7 Predictions

If you’re not factoring these strategic shifts into the equation … it’s sooner than you think.

By Aaron Bartels

SBI peeked into the future to ask, “What will our 2025 revenue strategy look like?” Here’s what we found:

1. **Siloed sales strategies will be obsolete.** Your revenue plan will be driven by full strategic alignment—weaving together product launches, marketing, sales, customer service, HR, and other functions into one integrated plan.

2. **Migration of B2C buying trends into B2B environments will accelerate.** As consumers expect excellence today from the companies they buy from, business buyers will demand more from the businesses that serve them.

3. **Social networks will shift from connections to conversations.** The buyer experience will be fully transparent to anyone in the market. Sales differentiation will be impossible without support from product, marketing, customer service, and so forth.

4. **Omni-channel buying experiences will be table stakes.** When a buyer moves from your website to a social network, to a sales rep, or to a customer service rep, the dialogue must be a single connected conversation.

5. **Inside sales will eclipse outside sales as the primary sales channel.** Geographically distributed buying-decision teams combined with improved virtual collaboration technologies will make meetings more productive to conduct remotely—boosting productivity per salesperson.

6. **Infrastructure requirements to sell globally will be reduced.** Improved technology and localization will enable smaller and emerging companies to compete from headquarters located anywhere in the world.

7. **Switching costs will drop considerably.** Migration to licensing products through delivery mechanisms such as software as a service or managed services will quicken disruption, putting more customers in the market each year.

Top-growth companies are already embracing these strategies to outpace the competition. Are you?

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**Punch Up Competitive Strengths**

**Your competitive advantage** starts with defining your competitors and determining how you beat them. It drives value and positions you favorably in the eyes of your customers. Failing to address competitive advantage erodes your position and puts you at risk for market share battles and price wars. Prepare your sales force with this three-question test:

1. What is our competitive advantage?
2. What is our competition’s competitive advantage?
3. Have we identified all sources of competitive advantage?

Leveraging the answers will improve your odds of winning. — Daniel Korten
Unleash Revenue Growth Opportunities

Defining the markets in which you will or will not compete is the real driver of revenue growth.

By John Staples

Is your industry growing faster than you? Are your competitors enjoying higher revenue growth rates than yours? Have your existing target markets matured, causing growth to stagnate? If the answer to any of these questions is yes, it’s time to look at how you’re allocating your people, time, and money.

Your corporate strategy must clearly identify the markets, accounts, and buyers your organization will focus on. Too often, CEOs believe they have effectively covered this ground—when in fact, their companies suffer from a mismatch between executive-level strategy and functional execution. Misalignment across functional strategies is the primary stumbling block to consistent growth.

This takes a heavy toll when companies launch products that don’t solve market problems, or when marketing is not aligned properly to support product launches. Moreover, sales dogfights over me-too products don’t inspire prospects to change their status quo. As a result, you miss your number.

Understanding Market Potential
Normally, companies have a grasp on the overall addressable market and growth rate, together with the percentage that is penetrated today. Determining your growth rate compared to the addressable market’s growth rate is standard operating procedure. If you are not leveraging that level of data, you have not defined your overall market, which is a starting point for identifying your sweet spot within that addressable market.

The next step in defining the addressable market is evaluating your competition’s positioning. Start by listing all competitors under product or solution and market segment. Then delve into each competitor’s growth rate and market share. Assess the segments where they compete and you don’t. Often, companies that compete in both enterprise and SMB arenas have different competitors by segment. Taking stock of each competitor by segment improves your ability to position yourself against the competition within these segments.

Next, you need to answer three core questions:

1. What are the traditional and innovative routes to market?
2. What are the customer acquisition cost (CAC) and customer lifetime value (CLTV) by market segment?
3. Where is our growth coming from: market share gain, market expansion, or new market exposure?

The answers will provide clear direction for product, marketing,
and sales teams as they develop their functional strategies to align with the corporate strategy.

**Segmenting Accounts**
If you don’t have a clear picture of your ideal customer profile, you’re not alone. Account segmentation may be the single most undervalued business requirement in the market, despite considerable benefits:

- **Improved return on marketing investments.** Replace “spray and pray” with targeted campaigns.
- **Prioritization of selling capacity.** Stack ranked accounts based on highest closure rate, shortest sales cycle, and largest average sale price.
- **Effective and efficient market coverage.** Balance territories to best advantage.
- **Accurate quota-setting.** Give every sales rep a shot every year to make his or her number.
- **In-depth analysis of CAC, CLTV, and the buyer’s journey.** Determine the best go-to-market sales channel.

- **Optimal talent mix.** Assess what type of talent the organization needs to capture account potential.

Account segmentation goes beyond the traditional ideal customer profile, customer or prospect scoring, and potential by account or prospect. Top-growth companies know this, and refresh their data annually at a minimum; best in class update quarterly.

**Analyzing the Buyer’s Journey**
Modern marketers and product managers know that buyer’s journey analysis is the key to success. Mapping by segment, product, and channel answers these critical questions:

- Do customers and prospects understand our full portfolio and associated value propositions?
- What factors do buyers consider before they purchase our products or services?
- Where do buyers go to educate themselves? Whom do they talk to?

- How does our brand compare to competitors in the market?
- When we lose, what are the root causes?
- Is the decision to purchase made by a centralized or decentralized buying decision team?
- Does our buyer’s journey vary in length by segment, buyer persona, product or service, and sales channel?

Best-in-class marketing teams constantly leverage insights from buyer’s journey analysis to update campaigns, value propositions, and positioning statements.

**Playing to Your Strong Suit**
The more you know about your market, accounts, and buyers, the greater your return. Good market data provides the intelligence you need to focus strategic objectives in the right direction: market share gain, market expansion, or new market exposure. Without good market data, you’re putting the entire company at risk.
Executives are hired to create value for their shareholders. It’s no secret that revenue growth is essential to a higher valuation. The dilemma lies in how to stay ahead of the curve. Gone are the days of slow and steady business as usual.

CEOs leading growth companies attract new investors who expect the success to continue forever. Even a small decrease in growth can result in a large decrease in market value. Once signs of success are visible, investors push expectations ever higher. Executives must pull off herculean feats to exceed these revenue growth assumptions. Some refer to this situation as the expectations treadmill: The more successful you are, the more is expected.

**Accelerating the Rate of Revenue Growth**

So how do you avoid the expectations treadmill, which ultimately leads to a fall?

The answer to predictable revenue growth is a Revenue Growth Methodology together with other emerging best practices. The emphasis is on revenue growth, not profit optimization, because both public and private markets place a higher value on revenue growth than they do profit growth.

A Revenue Growth Methodology accelerates the rate of revenue growth by bringing sales, marketing, and product strategies into functional alignment with the CEO’s strategy for the company.

**Outdistancing the Competition**

The macro benefit is that a Revenue Growth Methodology enables you to consistently make your number and leapfrog the competition. By embracing a management method that is built upon emerging best practices that have not been widely adopted, a Revenue Growth Methodology lets you increase your rate of revenue growth beyond what has already been captured through the implementation of standard operating procedures and best practices. As a result, you grow your revenues faster than your competitors and your industry.
The Mental Model of a Growth-Focused CEO

At best-in-class growth companies, CEOs align their strategic vision across functional teams.

By John Auer

SAP CEO Bill McDermott offers this advice to business leaders in a recent Harvard Business Review article: “Give the people a compelling vision and find a way to hit the accelerator harder.” Not an easy task in a company with 83,000 employees scattered across 193 countries.

“Give the people a compelling vision ...

The key drivers of growth remain:

1. Market expansion: Winning more business in a growing market.
2. New market exposure: Entering growth markets in which you previously did not compete.
3. Market share gain: Taking share from competitors in your existing space.

A growth-focused CEO thinks broadly across these three drivers to develop that compelling vision. It must be the CEO’s vision and here’s why. See if you recognize these big red flags:

• Your SVP of sales positions your company brilliantly against your competitors but can only speculate why your biggest competitor just announced a new alliance or partnership.
• Your product leader and CMO lobbied you to invest heavily in a new product for your existing customer base but your sales leadership is telling you the final product is a “dog with fleas.”
• You begin to see new logos in sectors and geographies that are outside the marketing plan you were given months earlier, with companies you did not even consider using your service.

... and find a way ...

Finding your way means asking hard questions that will expand the thinking of your functional leaders. To delve into those questions, download SBI’s 10th annual strategic planning workbook, How to Make Your Number in 2017 ... and Every Year Thereafter. One thing is certain: Using your traditional routes to market, pricing schemes, product configurations, and the like will ensure you grow revenues at the same pace or slower than you have in the past.

... to hit the accelerator harder.”

Best-in-class growth companies align the CEO’s strategic vision with their product, marketing, sales, finance, and human resources teams in a way that is visible to customers and prospects. SAP’s McDermott convinced his German-centric board and employees that selling in America and in other parts of the world was different. As with many companies, shifting to a software-as-a-service (SaaS) model affected every function at SAP. McDermott attributes the company’s impressive growth to strategic alignment across his teams.
GET THREE MONTHS OF WORK DONE IN THREE DAYS

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Greg Alexander, CEO
Matching Executive Talent to Strategic Objectives

A winning corporate strategy depends largely on the superstar talent of your executive team.

By Dan Perry

Nothing short of an all-star lineup can execute on your corporate strategy. If you field an average executive team, you are likely to miss your revenue growth objective.

As your go-to-market planning evolves, so do the requirements of your corporate strategy to hit objectives. At times, the revenue growth strategy calls for a new set of competencies that the existing team does not possess.

A danger area arises when competitors have a talent advantage that results in them winning more than they should. Mismatch talent to your corporate strategy and you will suffer from significant execution problems, which leads to missing the number.

Consider the following five questions to evaluate how well your executive talent aligns with corporate strategy:

1. **Career stage:** Does the career stage of your sales and marketing leaders match the life cycle stage of the industry, company, and product?
2. **Growth objectives:** If growth will come from market expansion, market share gain, or new market exposure, are the skills of sales and marketing leadership appropriate?
3. **Routes to market:** Has there been a change in routes to market recently? If so, did this call for a corresponding change in sales and marketing talent?
4. **Channel strategy:** If innovative channels of distribution were made available, would this require adding sales and marketing leadership talent?
5. **Talent profile:** What attributes and competencies do your buyers value in sales and marketing leaders? Do the profiles of your leadership team reflect the profiles of the buyers inside target accounts?

To increase your probability of success, match the capabilities of your executive leadership team to the requirements and objectives of your corporate strategy.

The 10x Value of an “A-Player” Sales Leader

**SBI research findings** indicate that “A-Player” sales leaders produce 10x more revenue than “C-Player” counterparts. They combine strategy and execution flawlessly, enabling their sales teams to consistently make the number. “A-Players” excel when their talents are aligned with the objectives of the CEO’s corporate strategy.

“A-Player” sales leaders are also 10x more valuable because they attract other “A-Players.” This benefits every business unit and function across the entire organization. Attracting and retaining “A-Player” talent isn’t just worth it. It is critical to the success of a high-growth company. —Dan Perry
It’s no coincidence growth executives in the top 22 percent of companies always make their number in a predictable, hassle-free way. They accomplish this by working on strategy and execution in unison.

Executives who focus only on strategy often suffer from periodic short-term revenue misses. They sound good but they don’t produce. Other executives concentrate on execution and suffer from periodic long-term revenue misses. They go from hero to zero quickly.

Both cases put your revenue number at risk by focusing too heavily on either strategy or execution. Boards and shareholders become frustrated, and question whether you can consistently make your number. Pretty soon you’re looking for a new job.

What sets top growth executives apart? They emphasize the importance of making a crisp distinction between strategy and tactics. Simply put, strategy involves doing the right things; tactics involve doing things right. And they align their corporate, product, marketing, and sales functions accordingly.

For example, determining whether your company’s competitive advantage is price, product, or customer experience...
is a strategic decision. The answer should guide your investments in time, money, and resources. In turn, your sales process, the tactics you execute, will be driven by different requirements and capabilities needed to achieve each different competitive objective: price, product, or customer experience.

Assessing Potential Outcomes

A masterful blend of strategy and execution is the difference between consistently making or missing your number. The strategy-tactics matrix is a tool for assessing your company across four quadrants to determine four potential outcomes: thrive, survive, die slowly, die quickly.

1. **You will thrive.** A brilliant plan that is executed brilliantly results in remarkable outcomes. Think of Apple, Amazon.com, or Southwest Airlines. The leadership, their employees, and in many cases their customers have a high degree of clarity about those companies’ strategies. As a result, their product, marketing, and sales functions are aligned to execute tactics effectively in support of those clear strategies.

2. **You will survive.** A brilliant plan that is executed poorly results in survival, but you will not thrive and reach your potential. Think of Tesla or Starbucks. They have well-defined strategies, but inefficient tactics to execute them. As Tesla and Starbucks drive their tactics more efficiently, it is certainly possible for them to thrive.

3. **You will die slowly.** A poor plan that is executed poorly results in a slow death. Think of BlackBerry or Sears. Both still exist, but are shells of what they once were. Their strategies are ineffective and the tactics in place to execute against those strategies are inefficient. Even if BlackBerry or Sears were to suddenly revamp their strategies, they also would need to execute tactics much more effectively to thrive.

4. **You will die quickly.** A poor plan that is executed brilliantly results in a quick death. Think of Song Airlines or Ted Airlines. Do you remember them? Probably not. Ted, United’s low-cost airline alternative, was intended to compete with Southwest. Song was Delta’s version. In both cases the fundamental strategy was flawed but the implementation of each strategy was quite efficient. Neither was successful and both died very quickly.

Achieving Clarity and Alignment

To move from one quadrant in the strategy-tactics matrix to another, you must work on the two simultaneously and bring both into alignment throughout your organization. Once everyone understands the clear distinction between strategy and tactics, you can quickly test which quadrant characterizes your company, business unit, division, department, or team.

Ask your functional leaders of product, marketing, and sales to describe the difference between a strategy and a tactic. Have them give you an example to illustrate their thought process. Have them plot your company, and then have them position their team in a quadrant on the matrix.

The answers you receive will tell you how much work you have ahead to drive clarity and alignment in your business. Those answers will also indicate how likely you are to hit your number in 2017.
INSIGHTS

How Average Companies Play Catch-up

By simply adopting best practices, CEOs practically guarantee their companies will lose the game.

By Mike Drapeau

Some CEOs are tempted to think of a baseball analogy when their companies fall behind the competition: All you need to do is tie them in the ninth and then slap a single for the go-ahead run at the bottom of the inning.

In business, trying to tie the competition in the ninth almost ensures you will lose the game. Your competitors refuse to stand still. While you’re implementing a set of standard operating procedures with a handful of best practices, your competitors are continuing to push ahead. They are looking for what really creates differentiation—emerging best practices.

Strategic Name Differentiation

As CEO and leader of your company, you chart the course for the future. That means executing against a leapfrog strategy if you can pull it off. In the sales and marketing arena, it calls for a dedicated effort to embrace emerging best practices. Many of these emerging best practices challenge your team because they come from outside your industry. So they will seem alien upon first inspection. And adoption may require organizational change. But in that change and in that adoption, your organization will gain strategic name differentiation.

Think twice if you catch yourself asking, “Are our competitors doing this?” or “Has this been deployed in our industry?” Instead, ask, “Who is an established leader in another industry through adoption of emerging best practices?” and “How can I port these to my industry?”

If you use that thinking as your calculus, you’ll end up embracing a series of differentiated emerging best practices that will create a strategic and sustainable competitive advantage. In and of itself, this approach drives the lift you need to make the number and achieve the payback on your investment in people, money, and time.
Why Great Sales Teams Fail Quickly

Your sales organization can’t make up for poor product strategy. Alignment is the key to success.

By Josh Horstmann

It spells disaster when a product is built and then launched over the fence to sales.

The best way to ensure your product is properly aligned with the market and buyers is to speak with your customers and get input from sales. Otherwise, products are created in a vacuum and sales struggles to sell them. The finger-pointing begins and the gap between product and sales teams widens. Revenue goals are missed and expectations must be reset.

Best-in-class organizations bring the sales force and product team into alignment well before the product release date. Consider the following five areas when you plan your product strategy:

1. **Product marketing:** How does product marketing spend time with our customers as part of their market research efforts?
2. **Value propositions:** Have our value propositions been validated by our customers?
3. **Competitive differentiation:** Have we determined how our product will beat our competition in the market?
4. **Go to market:** How do we involve sales and marketing in product launch message development and story creation?
5. **Frontline management:** What coaching resources are we providing to our managers to reinforce the message down to our frontline reps?

If you can’t answer the preceding questions, you have misalignment between sales and product strategy. The implication is that your sales team will miss the revenue number. For a comprehensive set of considerations to help define your product strategy, download our annual workbook.

How to Make Your Number in 2017

Predictable and hassle-free. Download our 10th annual workbook to explore emerging best practices from top performers—and get started on your own Revenue Growth Methodology.

sbi.tips/2017workbook
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WHAT IS THE STUDIO?
The Studio is a multimillion-dollar, one-of-a-kind, state-of-the-art executive briefing center located in Dallas, Texas. It was developed by SBI specifically for executive teams inside of companies with aggressive revenue growth goals, who don’t have a lot of time to waste, and have a lot on the line.

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INSIGHTS

Spiking Sales Revenue

Discover new channels in sync with buyer preferences and then maximize revenue with the right fit for your products.

By Dan Bernoske

Knowing when customers prefer to buy directly or indirectly can make or break your revenue goals. Likewise, matching the appropriate customer acquisition cost (CAC) by channel with customer lifetime value (CLTV) by customer and product type can improve the odds of making your number.

Channel options range from low-cost, low-touch self-service to high-cost, high-touch field sales. These options represent various levels of CAC that ultimately affect your bottom-line revenue.

Select the Right Channels

The first, crucial step is to match appropriate CAC to the overall revenue potential of each buyer. To select the right channels, you must understand the needs of your buyers.

For example, Chris Bittner, senior director of worldwide sales and channel strategy at Autodesk, explains how his company learns about channel preferences. “The basic answer is to talk to customers,” says Bittner. Aside from ongoing interviews, Autodesk conducts an annual purchase behavior study. The company collects thousands of data points on buyer preferences.

Manage Your Channels

The next step in controlling CAC while maximizing CLTV is to manage your channels effectively. Lay a successful foundation by deciding upon the right coverage model:

- **Intensive**: Many channel partners in the same space competing for the business
- **Selective**: Only channel partners that meet certain criteria
- **Exclusive**: One reseller per market segment

Begin the recruiting and onboarding process with an understanding of market needs, and match those needs to the unique value of each partner.

Enable Your Channels

Channel management includes a defined prospecting and sales process, territory alignment, quota-setting, and partner compensation planning. The final step in determining product/channel fit is enabling your channels to maximize revenue.

Drive Up Enterprise Value

**CEOs can improve** decision-making to increase enterprise value by comparing customer acquisition cost (CAC) to customer lifetime value (CLTV). Focusing on the CAC:CLTV ratio enables you to reduce churn, boosting customer satisfaction and share of wallet. In particular, the CAC:CLTV ratio enables product, marketing, and sales teams to target customers who bring in the most revenue in the shortest amount of time.

By monitoring this one metric, CEOs can quantify the impact being made on enterprise value and improve topline revenue for years to come.
— Barry Witonsky
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The Anatomy of a Sales-Driven CEO

What is a sales-driven CEO and why should you care?

By Greg Alexander

A sales-driven CEO is a CEO whose strategy is based on having the best sales force in the industry. He, or she, has determined to win by outselling the competition. For this type of CEO, sales strategy trumps product differentiation, customer service excellence, and price leadership.

You should care because this breed of CEO creates more shareholder wealth than any other type of CEO.

They do this by consistently growing revenue faster than their competitors and their industry. As organic revenue growth leads to an increase in free cash flow, and multiple expansion, a sales-driven CEO at the helm is tightly correlated to exceptional shareholder wealth creation.

Here we explore what traits sales-driven CEOs have in common, how they behave differently than other CEOs, and how you may put this information to use.
Are sales-driven CEOs born?
It does not appear so. For instance, there is no data to support that sales-driven CEOs are male or female, of a certain ethnicity, tall or short, fat or skinny, or blond or brunette for that matter. Furthermore, the evidence does not support that sales-driven CEOs come from a certain age group, education level, academic institution, income bracket, marital status, or religion.

Are sales-driven CEOs made?
It appears they are. For instance, sales-driven CEOs come from certain industries. When doing the research for SBI’s annual report, *How to Make Your Number in 2017*, SBI’s research staff analyzed 103 industries to understand the external environment in which executives operate. They found that industries with little product differentiation produced three times as many sales-driven CEOs as industries where product differentiation was prevalent. Why is this? When a company cannot rely on a superior product to win, it must rely on the ability to outsell the competition. This environment breeds sales-driven CEOs.

Sales-driven CEOs tend to “get made” in certain markets. For example, this same research project included over 700 DILOs whereby SBI sales consultants spent time in the field with sales reps across the globe via a “day-in-the-life-of” study. These direct observations revealed that sales-driven CEOs tend to be found in markets that are rapidly expanding. In a rapidly expanding market, the key task is to get in front of as many potential customers as possible for many are actively in the market looking to buy. This need to hustle produced CEOs who rose up from the sales ranks understanding the cliché “make hay when the sun shines.”

Certain cultures tend to produce more sales-driven CEOs than others. Customer-centric company cultures tend to produce sales-driven CEOs. These companies prioritize delivering an exceptional customer experience. To do this, they must have a deep understanding of the customer’s journey and each touch point along the way. Mapping this customer journey is a difficult, yet mission-critical task, that when done correctly, results in exceptional revenue growth. The sales team is best positioned to help a company map the customer journey, and as a result, this tends to put sales leadership at the center of strategic planning. This board-level exposure has led to many boards promoting a sales leader to the role of CEO.

How do sales-driven CEOs behave differently than other types of CEOs?
The primary behavioral difference of sales-driven CEOs is that they hit their revenue targets every year. They are remarkably consistent, and predictable.

“Sales-driven CEOs tend to be found in markets that are rapidly expanding. In a rapidly expanding market, the key task is to get in front of as many potential customers as possible for many are actively in the market looking to buy.”
The success of sales-driven CEOs is not based on landing in the right place at the right time. These leaders don’t rely on luck and timing. They exceed their revenue targets regardless of the circumstances. The distinguishing characteristic of sales-driven CEOs is mastery of sales strategy and execution. As market conditions change, the sales-driven CEO can pivot quickly, putting some tools away and deploying others. The sales function is inherently more adaptable than other functions. The ability to respond quickly is a powerful advantage.

In contrast, product-driven CEOs tend to make their revenue targets inconsistently, and their performance is less predictable. Their revenue growth is often tied to the product life cycle. As the product moves from launch to growth, product-driven CEOs exceed the revenue growth objectives. However, as the product moves toward maturity, and decline, product-driven CEOs often miss their revenue objectives. Brilliant engineers who make it to the corner office tend to have blind spots in sales. When the product-driven CEO needs to win when he does not have a product advantage, he usually does not know how. It is during these market cycles when mastery of sales strategy is required to meet the revenue objectives. And mastery of sales strategy is lacking in product-driven CEOs.

Boards have long recognized this blind spot in product-driven CEOs. To address it, they hire a strong sales leader to work for the product-driven CEO. Unfortunately, this often does not work. SBI recently interviewed and surveyed
1,200 CEOs and sales leaders in support of our annual research report. We found that strong sales leaders do not want to work for product-driven CEOs. They want to work for sales-driven CEOs. The hiring failure rate, in this situation, is an astounding 61 percent. In plain speak, this means that when a product-driven CEO hires a strong sales leader, the sales leader quits inside of the first year 6 out of 10 times. Boards should rethink this approach.

Operations-driven CEOs also tend to make their revenue targets inconsistently. As cost-minded operators, their profit performance tends to be superior to their revenue performance. Operations-driven CEOs are process-driven executors. They are excellent at generating efficiencies, but can struggle when asked to deliver an increase in effectiveness. Revenue growth is dependent on an improvement in effectiveness, not on an improvement in efficiency. For example, sales effectiveness is defined as driving up revenue per salesperson. Sales efficiency is defined as driving down expense per salesperson. This is an important point to remember because, as discussed earlier, the most reliable way to create shareholder wealth is to grow organic revenue. Organic revenue growth depends on an increase in sales effectiveness, not sales efficiency. This is not the core competency of operations-driven CEOs. The core competency of these CEOs is driving cost out of the operation through process-driven efficiency.

“The most reliable way to create shareholder wealth is to grow organic revenue. Organic revenue growth depends on an increase in sales effectiveness, not sales efficiency.”
Boards of directors understand this, and as with product-driven CEOs, they address this issue by hiring a strong sales leader to work for the operations-driven CEO. Unfortunately, this rarely works. The same research mentioned earlier revealed that strong sales leaders do not want to work for operations-driven CEOs. They want to work for sales-driven CEOs. The hiring failure rate, in this situation, is 57 percent. In other words, this means that when an operations-driven CEO hires a strong sales leader, the sales leader quits inside of the first year 5.7 out of 10 times. Boards should refrain from taking this approach. To add some context, the three most commonly cited reasons why sales leaders do not want to work for operations-driven CEOs are their reluctance to invest in growth, their micromanagement style of leadership, and their tendency to apply process engineering to the sales function, which they perceive as a mistake.

**How can you put this information to use?**

I offer three actions you can take to put this information to use.

First, boards should consider hiring a sales-driven CEO. By doing so, they will increase the likelihood that their company will accelerate revenue growth, and free cash flow. This will lead to a multiple premium and ultimately, more enterprise value.

Hiring a sales-driven CEO is hard to do. There are few of them, and in most cases, boards will be doing so for the first time. There are a few steps boards can take to make this easier.
Develop a sales-driven CEO position profile. This should reflect the competencies most often found in successful sales-driven CEOs. A position profile for a sales-driven CEO is significantly different than a position profile for a traditional CEO. For example, a sales-driven CEO possesses as a core competency a deep understanding of how to determine which products to sell to which customers through which sales channels.

Concentrate your search inside industries that have little product differentiation. Leaders who can grow their companies inside these industries have to do so without the momentum of a superior product. Often, these industries are breeding grounds for sales-driven CEOs.

Contract with a niche executive search firm that specializes in this area. The large brand-name executive search firms have large CEO practices, and do an excellent job. However, they tend to be generalists and in this instance, you need specialists to locate a sales-driven CEO.

In addition, this is a good time to consider hiring a current sales leader as a first-time CEO. A current sales leader will have the competencies you are looking for in a sales-driven CEO. You can overcome what the new CEO lacks by surrounding him or her with a great team. This has a high probability of success. Our research revealed a willingness, and in some cases a preference for working for a sales-driven CEO by product, operations, technology, and finance leaders. Why do these executives want to work for a sales-driven CEO? They recognize that fast-growing companies present more interesting opportunities for executives and fast-growing companies tend to attract top talent. In addition, many mentioned revenue growth tends to equate to job security, and job satisfaction is higher in a growth environment. As sales-driven CEOs get their companies growing, and executives want to work for growth companies, this drives a preference to work for a sales-driven CEO.

Second, boards should invest in getting the product-driven and/or operations-driven CEO some help to address their
blind spots in sales. There are many high-quality consulting firms that specialize in providing sales advice to CEOs. My firm, SBI, is one of these firms, but we are not the only ones. If you would like to explore how we may help your CEO, I suggest you come see me and my team at our executive briefing center. This will give you access to me and my team of experts, all under one roof, and help you accelerate your understanding of our approach and methodologies.

In my experience, I have found product-driven CEOs, and operations-driven CEOs, to be highly intelligent and eager to receive the help. In a recent workshop at our executive briefing center, with a private equity investor and the CEO of one of his portfolio companies, the CEO stated that he uses advisors often and using an advisor in sales made sense. He referenced relying on external legal counsel for some legal matters, a large accounting firm for taxes, and an investment banker when making acquisitions and concluded working with us was the same.

“Why do these executives want to work for a sales-driven CEO? They recognize that fast-growing companies present more interesting opportunities for executives and fast-growing companies tend to attract top talent. In addition, many mentioned revenue growth tends to equate to job security, and job satisfaction is higher in a growth environment.”
Augmenting your CEO’s talents with the skills of a sales consultancy might get you the result you need. Hiring a sales-driven CEO is preferable, but this can be very disruptive, especially if this is a replacement hire. Customers, and investors, do not like it when a CEO change is made. This suggests the business is in trouble and creates a feeling of uncertainty. By supporting the CEO with a sales-consulting partner, the need for a CEO change might go away.

Also, boards should consider adding a member to the board with deep sales expertise. This could be a current, or former, sales-driven CEO. It could be a highly respected sales consultant. Or, it could be a current or former sales leader with a proven track record of working with CEOs to grow revenues quickly. The CEO depends on his or her board to provide counsel and if your CEO specifically needs sales guidance, make sure your board has on it someone who has mastery of sales strategy.

What is the specific anatomy of a sales-driven CEO?
Lastly, I thought it might be helpful to conclude with some commentary on the specific anatomy of a sales-driven CEO. What are the pieces and parts of a sales-driven CEO? What are some of the organs of a sales-driven CEO? Think of these as competencies. A top 10 list of the things a sales-driven CEO can do.

If you are a CEO, use these as a way to assess yourself with regard to your sales ability. If you are a board member, use this as a checklist to evaluate your CEOs against. If you are a sales leader, and want to be a CEO, use this as a guide.

The 10 things a sales-driven CEO can do:

1. Understand the cost to acquire each customer.
2. Understand the free cash flow generated from each customer over its life span.
3. Convert the capital efficiency of the sales team into an increase in shareholder wealth.
4. Generate the right type of revenue growth, i.e., that which generates a high return on capital.
5. Match the sales strategy to the life cycle stage of the industry, company, and product portfolio.
6. Define which markets to compete in, and which ones to avoid.
7. Define whom you compete with, and how to win.
8. Develop a go-to-market strategy that sufficiently covers the market and optimizes sales channels.
10. Hire a best-in-class sales leader, who will put the best sales team on the field and compete hard.

So there you have it: a summary of what we know about the anatomy of a sales-driven CEO. Sales-driven CEOs create more shareholder wealth than any other type of CEO. The anatomy of a sales-driven CEO is constantly evolving. We will continue to stay on the forefront of these trends and keep you updated on our app, website, magazine, TV show, and podcast.

If you would like to spend some time with me on this subject, come see me in Dallas at The Studio, our new executive briefing center. You can arrange a visit here: SalesBenchmarkIndex.com/TheStudio.
BACKSTAGE PASS TO SBI

SPEND TIME WITH GREG ALEXANDER, THE CEO AND CO-FOUNDER OF SBI, AND HIS HANDPICKED TEAM OF EXPERTS

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How CEOs Avoid the Most Common Go-to-Market Mistakes

Discover how top-growth CEOs sidestep four major pitfalls in going to market. Agility and willingness to iterate rapidly give these executives the edge.

By Matt Sharrers
For you as CEO, utopia is growing faster than your industry and your peers. A thoughtful go-to-market strategy is imperative to enable this growth. Here’s the catch: Many CEOs have risen to the top through finance, operations, or product management. With little or no sales and marketing experience, these executives are liable to commit a series of mistakes during the design of this strategy. It’s not from lack of effort or intelligence. Simply put, it’s an information deficit.

CEOs are tasked with pointing the company’s resources at the right markets through the right channels. The go-to-market strategy addresses four major areas, each illustrated by a simple question:

- **Coverage:** Do I have sufficient coverage in my markets?
- **Sales channels:** Have I selected and optimized the right sales channels?
- **Pricing:** Have I priced my products and services correctly?
- **Packaging:** Do I have compelling packaging that also makes it easy for customers to buy my products and services?

This article addresses common CEO mistakes. It looks through a lens of execution to identify characteristic warning signs and share fixes for potential problem areas. The goal is to emulate behaviors of the top-growth-oriented CEOs we’ve studied.

Our use cases demonstrate emerging best practices, defined as processes or methodologies used by the top 22 percent of growth executives. Because they have not been adopted by the remaining 78 percent, these emerging best practices lead to accelerated revenue growth. Think of them as powerful differentiators.

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“To determine whether you have proper coverage across your addressable market, you must know the sizes of both your total available market and your sales-addressable market.”

**The Macro Problem in a Go-to-Market Strategy**

Clearly, if you don’t cover all of your addressable market, you’ll miss revenue opportunities. Traditional routes to market are being replaced with innovative ways to reach customers. Package your products and services just like your competitors, and customers will perceive commoditization that results in a race to the bottom. Price your products and services in a way that does not scale with customer growth and you’ll end up with revenue leakage. Make product pricing changes that are difficult for sales channels to explain to customers and watch your sales steadily decline.

After reading this macro statement, the first question to ask is whether you even have a problem with your go-to-market strategy. Read on to diagnose the most common mistakes and discover emerging best practices that will give you an edge in the marketplace.

**Mistake #1: Coverage**

The three most common coverage mistakes in a CEO’s go-to-market strategy are:

- Not having appropriate coverage across your addressable market
- Not balancing revenue growth rate and coverage growth rate
- Failing to direct your resources at the portion of the market with the highest growth potential and lowest penetration rate

To determine whether you have proper coverage across your addressable market, you must know the sizes of both your total available market and your sales-addressable market. Look at the delta between those two and note how you decided what part of the market to cover.

The next key is balancing your revenue growth rate and coverage growth rate. For example, if you want to grow 10 percent next year, are you planning to increase sales head count by 10 percent or expecting to generate the lift by getting more out of your existing sales force? For most CEOs, the answer is a mix. That is an acceptable answer but you must use a bottoms-up, rep-by-rep revenue plan to get there.
Secondly, determine the productivity lift you expect to get from the existing team, and decide how you plan to accomplish that. The math always looks good when CEOs say, “We can get 7 percent more per head next year.” To achieve that goal, CEOs push their sales leader on two levers: win rate and deal size. Nailing either of these requires an investment in performance conditions—for example, better segmentation, improved lead flow, more bundling, and attractive pricing.

The Fix: Adopt Detailed Account Segmentation
Top-growth CEOs implement detailed account segmentation. This emerging best practice enables executives to understand the following factors at the individual account level:

- Propensity to buy
- Potential to spend
- Match to ideal customer profile
- Cost to acquire
- Estimated customer lifetime value

The effort to implement detailed account segmentation will provide a level of clarity across the entire organization. Products and services can be more targeted by executing on a market-listening process. The marketing team can be more prescriptive as it allocates demand-generation dollars. The sales team can better sort its prospects and customers. This directly impacts productivity per rep, regardless of role. In turn, the customer success and service teams can think about how to overserve which customers and why.

“The effort to implement detailed account segmentation will provide a level of clarity across the entire organization. Products and services can be more targeted by executing on a market-listening process.”
Mistake #2: Sales Channels

Determining which channels to route your products and services to market is one of the most strategic decisions a CEO must make. The three most common sales channel mistakes in a CEO’s go-to-market strategy are:

- Continuing to use traditional routes to market when innovative new routes are available
- Failing to explore whether alternative channels would lower the cost of acquiring customers or increase customer lifetime value
- Being unaware of changes in customer channel preferences and consequently, failing to respond

Today’s top CEOs adapt to ever-changing market conditions at a faster rate than the laggards. Very often, both have similar knowledge bases. The difference is that fast-growth CEOs are more responsive to a dynamic market and adjust their sales channel approach rapidly.

The launch of a new product or service is a great way to test how well your sales channel is working. It’s critical to capture beachhead/referenceable customers in year 1. Nonetheless, we often see CEOs using the existing sales force when launching new products.

Millions of dollars and untold hours that go into building a new product or service can be wasted when the wrong sales channel is chosen. Consider your last launch. Did you meet your year 1 launch goals and if so, how did you steer clear of pitfalls? The use of an existing channel is always the easiest choice, but very often, it is the least productive.
The Fix: Explore New Options
To emulate fast-growth CEOs in assessing sales channels, lay out all your available options—including channels you don’t currently use. Then ask yourself if you have a market expansion opportunity by exposing your products or services to an entirely new sales channel.

Consider whether pursuing a new channel would have a material impact on growth in the context of your industry and your competitors. To answer this question, the best CEOs stay on top of their competitors’ growth rate and are constantly measuring performance against these two important factors.

Mistake #3: Pricing
Correct pricing for products and services can mean the difference between success and failure. The three most common pricing mistakes in a CEO’s go-to-market strategy are:

• Relying on the wrong pricing metrics, which don’t:
  – Align revenue and cost
  – Synchronize payments with consumption
  – Differentiate between customer segments
  – Overcome buying constraints
• Failing to bypass psychological thresholds, with pricing metrics that are often disagreeable to customers at the moment of truth
• Lacking transparency, with pricing metrics that also don’t allow you to differentiate from competitors

Consider the following warning signs to assess whether you may be committing a pricing mistake. You and your sales
leader spend time discussing a lot of late-stage discounting. The discounting usually happens late in the quarter. Because the wrong metrics were chosen and managed, you are unable to maintain the margins you deserve.

Sales reps are frustrated. Sales management feels at odds, with an “us versus them” mentality: Your CFO feels that sales is giving away too much, and sales feels as if corporate has no understanding of what the selling environment is really like.

“The top-quartile CEOs participate in an agile and robust win-loss analysis. This emerging best practice involves a weekly review that is sourced from won and lost deals.”

The Fix: Conduct Robust Win-Loss Analysis
Top-quartile CEOs participate in an agile and robust win-loss analysis. This emerging best practice involves a weekly review that is sourced from won and lost deals. A neutral person, usually in product marketing or sales operations, conducts interviews using the sales process as the lens to review the sales campaign. In addition, customers are asked specific questions about how they evaluated pricing:

- Were you the most or least expensive?
- Was it easy to understand your pricing?
- Was your price worth the value?
- Was there transparency?

This approach maintains pricing integrity because it is entirely outward-in and market-driven. It provides frequent feedback that enables the CEO and functional leaders to make real-time pricing changes that reflect what customers want and are willing to pay for.
Mistake #4: Packaging
Awareness of your packaging strategy is as central to go-to-market success as deciding whether you compete on price, product, or customer experience. The three most common packaging mistakes in a CEO’s go-to-market strategy are:

• Not setting a baseline for packaging
• Not balancing simplicity and flexibility
• Not considering customer segmentation and differentiation from key competitors

There are five ways to set a baseline for your packaging. Consider which of the following approaches best suits your products and services:

• All you can eat (one offer with all products and features included)
• Category bundling (packages that combine a variety of product categories)
• Good/better/best (a lineup of packages with increasingly more feature functionality)
• Use cases (a variety of packages that are targeted at specific types of usage scenarios)
• Bundling (bundled discounts)

To balance simplicity and flexibility, it’s important to capture the right customer expectations and market needs. For example:

• Do your customers prefer simplicity, and are they willing to live with little flexibility?
• Do your customers want a lot of flexibility, and are they willing to live with some complexity?
• Do you want to drive widespread adoption, and simplify when possible?

The following questions help guide packaging decisions to properly reflect customer segmentation and competitive distinctions. For example:

• Are you aware of the packaging approach your competitors use?
• Is your packaging approach the same or different for new customers and existing customers?
• Do some customer segments value certain benefits more than others?

The Fix: Design Adaptable Approaches
Software packaging is a prime example. Cloud and subscription services have completely altered the way customers buy software. Because of this disruption, CEOs have had to adjust their packaging approaches. Very often you will see and hear a CEO discuss completely different packaging and pricing for SMB, midmarket, and enterprise segments. Those who refuse to modify their packaging approach are left behind. Rapidly changing needs and customer demands make adaptability the source of competitive advantage.

Now What?
You may be asking yourself if now is the time to modify your go-to-market strategy as CEO. Below are five triggers that your peers use as indicators. These telltale signs show that you may need a modification:

• Your industry and your competitors are growing revenues faster than you are.
• Your company is undervalued.
• Your markets have matured and you need to enter new growth markets.
• Your products are not persuading existing customers to buy more and they are not attracting new customers.
• Your competitive advantages over traditional competitors are eroding.

The process of building a go-to-market strategy never ends. Agility is the distinguishing characteristic we observe in the top quartile of growth-oriented CEOs. These executives are aware of potential pitfalls and adopt emerging best practices to avoid committing common mistakes. Most importantly, their willingness to rapidly iterate the go-to-market strategy separates the average from the best.
The Right Stuff

Does your sales leader have what it takes? Yesterday’s “A-Player” may crash and burn when your corporate strategy changes.

By John Staples

It’s a bet-your-business decision. The right sales leader blazes the trail to skyrocketing success. The wrong one crashes and burns. Both may have a brilliant pedigree. Question is, what type of executive is best equipped to deliver on the objectives of your evolving corporate strategy?

Most CEOs struggle with that question. They know the sales leader who got them where they are today is not necessarily the right one to take the business where it’s going. In many cases CEOs go through a succession of sales leaders until they finally settle on one. But in the back of their minds, they still don’t know whether that hire simply timed the business right. No wonder the average tenure for a sales leader is about 19 months.

Top-growth CEOs evolve their corporate strategies to meet changing market conditions. And they constantly evaluate their sales leaders to be sure they are the best match for those conditions. Corporate strategies can vary in their focus between market share gain, market expansion, or new market exposure. Each approach requires a different set of sales skills. As you adjust your corporate strategy, review your executive team to determine whether they are the best team to deliver on the changes. If your company requires a balance of all three strategies in various forms, the leadership in each segment should be different.

Matching Talent to Strategic Objectives

Consider three corporate strategies and the different type of sales leader required to meet the objectives of each: market share gain, market expansion, and new market exposure.

The SBI App

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SalesBenchmarkIndex.com/SBI-App
Market Share Gain
Your strategy is to win more share in your existing space. It’s a highly competitive marketplace and your product or service is viewed as a commodity. You need to win every deal, given lack of growth and limited opportunities.

Your sales leader must run a great account management process, including a world-class deal desk. The deal desk should be strategic, not tactical. Members of the deal desk include the best strategists from the different functional areas within the company. Executives capable of growing market share anchor their teams with sales professionals who are skilled in the art of rip and replace.

The biggest competitor and obstacle in gaining market share is inertia. To overcome it, sales leaders need strong positioning statements that enable the sales team to demonstrate why ripping out and replacing the customer’s current solution is better than maintaining the status quo. This leader is an expert at defeating “do nothing” and “why us,” convincing customers to take action.

In this scenario, market share is as much about winning every deal as it is about maintaining the current client base. A leader who excels in growing market share focuses on both making new deals and cultivating strong relationships with existing clients. Your competition is likewise focused on persuading your customers to rip and replace your services with theirs.

“The biggest competitor and obstacle in gaining market share is inertia. To overcome it, sales leaders need strong positioning statements that enable the sales team to demonstrate why ripping out and replacing the customer’s current solution is better than maintaining the status quo.”
Establishing strong, personal customer relationships gives your sales leader the edge over the competition. The best sales leader for a market share gain strategy is one who effectively balances the offensive and defensive strategies that result in acquiring new customers while retaining the existing base.

**Deal desk priority:** The market share gain strategy requires a high-performing deal desk to strategize on the best path forward to win each and every deal.

**Market Expansion**
Your market is growing rapidly and there are plenty of deals out there—but the kiss of death is “I didn’t know you did that.” In this scenario, the sales leader needs to be activity-based. The key is getting involved in every opportunity so clients understand who you are and what you do. The market is expanding and you want someone who will win a disproportionate amount of the growing business.

Your sales leader needs to be meticulous, heavy on process, and skilled in designing the ideal coverage model. Expertise in crafting an optimal go-to-market model is critical. Balancing direct sales, channel, distribution, inside (high and low touch), and digital (no touch) is essential. This leader must have a thorough understanding of customer acquisition costs (CAC) and customer lifetime value (CLTV) ratios. He or she must be able to recognize market needs and hire sales reps with similar skills. To outpace your competitors, this leader and team should be high-energy, aggressive, and disciplined, in complete alignment with your corporate strategy.

**Deal desk priority:** The market expansion strategy needs an efficient, process-oriented deal desk that makes it easy to do business.

**New Market Exposure**
You’re well known in your existing market segments but you recognize adjacent or new segments provide significant growth opportunities for adopting your products and services. Your current sales leader has done a fine job in the familiar segments. Now you need to ascertain whether he or she is the right person to penetrate the new market.

A market exposure leader must be adept at breaking down barriers to enter new segments. You need someone who has been there, done that when it comes to successfully launching new products. The best candidates have strong experience in new business development and a track record of bringing teams together to navigate uncharted waters.

When penetrating a new market segment, you’re going in with little to no brand awareness. So this sales leader must appreciate what it takes to build a brand or to sell products and services without the strength of a known brand. Even with a great brand, you’ll find yourself responding to “I don’t think of you guys when it comes to that solution” or “You guys are great at XYZ but I think of ABC company when it comes to this type of solution.” An evangelical or pioneering type of leader and team is required to successfully align with this corporate strategy.

**Deal desk priority:** The new market exposure strategy calls for a deal desk that can identify the right internal and external resources to convince target accounts of the brand and product value. The outcome is a plan for how the buyers at each account will be approached.

**Evaluating Skill Sets**
We often see CEOs stick with their current sales leader year after year, even as the corporate strategy changes. We believe CEOs should take one of two approaches
when evaluating sales leadership talent against their new corporate strategy:

- Provide the senior sales leader with a sales executive who possesses the requisite skills.
- Build a new team with the required experience to drive successful execution.

In either case, it’s imperative the sales leader understands buyer preferences, and whether customers value product or vertical knowledge. If your current team can’t adapt, you’ll need a new team with experience and contacts in that vertical.

Look for a sales leader who is great at collaborating with product management and marketing. Getting into new markets is similar to launching a new product or service, so you need someone with those types of skills. This executive must be able to get into a reference account, gain some early adopters, and make the transition to a solid majority in the new segment.

So what happens when your sales leader brings in the wrong skill set? One client with declining sales hired a new leader to grow the business. Brand awareness overseas was good but the company was unknown in the North American market. The sales executive they hired had a great pedigree and extremely successful prior experience.

However, the company continued to wrestle with brand awareness and was virtually unknown in the SMB space. To top it off, the sales leader hired people he had worked
with in the past—in essence, mirror images of himself. On paper, this looked like a great hire. The problem was a mismatch with the corporate strategy, which required the sales leader to penetrate new markets and segments with an unknown brand. This resulted in a continued spiral of declining sales. The sales leader and team floundered and they were all let go.

In this example, great brands supported the team's previous successes but they lacked the ability to overcome barriers. What they needed was a more evangelical sales leader and team. For an SMB with little brand awareness, the CEO needed a street fighter—a scrappy sales leader who thrived in the trenches battling alongside sales representatives. The corporate strategy called for someone with the skills to hire and manage a team that could break down doors and develop relationships quickly. Instead, they hired someone who was used to representing a big brand that drove prospects and clients to his door.

**Changing It Up**

You rarely have a bad sales leader on your hands. You hire people with a great track record. They made their number year after year because their skills were aligned with the corporate strategy. If you're not adjusting the corporate strategy and you have a successful sales leader in place, double down on the person who is performing. The flip side: When you adjust your corporate strategy, don’t assume existing leadership can make the change.

As the CEO, you’re looking at a multiyear strategy to lay the foundation for continued growth. Your job is to put the best athletes on the field for every play. Ask yourself these three questions:
• Has your sales leader evolved faster than the market or customers?
• Has your sales leader missed the adjustments for buyer changes?
• Have you adjusted the corporate strategy in a way that asks the sales leader to do something that is not a match for his or her skills?

In the NFL, great coaches, like great CEOs, constantly make adjustments. As fans, we say we can’t believe they traded or let a player go. Then two years later, we realize why. At the time, it was an incredibly difficult decision for the coach or general manager to make. In other examples, we see athletes stay in the game too long. We forget their former greatness and remember the shell of a player they became at the end. We see great quarterbacks perform horribly when put into a different team environment.

Your corporate strategy determines when it’s time to take a fresh look at the sales leader. Asking sales leaders to do something that is not in their wheelhouse typically produces poor results. Whether your corporate strategy is changing to meet objectives for market share gain, market expansion, new market exposure, or a hybrid of the three, you’ll need to reconsider the sales leadership you have in place to support your growth strategy for the future.
Navigating Sea Changes: New Outlook for Marketing Leadership

As informed buyers rewrite the rules of customer engagement, forward-looking CEOs have adjusted their revenue growth strategy—and along with it, the “A-Player” profile for their marketing leader.

By Dan Perry

**Making your number** takes equal parts talent and the performance conditions into which you place that talent. Since the average tenure of a marketing leader has been steadily declining, most CEOs are not getting that hire right. The result is decreased revenue growth and wasted shareholder value.

It’s time for a fresh approach. Marketing has experienced a sea change in the last three years, and informed buyers are now the norm. Companies continue to increase marketing spend as a percentage of revenue, and we saw the highest percentage to date in 2016. These developments call for a rewrite of your revenue growth strategy. That also means a new “A-Player” profile for the marketing leader’s role.

In particular, the marketing leader’s profile must be in lockstep with corporate, product, and sales strategies. It’s imperative to develop new competencies for this role and evaluate candidates on that basis during the hiring process. Remember, you get what you attract. If you fall back on old job descriptions and profiles, you’ll end up with an outdated marketing leader.

**Needs Assessment**
Following are key questions to guide development of the “A-Player” profile for your new marketing leader:

- Where will your growth come from—market share gain, market expansion, or new market exposure? Is your marketing leader experienced in this type of market?
- How does your marketing talent compare with your competition, industry standards, and best-in-class across industries?
- Does the forecasted tenure of the marketing leader match the time horizon of your corporate strategy?

- Does your marketing leader’s career stage match the life cycle stage of your industry, company, and products or services?
- Could revenue growth accelerate if you made more investments in marketing leadership?
• Do the marketing leader’s interests complement the interests of the CEO, board, and shareholders?
• Does the marketing leader’s profile reflect the profiles of buyers inside your target accounts?
• What does the marketing leader need to be best-in-class and thrive in your industry?
• What evaluation criteria do you use when selecting the marketing leader? How will you evaluate your current marketing leader?

Important caveat: Your new marketing leader will be successful only if your hiring process reflects your corporate strategy. That is the next step.

Best-in-Class Hiring Process
Begin by establishing a defined and documented series of interviews and interactions with the marketing leader candidate. A best-in-class hiring process includes screening, work history, and competency interviews together with a job trial interaction.

Screening Interview
The first step is to conduct a screening interview. Its primary purpose is making the decision whether to invest time and money in moving the candidate on to the work history interview.

Work History Interview
Next comes the work history interview. This is where you dive into the marketing leader’s background to see if he or she is a fit for your new revenue growth strategy. Questions in this interview are similar to the ones you asked yourself when building the profile. For example:

• Does the candidate have the necessary background and experience to ace your go-to-market strategy?
• Do the candidate’s experience and interests line up with the interests of the CEO, board, and shareholders?
• Is this a best-in-class candidate who will thrive in your industry?
• Does your candidate’s career stage match the life cycle stage of your industry, company, and products or services?

MARKETING ROI
To judge proficiency in marketing ROI, the competency interview should cover the following ground:

• Establishing executive-level success metrics
• Tracking marketing contribution as a percentage of sales revenue and marketing contribution as a percentage of opportunities in the sales funnel
• Improving the quantity of sales-ready leads
• Capturing campaign-level click metrics and associated results through closed-loop tracking
• Monitoring program versus staff costs
• Developing and tracking metrics and success criteria for all marketing programs and activities

During the marketing ROI competency interview, the candidate should be able to answer these questions to your satisfaction:

• What marketing metrics have you seen B2B companies track?
• How have you taken the metrics and applied them to business strategy and goals?
• How would you use these metrics in a go-to-market strategy (for example, market share gain, market expansion, new market exposure)?
• What experience do you have managing a marketing budget?
Answers to these questions will ensure time is well spent moving the candidate on to the competency interview.

**Competency Interview**
The competency interview is the third step in a best-in-class hiring process. Many people confuse this with the work history interview. Don’t make that mistake. The focus of this interview is to test the candidate’s proficiency level in each required competency. (See the sidebar example, “Marketing ROI.”)

Answers to questions during the competency interview will help determine whether you have a marketing leader candidate who fits your profile.

**Job Trial Interaction**
Finally, we recommend a job trial interaction that tests the candidate’s ability to actually perform the job. See the sidebar, “Marketing Campaign Strategy,” for a shortened example that one client used successfully. Of course, you would have to tailor this exercise to your company and revenue growth strategy.

**Focus on Revenue Growth**
By establishing the right marketing leader profile, tied to your revenue growth strategy, you’ll attract qualified candidates. Following the best-in-class hiring process mapped out in this article will help you land a great hire, in alignment with corporate, product, and sales strategies. It’s the best way to ensure your new marketing leader will contribute to revenue and ultimately help you make the number.

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**MARKETING CAMPAIGN STRATEGY**
For this job trial scenario, envision yourself as the new marketing leader for ACME. You have a clear opportunity to put your stamp on the company’s success.

In the past ACME has invested only in brand, sales support, and limited demand generation. Now ACME has increased the marketing budget to run a Q2/Q3 2017 acquisition campaign to boost sales in a specific region. Time is of the essence, because the company needs to hit its growth goal. The current revenue number is on track, but your marketing campaign can provide the fail-safe that ensures success.

Your task is to create a marketing campaign strategy that delivers $10 million in revenue (average selling price = $100,000) from the minute you launch all the way through the end of the year. The core buying season is June through September.

**Budget and Assets**
- **Budget:**
  - $500,000
- **Personnel:**
  - ACME campaign manager
  - ACME product marketing manager
  - Lead development representative (responds to inbound calls and makes outbound calls)
  - Sales reps (50) and sales VP
- **Assets:**
  - Personas and buyer process maps for end users
- **Resources:**
  - Marketing agency (creative)
  - In-house website design (landing pages, email, website content, and so forth)
  - Marketing automation
  - Access to prospect lists from past interactions

**Context and Deliverable**
Describe how you will approach the campaign; your suggested campaign framework is the deliverable. The merit of the plan will be determined by how well you leverage available resources, contribute strategic thinking, and recommend a campaign approach that will drive results.
The Untapped Growth Lever

Power revenue growth with a pricing strategy that captures more of the value you create.

By James Wilton

Meet Dave, a mid-market tech CEO. He is smart, savvy, and universally respected by his employees and industry peers. He’s invested wisely in sales and marketing optimization over the years, and consequently his team makes the number more often than not. Overall, the board is happy with his solid leadership.

When it comes to pricing, Dave uses a cost-plus strategy. He’s heard of value-based pricing, but he hasn’t explored it because he’s skeptical about what it could deliver. After all, he already bakes an aggressive 50 percent margin into his prices and he’s still growing share.

Why rock the boat when things are going so well? Here’s why: Dave’s decision against adopting a value-based pricing strategy means that every year he is letting millions of dollars slip through his fingers.

Cost-plus is the most frequently used pricing methodology across industries. Understandably so. It’s straightforward and defensible, and helps control profitability. But it has a fundamental flaw. Customers don’t buy based on how much a product costs to produce. They buy based on what they are willing to pay for it. If the price is equal to or lower than their willingness to pay, customers will consider buying the product. If it is higher they will not. It’s that simple.

Boosting the Bottom Line

Pricing based on the customer’s willingness to pay is known as value-based pricing. Adopting this approach is the gateway to unlocking revenues and profits you have already earned but are missing out on.

Willingness to pay for a product is strongly linked to the value a customer expects to receive, so it can be highly variable across a customer base. A large company may value an e-commerce platform more than a small company. And a professional services firm that uses an analytics package to sell projects and generate revenue may value the software more than a company that uses it for internal analysis.

This means that if you are not pricing to value, then at least one of the following is true:

1. You are missing out on potential customers that you could be serving profitably.
2. You are undercharging at least some of your customers who would happily pay more for your product.
**Exploring How Value-Based Pricing Works**

Your products or services create value for your customers. Their willingness to pay reflects the amount of value they perceive. It’s crucial to analyze each customer segment’s willingness to pay. Otherwise, your list price will typically fall below your customers’ willingness to pay. Moreover, if you discount, your realized price will be even lower. As a result, the actual value you capture will be a fraction of the value you create.

For example, imagine we are a vendor selling product X into the market. Product X costs $1,000 every time we sell it into an account. We have three different potential customers for this product, and each has a different willingness to pay. Account A is willing to pay $1,500; Account B, $2,000; and Account C, $3,000.

Using Dave’s 50 percent margin strategy, we should price product X at $2,000. If we do that, Account A will not buy since its willingness to pay threshold is $500 lower than the selling price. However, Accounts B and C will buy product X and we will realize $1,000 in profit from each. This gives us a total profit of $2,000.

But what if we used value-based pricing instead? If we can find a mechanism to do so, we can set a different price for each of the three accounts based on their willingness to pay. That means we can now sell to Account A at $1,500. This reaches Dave’s 50 percent profit margin target, but still nets $500 of profit. More importantly, it means we’ve increased our market share—we are now selling to all three accounts.

Also, we can increase Account C’s price to $3,000, meaning we net $2,000 of profit from that deal. We still sell to Account B at $2,000 as before. Now our total profit is $500 + $1,000 + $2,000 = $3,500, significantly more than we realized when pricing was based on cost.

You may point out that this is an unrealistic, oversimplified example. So let’s look at a very conservative and realistic one. Imagine you operate a $100 million business with a 40 percent gross profit margin. If you believe 20 percent of your customers would be willing to pay 10 percent higher prices, that would result in an extra $2 million of revenue.

This revenue would drop straight to the bottom line, raising gross profits by 5 percent.

**Dispelling B2B Myths**


Make no mistake, it does work in competitive industries. Competition may shift the price-to-value relationship, but it does not destroy that relationship. Value-based pricing even works when the industry dictates that pricing must be fully transparent. If some customers happen to see that others are getting a lower price, they can still be persuaded that this is fair.

There is only one case where value-based pricing is not appropriate: when customers do not perceive any product or service differentiation among competitors. In that instance price is indeed the only negotiation lever. But the situation occurs far less frequently than some would have you believe.

**Making the Switch**

Three success levers govern the move to a value-based pricing system. First, achieve an analytical understanding of your customers. Next, establish a price differentiation mechanism. And finally, drive the value-based culture.
1. Achieve an Analytical Understanding of Your Customers

The foundation for value-based pricing is a detailed understanding of your customer segments. Start by determining needs, seeing how well your product or service meets these needs, and figuring out what customers are willing to pay. To price with confidence, you must know your customer, not just make assumptions.

Gaining this detailed information gives you a leg up over your competitors. Your sales reps know what customers are willing to pay, so they will be less inclined to discount. Your marketing and product teams know what resonates with your customers, so they can reinforce key messages and make product improvements that will drive up willingness to pay. Most importantly, this knowledge gives you insights to create a mechanism for pricing differently across segments.

2. Establish a Price Differentiation Mechanism

Now it’s time to decide the best way to price differentiate. If there is a good reason for price differentiation, it’s vital to select the right technique to achieve it. For example, you can adopt a metric that ties price to a scaling factor; target a product version to each segment; or structure discounting to change net prices without affecting list prices.

3. Drive the Value-Based Culture

It is easier for sales reps to win deals on price than on value, so the CEO must reinforce a value-based culture. Everyone in the organization must understand how the company’s products or services deliver value to the segments. And they must be committed to maintaining price points.

This means being willing to walk away from a deal when necessary. If high willingness-to-pay customers are allowed to pay low prices, the whole system collapses. The CEO’s public dedication to the cause is a proven driver of success in value-based pricing initiatives.

Value-based pricing can be a true competitive advantage for B2B CEOs with the vision and focus to invest in it. You’ve already created the value. Why not capture more of it?
7 Ways to Reinvent Business Travel

Don’t let the hustle and bustle burn you out. Break up the old routine with some new experiences.

By Lynne Sharrers

Do you look forward to business travel? For many people, it gets old fast. Technology may have changed the way we live but many complain that business travel is the same old drag. It doesn’t have to be. Whether you’re a grizzled road warrior or just starting your career, consider a break from the usual routine to make your trips more fun.

/1 Bring Your Partner
Many people have date nights. Try a date trip. One of the best ways to make your business travel fun is to bring your spouse or partner with you. Most companies do not mind as long as there are no additional charges. Think about arriving early or adding on an extra day or two to enjoy the city. When you plan your trip, instead
of staying at the standard company-approved hotel, find a romantic one.

/2 Expand Your Knowledge
If you are traveling overseas, this is a great opportunity to see the local sights. Too many business travelers fly in and out, never taking the opportunity to enjoy where they’ve landed. Instead of catching the Sunday red-eye, arrive Saturday morning. You’ll have time to explore a new city, and be well rested for your Monday morning meeting.

/3 Hang with the Kids
Sometimes the greatest gift we can give is to let our kids experience what we do. Before you say that will never work—it can if your child is the right age. Most of us leave a 13-year-old at home alone for a few hours while we run errands. Some even babysit at that age. You may not have an office in the city you go to but a hotel room with homework keeps a teen occupied. Think about how much fun they’ll have with mom or dad in the hotel. Start your day with a great workout, maybe try a cool (kid-friendly) restaurant at night, and go sightseeing. If your child is a sports fan, you can check out the favorite team in a different city. Don’t limit your options.

/4 Never Eat Alone
Networking is one of the best benefits of business travel. Social media gives you real-time access to people by city. We live in the connected age. It isn’t what you know, it’s who you know. Take advantage of this great opportunity to build your network one thoughtful interaction at time. If you visit specific cities often, make a list of professionals you would like to meet. Before your trip, choose two or three people and schedule dinner, lunch, or even just coffee with them. Why eat alone in your hotel room when you can have a good time building your strategic network?

/5 Become a Food Critic
It’s easy to eat at the same old chain restaurants or get room service in your hotel. Force yourself to discover some of the restaurants listed as the Top 10 places to eat in the city where you’re staying. The experiences you gain and the people you meet are well worth the effort. Aim to try one local specialty spot each trip.

/6 Ditch Reward Points for Once
When traveling to a major city, consider a small hotel or bed and breakfast for a more personalized experience. The hosts at these lodgings can guide you to inexpensive and delicious restaurants off the beaten path. They also create a more comfortable feel, especially when you’re away from home for more than a couple of days.

/7 Escape from Work Emails and Calls
Most flights still have mobile-free reception. Embrace the downtime and disconnect from your email, voicemail, and phone. This will allow you to relax and unwind. Smart business travelers make the most of transit time to enjoy some peace and quiet.

Go ahead. Find new ways to reinvent business travel for yourself. You’ll feel energized and make a positive impact on others as well. 🌟
**HINDSIGHT**

10 Tenets to Live (or Die) By

By Kevin Avery

**The most dangerous species** of CEO is the product pusher. Ask any sales or marketing leader.

The product-pushing CEO is even worse than frugal Fran, whom as Oscar Wilde quipped of a critic, “knows the price of everything and the value of nothing.” At least frugal Fran is even-handed in her attempt to cut growth.

The product pusher tilts people, time, and money heavily toward R&D. Fine, you say, as long as he lowers expectations on marketing and sales given the shifted investment. Not so fast, my friend. Why should this CEO lower his expectations when he hands you such great products on a silver platter? Au contraire. Marketing and sales should be able to sell more. Here’s how they do it:

- **Marketing leader:** Just get the right product collateral onto our website, put enough muscle into driving website visitors, and let nature take its course. If there aren’t enough leads, then you’re incompetent.
- **Sales leader:** We don’t need high-priced salespeople. We don’t need to pay 75 percent of market. A trained monkey could sell our products. Maybe all we really need is inside sales and value-added resellers. Salespeople and channel partners will be beating down our doors once they behold the wonders.

If the following 10 tenets lurk in the heart of your CEO, your company’s strategy may be too deeply rooted in product:

1. Product superiority is the only legitimate core win strategy.
2. Third-party analyst subscriptions suffice for market research.
3. “We don’t ask customers. We already know what they want.” (Misquoting Steve Jobs.)
4. Nothing ever sunsets; road map budgets get funded without business cases.
5. Marketing messages promote cool new product features.
6. Marketing runs quarterly campaigns for each product.
7. New features trump all other priorities, like product reliability and customer experience.
8. The simple existence of multiple products creates portfolio value.
9. The magic potion for growing faster than your market is—you guessed it—better products.
10. Great products practically sell themselves.

With top management like this, who needs to worry about the survival of the fittest? (Rhetorical question.)
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