

Communiqué

Keys to Implementing 80/20— Aligning Sales Roles and Compensation



February 2023

Most companies and industries start with sales roles that are geography-based and paid via commission... any customer is a good customer; any product or service is a good product or service and any sale is a good sale! These companies minimize fixed sales costs, engender an entrepreneurial sales effort, and manage a relatively simple sales environment. As markets and industries evolve and increase in complexity and customers and sales channels increase in concentration, companies often find that they generate 80% of their revenue and profit from 20% of their customers and their remaining customers erode their profits.

The “80/20” concept is a business process, mind-set, and strategy. Companies use it to analyze their customer base and product and service offerings and focus their selling effort on “A” and “B” customers and “A” and “B” products and services to drive increased profitability and growth.

80/20 is not a people cost cutting exercise, although some sales professionals may not fit the new sales model. It is focused more on allocating sales resources and optimizing the costs required to serve customers. It’s a proven way to focus sales resources on the right accounts, products, and services so the sales team delivers higher profits and growth.

“Overserving” A customers is a key element in this approach. Over-serve the A accounts, efficiently serve the B accounts, and under-serve or fire the remaining customers that create 80% of the costs and erode profits. It is better for competitors to serve these unprofitable accounts!

80/20 has a significant impact on the “heart” of the sales effort because each sales role changes in some way... every customer and product set are no longer a good customer and product set. Each salesperson’s account base often changes, the salespeople may alter the product and service mix they sell, and they may invest their time differently. The management processes, management skill sets, spans of control, and goal/quota setting processes that support the sales effort also typically evolve.

In essence, a more focused mindset is needed to generate sales results. The field sales organization covers fewer accounts, only the As. A more cost-efficient sales channel (e.g., inside sales, e-commerce) engages the B accounts. Or, the company may opt not to proactively engage all the B accounts because it’s inefficient to cover all of them with valuable sales resources (people or systems) and some of these accounts may cost more to serve than the revenue they generate.

And, perhaps most importantly from the salesperson’s perspective... how salespeople are paid changes as well, particularly for those sales organizations with a legacy 100% commission compensation model. Since every customer and sale is not a good customer and sale, salespeople can no longer just hunt and gather and hoard accounts to increase their earnings. In fact, sales professionals need to do the opposite to increase their impact and compensation in the new model.

It’s a difficult, iterative, and time-consuming process to restructure sales roles, account assignments, sales territories, and pay plans. Companies often break legacy customer relationships for the benefit of the organization and the customer, and they often make emotionally difficult people-decisions.

Given the profound impact on the sales organization, companies approach the 80/20 process holistically, not necessarily all at once, but with a clear vision for the outcomes. Through the 80/20 process, companies ultimately evolve their customer segmentation and targeting models, value propositions, sales models and roles, talent profiles, sales processes, account assignments, sales territories, sales goals, pay plans, and management processes. Companies make these changes so they can over-serve A accounts and grow more profitably.

We’d enjoy an opportunity to discuss your current situation and your organization’s plan to implement the 80/20 process and align its sales organization. You’re welcome to contact either Steve or Jim to schedule a conversation.

We also invite you to schedule a call to discuss your state-of-the-art channel strategy challenges, contact us at info@franklynn.com.

About the Authors

For more than 35 years **Steve Grossman** has collaborated with senior management teams to align their sales organizations with their business strategies and drive change in a sales environment. Steve can be reached at steve@grossmanassociates.com.

Jim Fogarty, a Principal of FL&A, engages with senior client teams to navigate market changes and align channel strategies to enable sustainable, profitable growth. You're welcome to contact Jim at jfogarty@franklynn.com or visit our website at www.franklynn.com.