McKinsey&Company

Marketing & Sales
Digital Sales & Analytics: Driving above-market growth in B2B
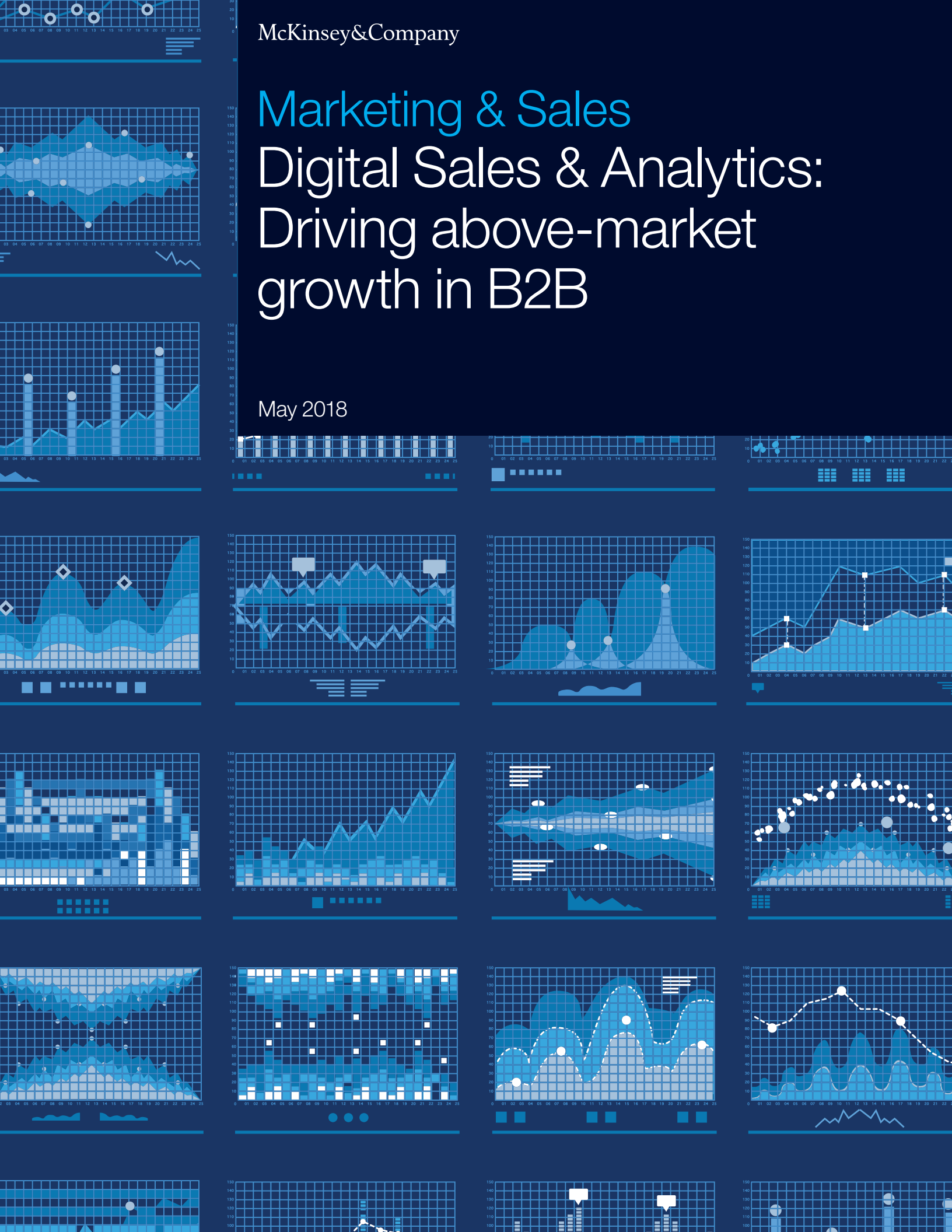
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Introduction

Most business leaders are well aware that digital and analytics have radically reshaped the B2B buying and selling environment. Customer expectations and needs are constantly shifting, manufacturing is increasingly technology-driven and distribution is ever more complex. At the same time, the excitement (and anxiety) around digital has masked a much more nuanced and complex view of how to deliver a successful sales growth strategy.

Clearly digital is a game changer for sales organizations that do it well. B2B players that embed digital in their go-to-market programs grow more than five times faster than their peers and have 30 percent higher acquisition efficiency. Radically re-shaping traditional selling channels (and the interactions between them) as well as the customer experience across each touch point of the entire buying & selling journey are core requirements today.

While digital is an important part of the answer, the latest research backed up by experience in the field shows that face-to-face, inside sales, use of distributors and 3rd parties, and retail matters as well. Knowing which channel to use depends on where buyers are in their decision journey, what experience influences their decision making, and the type of purchase they're making. And what this means is that digital and traditional marketing, as well as how technology enables sales effectiveness matter more than ever. The implications are profound in terms of how a sales organization goes to market.

At the same time, advanced analytics, artificial intelligence, and machine learning are reinventing sales operations and the ability of the sales organization to target, predict, and prioritize customers and interactions. In powering a new sales model driven by speed, precision, and agility, cutting-edge technologies are breaking through new frontiers of sales.

We hope this curated selection of articles will be a useful guide to navigating the changing sales world, and we look forward to hearing from you.

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The secret to making it in the digital sales world: The human touch

Christopher Angevine, Candace Lun Plotkin, and Jennifer Stanley

Successful B2B sales teams strike the human-digital balance customers want in three core areas: speed, transparency, and expertise.

The CEO of a large industrial company recently posed a question: "My face-to-face sales force thinks everything should be analog. For years, they've successfully driven consultative sales relationships based on face-to-face conversations, and they think they should carry on. Meanwhile, my e-commerce business unit thinks we should convert everything to digital because that's where the growth is. Who's right?"

The short answer is, "Both." The realities on the ground, however, make it hard for sales leaders to understand what they actually need to do, especially when different parts of the organization have a vested interest in pushing different sides of the human-vs.-digital debate.

There's no doubt that digital is rocket fuel for sales organizations. B2B sales leaders using digital effectively enjoy five times the growth of their peers who are not at the cutting edge of digital adoption.[1] But a recent McKinsey survey of B2B customers highlighted a more nuanced reality. What customers most desire is great digital interactions *and* the human touch.

The implication is that B2B sales companies have to use technology to power and optimize both digital and human interactions. Companies that add the human touch to digital sales consistently outperform their peers. They achieve five times more revenue, eight times more operating profit, and, for public companies, twice the return to shareholders. That data holds true over a four- to five-year period.

Many sales organizations, however, have trouble putting this human-digital program into practice. The truth is that there are no tried-and-true methods. Companies need to create the human-digital blend that is most appropriate for their business and their customers. This should not be a random process of trial and error testing. What is needed is a systematic way to evaluate the optimal human-digital balance (see sidebar, "Sales channels have evolved").

It's not who, it's when

The majority of B2B customers want both human and digital interactions on their buying journey, according to a recent McKinsey survey.[2] Their specific preference at any given time is primarily correlated with the stage of the buying journey.

Sales channels have evolved

Twenty years ago—let's call it the monochannel era—B2B sellers typically had one channel for all their customers. It might have been a face-to-face sales force or a call center, or they might have sold solely through resellers or distributors. As businesses grew and connectivity increased, these companies might have added a new channel; customers would have been clearly assigned to one or the other based on their segmentation.

Then the internet changed everything. Multiple channels were available to customers in any segment. Monochannel became multichannel, and now we have omnichannel—a "multitouch" world. Today's customers, regardless of segment, expect to engage with companies using the channel of their choice at any given moment in time and at all the different stages of the buying process (Exhibit 1).

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[1] "When B2B buyers want to go digital—and when they don't," *McKinsey Quarterly*, August 2017.
[2] "Do you really understand how your business customers buy?" *McKinsey Quarterly*, February 2015.

Exhibit 1

The evolution of the sales approach to customers

Phase 1: Mono-channel (pre-internet)

Face-to-face

Phase 2: Multiple channels (pre-internet)

Segment 1	Segment 2	Segment 3
Inside	Face-to-face	Key account management (KAM)

Phase 3: Multi-channel (internet)

Segment 1	Segment 2	Segment 3
		KAM
		Specialist
	Face-to-face	
Reseller	Partner	Sponsors

Inside/telesales

Web sales

Backbone

Phase 4: Multi-touch (today)   Multi-channel

[1] Request for proposal

When customers are researching a new product or a service, for example, two-thirds of those who lean more towards digital still want human interaction. As customers move into the evaluation and active-consideration stages, digital tools that provide information, such as a comparison tool or online configurator, come into their own, especially when combined with a highly skilled sales force.

After the purchase, when discussions are about renewal, cross-selling, and upselling, the tables are turned completely, and 85 percent of those who lean overall towards human interaction now prefer digital. Yet most B2B companies still reward reps more for spending time keeping customers loyal and repurchasing than for uncovering new customer needs or driving demand, which is exactly where customers say they want face-to-face expertise. The key message for sellers is that context matters more than customer type and much more than industry. Companies that are digital from start to finish today could see even higher growth if they reintroduce the human touch to the start of the buying journey. Conversely, if companies are firmly holding customers' hands via key-account managers or value-added resellers, they should be aware that customers are saying loudly and clearly that they don't value that close personal attention after the sale (Exhibit 2).

What do customers want?

Customers want a great digital experience *and* a great human experience. Be careful, though. We asked customers "What annoys you most?" and gave them a large number of possible answers, including price. A third said "Too much contact"—by far the single biggest answer.

The trick is to understand *where* human interaction is most wanted and invest there—be it in expertise available via a web chat, ensuring a speedy response to customer-service queries, or simply having a person pick up the phone when a potential customer rings.
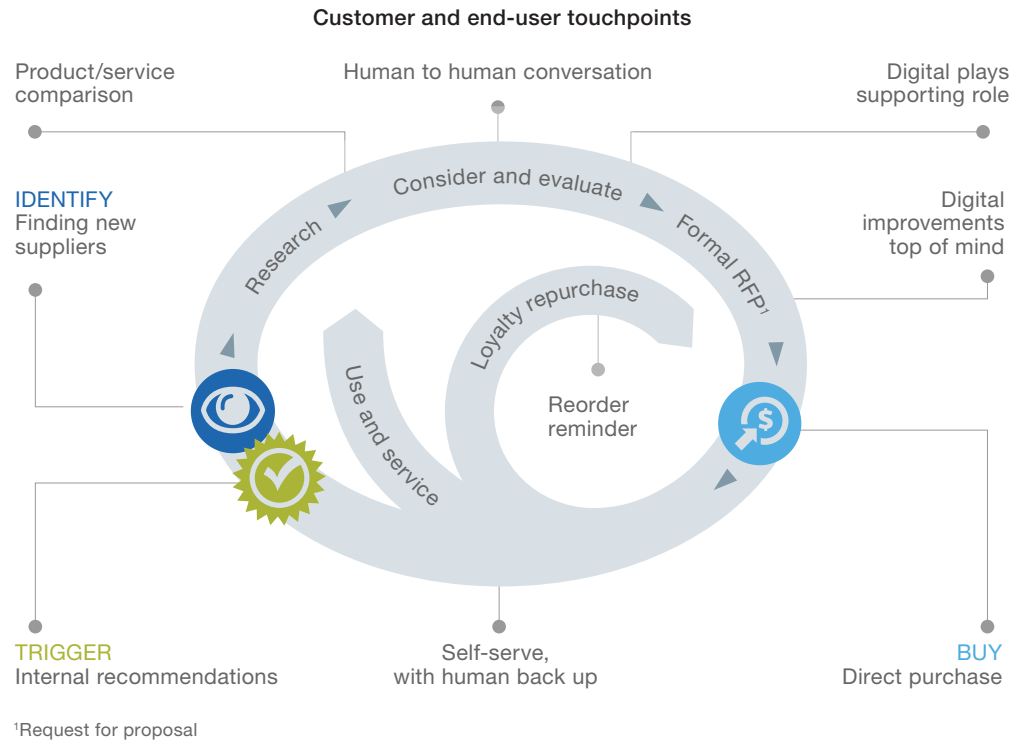
Companies also need to invest in digital, but those investments should focus on two places. First, where digital is most valued by customers: enabling speedy purchases and repurchases, delivering online tools for customer service, or offering real-time pricing with product configurators. Second, where digital can enable humans to do a better job of interacting with customers when the human touch is required.

Since many B2B customers still want human interaction at some stage of their customer journey, sellers need to offer multiple routes to market with both human and digital resources available at all stages at varying degrees of intensity. The challenge is ensuring seamless transitions and handoffs from one stage to the next so that customers are neither repeating themselves nor frustrated at delays.

The implications for employees are substantial. Sales reps need to focus their efforts on expertise, on being more consultative, and on responding quickly. Compensation structures may well have to change, too. If reps become less important at the point of purchase, then the commission model will need to evolve.

Exhibit 2

Though B2B buyers use digital and analog channels at each stage of the typical decision journey, they tend to have specific preferences.

Customer and end-user touchpoints

Product/service comparison

Human to human conversation

Digital plays supporting role

IDENTIFY
Finding new suppliers

Consider and evaluate

Research

Formal RFP[1]

Digital improvements top of mind

Loyalty repurchase

Use and service

Reorder reminder

TRIGGER
Internal recommendations

Self-serve, with human back up

BUY
Direct purchase

[1]Request for proposal

From our research and experience, three traits have emerged that should be core ingredients of every company's optimal human-digital blend: speed, transparency, and expertise.

The need for speed

Slow turnaround times are frustrating, and slow means more than 24 hours, even for B2B customers. Companies need to think about having 24-hour expertise available on call, with superexperts, who can answer customer questions in real time, sitting with the sales or customer-service team. Digitally enabled tools can help enormously, for example by connecting customers with experts via a web chat.

Even when customers are doing extensive online research, there usually comes a point when they want a question answered quickly. This could be online, through the company website's FAQs or product pages, or through contact with a real person. Yet most B2B companies have yet to perfect their online content to answer all questions, and even fewer have reconfigured their traditional inside sales channels or web-chat tools to deliver highly technical expertise on demand.

Once customers are set on making a purchase, they want to do it fast. One-click purchases or shortcuts for repeat orders (even for large capital purchases) can speed up the process tremendously. If customers are on a company's website but have to buy from a distributor, they need to be able to reach the appropriate page on the distributor's website quickly and smoothly. If there are changes to

the RFP, customers expect an almost instantaneous turnaround or, better still, an online space where buyer and seller can solve the problems in real time. Customers we spoke to complained a lot about being unable to make a quick change, whether they were buying in person or digitally.

Finally, speed is vital in repurchase and post-purchase troubleshooting. Four times as many B2B buyers would buy directly from suppliers' websites if that option were available (and fast). They are especially keen on it for repeat purchases.

For postpurchase needs, speed can come from something as simple as having better FAQs, or from a well-run forum where customers can solve one another's problems online. Increasingly, it means using chat bots, which can often answer a lot of customers' queries, or at least ensure they are directed to the best place or person as quickly as possible.

One B2B retailer changed how it offers online support by crowdsourcing improvements to its FAQs and offering a small reward as an incentive to engage. It also interviewed customer-facing staff to prioritize customers' pain points. It then updated the FAQs based on this feedback and cross-referenced the answers with the service calls that had the highest-rated resolutions to ensure the content was correct. Finally, and perhaps most simply of all, the company moved the FAQs to a more prominent place on its e-commerce site.

These relatively inexpensive and straightforward changes reduced the volume of calls and messages to its customer care center by a staggering 90 percent, since customers could now quickly find the answers to their problems. This success allowed the retailer to shift support capacity to work with the key- account teams on strategic accounts.

Transparency matters

Customers want transparency. They want to know at a glance the difference between what they have today and what they could have tomorrow, and they want to know what the total cost is. Digital tools make product comparison and price transparency easy and can be used both by customers directly and by sales reps working with clients, blending the digital and human. For example, in more transactional situations or for general comparison and evaluation, customers want to be able to look online for pricing or use configurators to generate pricing for comparisons. In more complex or consultative situations, face-to-face or inside sales reps might access online configurators or pricing tools in collaboration with a customer.

The importance of transparency extends to resellers. Our research shows that customers still judge companies on pricing transparency at their resellers. If the reseller lacks a good product-comparison engine, a good configurator, easy-to-understand pricing, or easy-to-build quotations, then in the customer's mind it's the same as if the company was managing the sales process itself. One option is to let customers use your site to do their comparisons; the other is to find out where customers struggle on the reseller's site and invest in helping the reseller overcome the problem.

Whatever the specific situation, it is critical to control as much of the process as you can, and to influence what you cannot directly control. One software company realized it wasn't converting small- and medium-sized business customers from consideration to purchase. Its one-size-fits-all

approach to product recommendations meant that SMB customers saw the same offers as enterprise-level customers and thus had no clarity on which elements might be priced differently if applied to them. So they took their business elsewhere. It was time for a change.

The company set up a "trial and buy" website specifically geared to small- and medium-size businesses. It asked customers to fill in a brief form to assess their needs and made offers based on their answers, with clear pricing for each package and a clear explanation of how each package was different. This approach helped the company open up a whole new segment. Within three months, 90 percent of SMB buyers were first-time customers. Those customers whose needs were seemingly too complex for an off-the-shelf package were routed to a team of inside sales experts who were able either to direct them to the right standard package or to configure a solution to meet their needs. This ability to "triage" customers into those who need more human help versus those who can be well served with digital tools can significantly improve customer experience and conversion.

Digital to support your experts

Today's account managers needs to be experts, and digital tools can help them provide their expertise to their customers. The human conversation facilitates and drives the customization, while the digital tools bring the quick visualization and specifications—including pricing tradeoffs—into sharp relief. Neither works without the other.

A senior account manager at an audiovisual company was sitting down with a customer's team. On her tablet was a product configurator, and during a three-hour meeting, she was able to use the live configurator to redesign the product in line with the customer's evolving requirements. The pricing updated in real time, the ancillary products and services that would complement the new system were included, and everyone around the table could talk about what they were seeing on the tablet. Such an exchange might have taken two to three weeks just a few years ago.

At a medical-products company, sales reps brought their expertise to surgeons, helped by a complex configurator and visualization tool. They were able to help the surgeons pick precisely the right product for particular patient segments (based on demographics and diagnosis) and show them a video game that demonstrated connecting the device to the patient. This experience boosted surgeon satisfaction with the company by 10 percent, and sales by 12 percent. Moreover, the surgeons rated the reps' expertise as 30 percent better than that of a control group armed with just brochures and PowerPoint.

The hat trick

Successfully bringing speed, transparency and expertise into the digital/human blend delights customers and grows sales. Recent moves by Grainger, are a classic example of a response to all three customer needs simultaneously.

Grainger is one of the world's largest providers of maintenance and repair supplies and was one of the first companies in its sector to seize upon digital as a tool for achieving both customer intimacy and growth. As far back as 1991, when they provided an e-catalog on CD-ROM, Grainger has been at the forefront of embracing digital alongside its core "human" branches and sales reps. Fast-forward to today, when 69 percent of Grainger orders originate via a digitally enabled channel (such as website,TakeStock, and EDI). But sales and service representatives, along with local branches, remain integral to the customer experience.

As their ecosystem evolves, Grainger continues to innovate, launching two businesses that are fully online only. Monotaro, serving SMBs in the Japan market, and Zoro Tools, serving SMBs in the United States, are both single-channel online stores. Both offer only products that are meaningful for this segment, which meant whittling down tens of thousands of SKUs, simplifying the assortment available, and increasing the speed at which customers find what they need. Pricing is transparent, and the purchase process is fast: simply click to buy.

The benefits for Grainger have been significant. Both Monotaro and Zoro have experienced double-digit growth as the result of a speedy, transparent, and informative process (22 percent and 18 percent respectively, 2017 over 2016). Simultaneously, customers continue to engage in analog experiences, with 32 percent picking up orders either at a branch or via an onsite locker system.[3] The human touch and experience remain very relevant.

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Perhaps the single biggest lesson from this research is the benefit of asking customers what they want. We asked them, "What's the one thing a salesperson could do that you would really appreciate in terms of how you interact?" Their answer: "Ask me."

Is it time to ask your customers whether the monthly meetings you have with them are valuable? Would they prefer a quick text or email rather than a phone call? Are they aware of the product wiki you have online? Get the customer involved to find out when to use digital tools and when they want the human touch. ☐

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[3] 2018 Fact Book, Grainger, W.W. Grainger, Inc. and subsidiaries.

When B2B buyers want to go digital—and when they don't

Christopher Angevine, Candace Lun Plotkin, and Jennifer Stanley

New research indicates where to focus digital investments so that they will reap rewards in online and face-to-face channels.

It was long held that B2B customers would shun digital channels, explaining why many suppliers have been slow to make significant investments in them. Wisdom had it that the products and services purchased were just too complex. New research puts that claim to rest, but it also makes clear that B2B suppliers cannot choose between a great sales force and great digital assets and capabilities. To drive growth, they need both. The research

further suggests that companies should see their initial digital investments as the glue that holds together a powerful multichannel sales strategy.
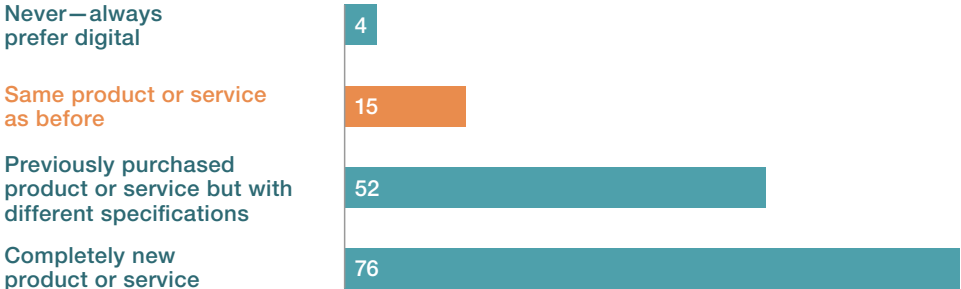
The findings

We surveyed more than 1,000 buyers in four countries in a range of industries to identify their preferences when dealing with suppliers. The responses showed that industry sector is not a factor in buyers' decisions to turn to a digital channel rather than a traditional one when deciding what to buy. What determines the channel of choice is whether or not the buyer is making a first-time purchase. As Exhibit 1 shows, 76 percent of B2B buyers find it helpful to speak to a salesperson when they are researching a new product or service. That figure falls to around 50 percent for repeat purchases of products with new or different specifications. And only 15 percent want to speak with a salesperson when repurchasing exactly the same product or service, no matter whether it's the purchase of a router or, say, bulk commodity chemicals. There is also a small group of people who are happy if they never speak with a sales representative.

Exhibit 1

Only a small proportion of B2B buyers need in-person support when making a simple repeat purchase.

When buyers find it helpful to speak with someone,[1] % of respondents

Never—always prefer digital	4
Same product or service as before	15
Previously purchased product or service but with different specifications	52
Completely new product or service	76

[1]In person or by phone. Respondents were able to choose more than 1 answer.
Source: McKinsey B2B customer decision journey survey, 2016

When it comes to actually making a purchase, 46 percent of buyers say they would be willing to buy from a supplier's website if the option were available and the service efficient. That compares with just 10 percent who make an online B2B purchase today.

The importance of an efficient service relates to the second finding: the way the experiences of B2B buyers in the online consumer world has influenced their expectations. Be they online or off, B2B buyers want an immediate response. They want ease of use (the ability to find the information they need effortlessly). And they want that information to be both accurate and highly relevant to their particular needs, wherever they are on the customer decision journey.

Noteworthy too is how often they are dissatisfied with suppliers' current level of digital and offline performance: some 46 percent of survey respondents said it was difficult to compare products online accurately. They are frustrated that they cannot complete a
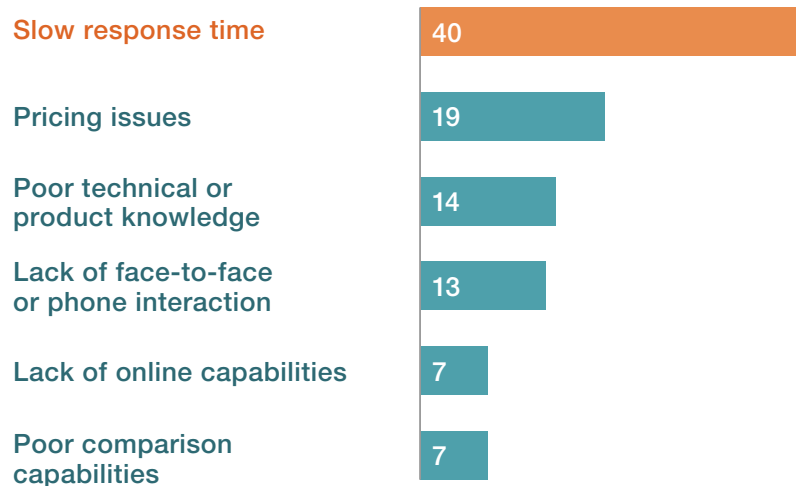
repeat order easily. And they grumble about the time it takes to get a response when seeking help.

Indeed, slow response times are by far the biggest frustration for buyers, bigger even than pricing issues (Exhibit 2). Some 30 percent of buyers of industrial technology, for example, said they preferred to buy from distributors because manufacturers' sales representatives took too long to get back to them. That is not to say that all distributors outperform suppliers, but it illustrates how a slow response risks lost sales. After the sale, the four most commonly identified pain points that would prompt a buyer to consider an alternative supplier all relate to suppliers' lack of responsiveness (Exhibit 3).

Exhibit 2

A slow response time is buyers' biggest complaint.

What frustrates buyers most, % of respondents

Slow response time	40
Pricing issues	19
Poor technical or product knowledge	14
Lack of face-to-face or phone interaction	13
Lack of online capabilities	7
Poor comparison capabilities	7

Source: McKinsey B2B customer decision journey survey, 2016

The implications

The survey findings suggest the need for two different sets of digital investments.
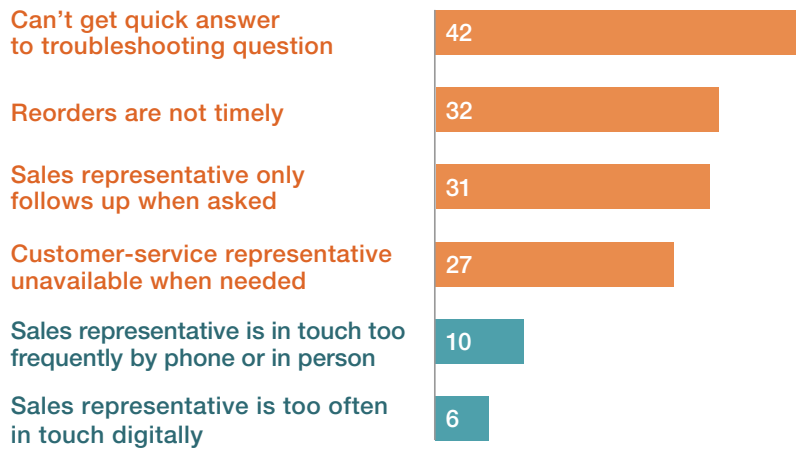
Customer-facing investments

The first set targets those who are comfortable or even prefer being online, keeping them satisfied and loyal, speeding up the sale, and encouraging them to spend more.

For instance, comparison engines will help ensure that buyers consider suppliers' products and services in initial searches and give them easy access to information. Click-to-chat support on company websites will offer buyers the assistance they expect around the clock. And automatic email reminders will drive repeat purchases. (Half of all

Exhibit 3

A slow response
risks losing
customers to
competitors.

Why, after making a purchase, buyers might look for a different supplier,
% of respondents[1]

Can't get quick answer to troubleshooting question	42
Reorders are not timely	32
Sales representative only follows up when asked	31
Customer-service representative unavailable when needed	27
Sales representative is in touch too frequently by phone or in person	10
Sales representative is too often in touch digitally	6

[1]Respondents were able to choose more than 1 answer.
Source: McKinsey B2B customer decision journey survey, 2016

B2B buyers rely on sellers to remind them when to reorder, according to our survey, but many sellers disappoint.)

Some companies provide direct online sales, perhaps with an automated next-product-to-buy engine based on customer-transaction data. An advanced-materials and-machinery company we know tripled market revenue growth in this way. Direct sales are not an option for all, yet even those suppliers that sell indirectly will have to work with distribution partners to facilitate online purchases if growth is their goal.

Whatever the functionality, it will have to meet expectations for speed set in the B2C world. "There's no sense having an e-chat function that I have to wait in a 15-minute queue to use," one buyer told us. "I want it now, or I'm logging out and going elsewhere."

Sales-force investments

The overwhelming majority of buyers told us they still want the prompt attention and expertise of a salesperson when making decisions about first-time purchases. Investments in digital assets will indirectly help the sales force meet those needs, freeing them up from dealing with routine inquiries (when customers don't want to talk to them anyway). Instead, they can devote time to helping customers with more complex buying needs, as well as seeking out new customers. However, a second set of digital investments will help the sales force directly.

Relatively simple customer-relationship-management tools can track customers' previous questions and help anticipate needs. Virtual product demonstrations on a browser or tablet (when visiting a buyer) will assist in a sale. Customer-segmentation and value-proposition engines help sales representatives build tailored offers in the field that quantify the value for the customer. And as in the online world, advanced analytics can prompt buy recommendations. They can even feed sales representatives with real-time information on how to price an offer based on an analysis of deals other salespeople in the company have closed.

This is just the start. Suppliers' digital strategies will have to change in line with evolving customer preferences. But it makes sense for them to cut their teeth in the digital world with investments that reflect customers' current preferences and expectations. ☐

Christopher Angevine is an associate partner in McKinsey's Atlanta office, and **Candace Lun Plotkin** is a director of knowledge in the Boston office, where **Jennifer Stanley** is a partner.
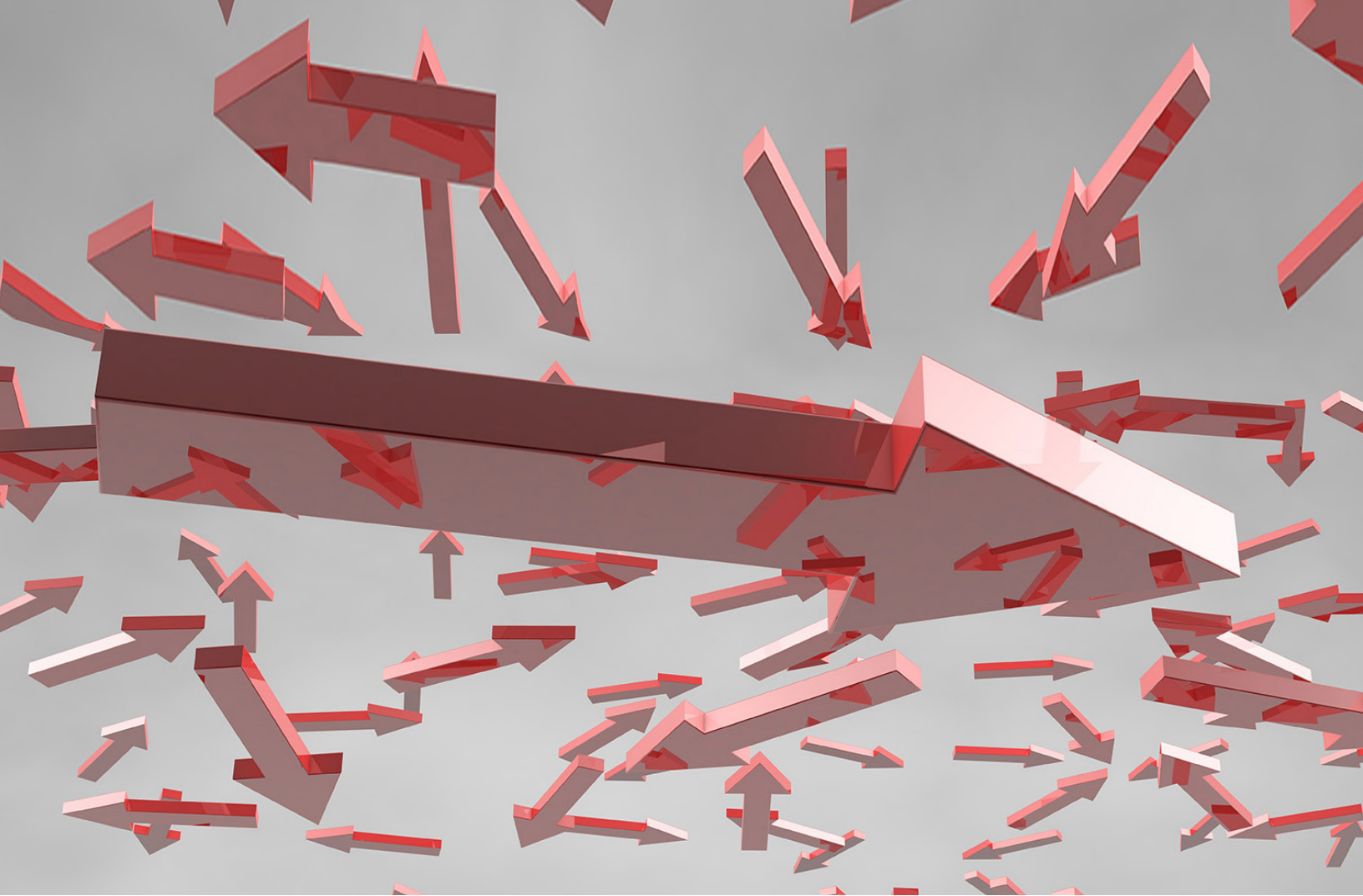
What sales executives need to get right for digital success

Homayoun Hatami, Mitra Mahdavian, Maria Valdivieso, and Lareina Yee

To realize the full value potential of digital, successful sales organizations reorganize top to bottom, front end to back end. Here's their road map.

"We've got to go digital." Every sales leader has heard some variation of that statement. But what is digital, actually? And of all the digital things to do out there, what matters most for driving sales growth?

To help answer this question, we conducted a survey of more than 1,000 US and European sales executives, as well as interviewing dozens of sales executives and doing research for the book *Sales Growth: Five Proven Strategies from the World's Sales Leaders*. In our first article from this data set, we looked at the five areas where sales leaders outperform their peers (see "The sales secrets of high-growth companies" in this collection).

For this article, we looked at how sales leaders drive performance organizationally. Our analysis revealed that fast-growing companies[1] successfully connect seemingly opposite approaches:

- Front to back: They create a dynamic experience for customers, and use digital tools and data to power operations. It's common for companies to overemphasize one or the other, but the greatest success lies in a marriage of both.

- Top to bottom: Successful sales organizations also overhaul the way things are done, from sales leadership all the way through frontline sales reps.

While this structure might sound like a "do everything" approach, its value is in providing a simple way to think through the connections needed throughout the organization to get the most from digital capabilities, from automating processes to delivering experiences across all channels to using analytics to enable the sales force.

Of course, this is all much easier said than done. In our survey, a majority of sales executives said that their companies are increasing their investments in digital sales tools and capabilities for the near term. Yet less than 40 percent believe they are even moderately effective at it, and a mere 17 percent rate their capabilities as "outstanding."

There are, however, companies that are excelling—driving higher revenues from their digital channels and using digital technologies to power sales. Here's how they're doing it.

1. Front to back

Front end: The customer experience

Determine what your customer needs. Every effective digital strategy begins and ends with understanding what customers are thinking along every step of their decision journey and working religiously to meet those expectations. That means understanding what their unmet needs are and how they use the web, from searching sites to browsing on apps. At Grainger, which sells over one million industrial and commercial products, customers often don't know exactly what they're looking for. "We spend a huge amount of time understanding how we manage the tension of exact search versus a search that returns

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[1] Defined as having revenue growth of 6 percent or more that has grown faster than their peers'.

an unmanageable 200 products," says Debra Oler, vice president for Grainger's US industrial-supply business.

As part of the digital customer experience, companies should allow the option of an all-digital experience, e.g. provide instant price quotes online as opposed to requiring contact with a sales rep. One electronics company, for instance, built tools that let customers compile customized orders of differently configured products and then immediately see the impact of any changes on the price, even after the order is placed. The tools also allow customers to see how the manufacture of their order is progressing.

Go mobile. Since most customers are likely to be devoted owners of smartphones, all digital content should be optimized for mobile devices, including order entry, purchasing, and order history. This is especially crucial for companies with large numbers of customers on the move. Grainger, for instance, developed an app whereby technicians, who may be responsible for maintenance on dozens of hotels or other commercial properties, can quickly live-chat with a Grainger product expert to get answers to repair or parts questions. Technicians can also use their phones to take a picture of an unfamiliar part and send it to the company for identification and then purchase. As a result of these and other features, the portion of Grainger's e-commerce traffic coming from mobile devices is 15 percent and rapidly growing.

Continuously test to optimize offerings. Thanks to the ultralow cost of e-commerce and the highly trackable nature of digital interactions, companies can and should adopt a spirit of discovery toward their digital offerings. Relentless testing of different site formats, promotions, and configurations can maximize visitor numbers, transactions, and revenue. One leading multibillion-dollar global e-commerce site launched more than 100 new marketing campaigns within six months of its launch, using a rapid test-and-learn pilot approach—and Amazon, the oft-cited leader in all things digital, employs a large team of PhDs to constantly analyze the layout of the site, using advanced testing techniques to evaluate multiple versions of it at any given time and find which permutations generate the most sales.

Back end: Sales operations and insights

Our survey reveals that many fast-growing companies use digital tools and analytics to empower salespeople to work more effectively and more efficiently. Some 43 percent of fast-growing companies say they are successful in using digital tools and capabilities to support their sales organizations, versus just 30 percent of slow growers.[2] When using analytics to make decisions, the disparity is even greater: 53 percent of fast growers rate themselves as effective, compared with 37 percent of slow growers.

Get in front of the best sales opportunities. When we asked sales execs to identify which specific factors were the most important for driving sales growth, their top choice was

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[2] Defined as having revenue growth of 5 percent or less and growing at the same or slower rate than peers'.

the ability to identify the right customers and opportunities. Analytics and tools for lead qualification and scoring are crucial. They can evaluate the likelihood that a lead coming from a particular type of customer or particular channel—say, a website email, referral from a conference, or inquiry at a retail store—will result in a sale, letting sales reps prioritize their time and efforts. In the same way, sales leadership can use analytics to make ongoing deployment decisions about which reps should go to which accounts in which markets, and how much quota to assign. One large IT company used McKinsey's sales-coverage planning software, Rep Planner, to reposition and ultimately reduce the numbers of its sales reps, yielding a 5 to 7 percent improvement in sales productivity.

Analytics should also focus on identifying customer trends and patterns that provide next-product-to-buy or related-purchase recommendations tailored to each customer, thereby delivering a great customer experience. For instance, one Fortune 500 market leader in business outsourcing found that its customers who had bought a particular product, had a growth rate above a certain threshold, and had expanded internationally within the previous 12 months were disproportionately likely to buy another particular product. Analytics can also be used to flag when a customer might be ready for an upgrade or renewal.

Integrate with channel partners. The best sales organizations have extended their own digital systems and data to connect with resellers and marketplaces, sharing, for instance, prospecting lists and support for managing sales-rep performance. Cisco became a leader in this practice after it realized it was getting a lot of the same complaints from resellers: the deal-registration process was a headache, and deal reviews and approvals were slow. Channel partners complained they were losing deals as a result. Now, when a partner's rep registers a deal on Cisco's portal, she can see immediately if her contact person is available to approve the deal on the spot. If not, a voicemail gets converted to text and delivered to the Cisco manager, who can quickly accept, decline, or transmit to the next approver via mobile phone.

Optimize pricing. Survey respondents told us that optimal pricing for deals and products is the sales function with the highest impact on sales productivity. Digital tools offer unprecedented ability to compare current deals with a wide array of past data on similar sales and circumstances. Such dynamic deal scoring and discounting controls can help identify the highest possible price that will result in a sale.

2. Top to Bottom

Getting your organization ready

Too often, "going digital" means loosely stringing together pockets of digital activity instead of developing and implementing a coherent and unified digital strategy. The result is that customers are left hanging, either unable to get what they need or receiving incongruent communication. The best-performing companies couple top-down leadership with bottom-up change management to truly transform the way the organization works over the long term.

Top down: The biggest determinant of the outcome of any digital sales transformation is leadership commitment, clarity of strategic vision, and authority to run the show. Our survey showed that clear and consistent communication from sales leadership is more important in motivating an organization than, for instance, the level of resources expended.

Leadership must also work to bridge the divide between the marketing, sales, and IT departments. Digital transformations are cross-functional in nature, but these three functions often operate in silos. Our survey showed a significant disconnect in how the IT and marketing organizations evaluate their effectiveness, compared with the perception of their effectiveness in the sales force. One way to enhance collaboration is through an empowered sales-operations team that straddles sales, marketing, and IT. Successful sales-operations teams are able to work effectively across organizational boundaries to drive both front-end and back-end digital innovations in sales, for example, by working with marketing to improve the digital customer experience on the website, or working with IT to upgrade customer-relationship management and customer data.

Bottom up: Pairing back-end analytics and digital expertise with the right people out on the front lines is a crucial way to ensure that digital strategies pay off. This means having digitally literate sales reps who can integrate the information and insights gleaned from new tools and analytics into the way they sell. To make that happen, fast growers in our survey spend significantly more time and money on sales-force training than slow growers do. Given today's shifting sales dynamics and norms, the best managers spend the time to mentor high-performing salespeople and support them in building new skills.

The best companies are also willing to adopt an experimental approach, continuously testing tools, analytics and features to make sure they are in line with how their sales teams sell and with what customers want. Companies can no longer afford to spend two years laboring away in isolation to achieve perfection.

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While developing digital capabilities is essential to driving sales growth for B2B companies, capturing their full value potential depends on how well businesses can integrate people and technology across the organization. ☐

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Boosting your sales ROI: How digital and analytics can drive new levels of performance and growth

Bertil Chappuis, Steve Reis, Maria Valdivieso, and Michael Viertler

Successful sales leaders use four principles to tailor digital and analytical tools to their companies' unique needs.

Few business leaders would dispute the fact that sales teams must evolve. They are already investing billions of dollars in sales technology and training in response to automation and artificial intelligence, which are making ever deeper inroads into the sales function.

The trouble is that these investments aren't paying off. We speak with many sales leaders who are frustrated with the lack of clarity on the ROI of their investments and surprised when their new "shiny toys" (such as a new lead-generating tool) fail to deliver meaningful performance improvement.

The truth is that driving sales growth today requires fundamentally different ways of working as well as outstanding execution across large, decentralized sales teams and channel partners. While many sales leaders accept this reality in principle, they don't put sufficient energy or focus into driving that level of change. Advances in digital and analytics, however, mean that sales leaders can now drive and scale meaningful changes that pay off today and tomorrow.

Companies that get this right typically see 5 to 10 percent revenue growth with the same or improved margins. And they see many of those benefits quickly, often within a few months. In addition, their longer-term health, as measured by better customer and employee satisfaction, improves.

The four ways digital and analytics drive successful change

Digital and analytics can radically accelerate—and improve the chances of delivering—successful change. But undisciplined investment can be counterproductive and expensive. In our experience working with companies that have successfully boosted the ROI of their sales investments, these four actions make a meaningful difference:

1. Provide insights that sales reps need

A wealth of sales insights are discoverable today through advanced analytics, but they often don't translate into sustainable revenue for a few reasons: the front line does not trust the data, the insights are overly complex, or reps simply feel that their own experience and expertise are being ignored. Successful change programs rely on a deep understanding of the needs of the salespeople and a willingness to work back from there to deliver insights that actually help reps sell better. The best sales organizations use data to understand the effect of all the steps in sales, from what matters most in driving a sales opportunity forward to where reps struggle or miss opportunities. They then package those insights and send them to sales reps. Actively involving sales reps in the process greatly increases the chances of providing relevant and easy-to-use solutions.

Car manufacturers offer an excellent example of how to manage frontline needs. Their dealer networks are often quite autonomous (stocking and product-configuration decisions are made by individual dealers). This means, for example, that having 2,000 dealers in a given market equates to 2,000 separate decisions on what stock to take. Traditionally, there has been little attempt to use data from the entire dealer network to optimize those decisions. As part of a shift to optimize and upgrade the stock at its dealerships, one manufacturer aggregated data on specific car configurations (engine type, trim, color, etc.) purchased across the network. It then calculated the optimum mix

of stock based on a combination of profitability and customer appeal, which could be updated in real time as sales were made.

The insights were played back to each dealer, to speed up the process and make them better informed, with specific recommendations on which cars to order. What was fascinating was the degree of uptake of the new system. The adoption rate within nine months was 80 percent, a striking contrast to a previous effort where the adoption rate was below 10 percent. Cars spent far less time in the showroom before being bought, heterogeneity of vehicles increased (which helped with residual values), and the contribution margin grew by more than 10 percent.

What changed? The first time around, the company had been clear on what the outcome needed to be, but it hadn't taken the individual dealers' perspective into account. The dealers resisted what felt like a top-down idea imposed on them, because they didn't really understand the benefits, and implementation was difficult. This time, the digital tools that delivered the insights were built hand-in-hand with the dealers from the outset, to understand what functionality and information was most helpful for them. The manufacturer also used an agile approach to development, refining the tool quickly based on real dealer feedback. The dealers were engaged in the process, understood what the company was trying to achieve, and recognized it would make their lives easier. As uptake was so high, the impact for the company was also high.

When done well, this approach can also empower the sales force. As part of a sales transformation focusing on pricing and growth, a chemicals company used analytical tools that gave the field sales force transparency on the overall business, which encouraged and enabled them to create their own strategies and implementation plans. They could create their own projects on the platform, which of course could be tracked by managers, and the impact was impressive: within just a few weeks of implementation, churn was down and pricing was up, and within a year, it contributed an additional $50 million to EBITDA. The magic was the combination of getting insights to the front line in a simple, easy-to-digest way while allowing reps the freedom to explore some of the underlying input, which let them develop their own ideas.

2. Use digital to enable what matters for each sales rep

We often find companies that have excellent operational discipline but fail to apply a similar rigor to sales. They seem to linger under the misunderstanding that sales is all about relationships or that sales teams are motivated solely by incentives.

The core elements in enabling effective sales operations are focusing reps' time and attention on the handful of metrics that disproportionately matter. Those often include the size of the pipeline and conversion rate, and incentives that are consistent with the company's overall vision for its transformation, rather than those based on out-of-date ideas or on criteria beyond the sales rep's control. Embedding weekly routines and daily expectations of activities reinforces the ultimate goal of driving sales growth. Crucially,

then, sales leaders need to focus on digital and analytics capabilities that deliver on these needs.

A technology company had limited data on sales, margins, and products sold at the rep level, and no performance-management systems. When it attempted a large transformation that involved capturing new growth, realigning coverage to match opportunities, building frontline capabilities, and redesigning compensation structures, results were slow to arrive—and quarterly-target pressure did not let up.

The company realized it needed to use analytics and an automated report system to create dashboards personalized for each salesperson and highlight the opportunities they needed to follow-up on.

Reps now see their top opportunities on a daily basis, which helps them prioritize their actions. The techniques were also used to help sales support staff drive the most efficient selling process. Pricing specialists were flagged on where the hottest opportunities were and also on opportunities to cross-sell with their customers.

Importantly, from a performance-management perspective, the dashboard also introduced transparency. Managers all the way to the C-suite could now identify the best-performing reps and what opportunities they had closed, and where reps needed coaching. It worked both ways. Reps could also flag where they needed help, all the way to the C-suite, which ensured that priority opportunities got the right level of attention.

The combination of reporting, enablement, and coaching delivered an enormous impact very quickly: a $55 million uptick in revenues for that quarter using "quick and dirty" tools effectively rather than making enormous investments. The trick was making the information available at the individual level.

Using digital tools is necessary to scale solutions across the sales organization. That includes creating tailored dashboards for all sales personnel as well as decisioning tools to help reps in the field make better decisions. These don't need to be overly complex; even quick and dirty solutions can deliver profitable results without waiting for more sophisticated IT investment and development.

One software company turned to digital to crack a recurring problem: the sales force was so fragmented and dispersed that it was hard to know whom to call for help. There were more than two dozen sales roles within the function, from account managers to software architects, and the company realized that the right people were seldomly working on the right deals. It developed a digital tool to embed within the CRM system that could give sales reps the precise names of the right people to call for any particular deal—there could be as many as ten at any one time—based on their specific experiences. This tool also scrapes email and calendar data to understand what patterns of sales-staff interaction are most highly correlated with strong performance: How often do they interact, at what stage of the deal, and which specific combinations of people work well in which situations? Ultimately,

the company has recognized the power of collaboration and is using data and analytics to change the behavior of thousands of sales reps, guiding them to better outcomes.

3. Use data to prioritize and personalize capability building

Best-in-class sales organizations place an enormous emphasis on building frontline capabilities during a transformation; this applies to their own sales force and channel partners. They recognize that otherwise there is no hope of any new tool or new approach delivering results. But they don't stop there. These sales leaders use analytics to get very specific on what skills to teach and to whom in order to reengineer the very DNA of the sales organization.

By using analytics to identify the traits and skills of top performers, it becomes clear where everyone's gaps are. Then digital tools can be deployed alongside more traditional learning mechanisms to effectively roll out coaching to large and widely distributed sales forces.

The technology company above understood that building frontline skills was the key to a successful and sustainable transformation. But with so many new skills needed, they struggled with prioritizing them. Sales leaders turned to analytics. Our analysis (based on our Sales DNA database on sales rep performance) revealed that although pipeline management was an important skill, it was also one that the organization was already quite good at. The data also showed that top performers were much better at understanding the customer needs and quantifying the value proposition being delivered.

Once the company knew which skills to prioritize, it used multiple formats to deliver the training. First, the company reinforced key concepts through e-learning modules that then were applied in daily routines. These modules included interactive elements and videos from experts on subjects such as how to tailor a value proposition, which reps could then practice on the job.

Second, frontline sales staff had to record their own value-proposition delivery, or elevator pitch, using a digital platform that allowed managers to observe sellers and their behaviors. These mini-testimonials were then benchmarked by assessors and the top performers' pitches were disseminated to highlight best practices. Managers did their own assessment of the videos but were also flagged on where there were important gaps so that they could provide coaching. The new approach delivered a 5 percent quarter-on-quarter sales increase for those reps whose skills demonstrably improved.

There are times when digital tools have to take a backseat to more traditional training methods. At the chemical company mentioned earlier, much of the training was done using the new data-driven tool, but a huge amount of work had to be done by the sales managers in weekly one-on-one meetings. Managers need to devote significant time and attention to teaching reps about the business and imparting critical-thinking skills so reps can understand what the data are showing and tailor it appropriately.

4. Communicate, communicate, communicate

Sales leaders need to set out bold vision based on where the opportunities for growth lie, but then they need to make that personal for each seller and manager. Advanced analytics can help set granular targets and personalize those targets to each individual region, manager, and seller.

Some of the digital tools that B2C companies use to personalize the customer journey and change consumer behavior can be used very effectively to communicate changes to each individual in the sales organization. Specific tools that work well include shared dashboards, visualizations of activity across the team, "gamification" to bolster competition, and online forums where people can easily speak to one another.

Leading companies also make sure they demonstrate progress, using analytics to communicate real-time insights and share early wins. More sophisticated tools can even show individual contributions toward the common goal, which can be very motivating. Overall, this sort of communication makes the change feel more urgent and real, which in turn creates momentum.

A large technology company uses an incredibly data-rich scorecard fed by data from across the sales organization. It tracks up to 50 metrics, which are updated daily and fed into leadership meetings on a weekly basis so managers can see what's working and what's not and adjust course accordingly, feeding insights back to the front lines for rapid realignment where necessary.

Digital tools and analytics insights, if correctly applied, offer a powerful way to accelerate and amplify a sales organization's capacity to grow. However, let's be clear: the tool should not drive the solution. Each company should have a view of the new behavior it wants to reinforce and design a practical, integrated approach to leverage digital and analytics. □

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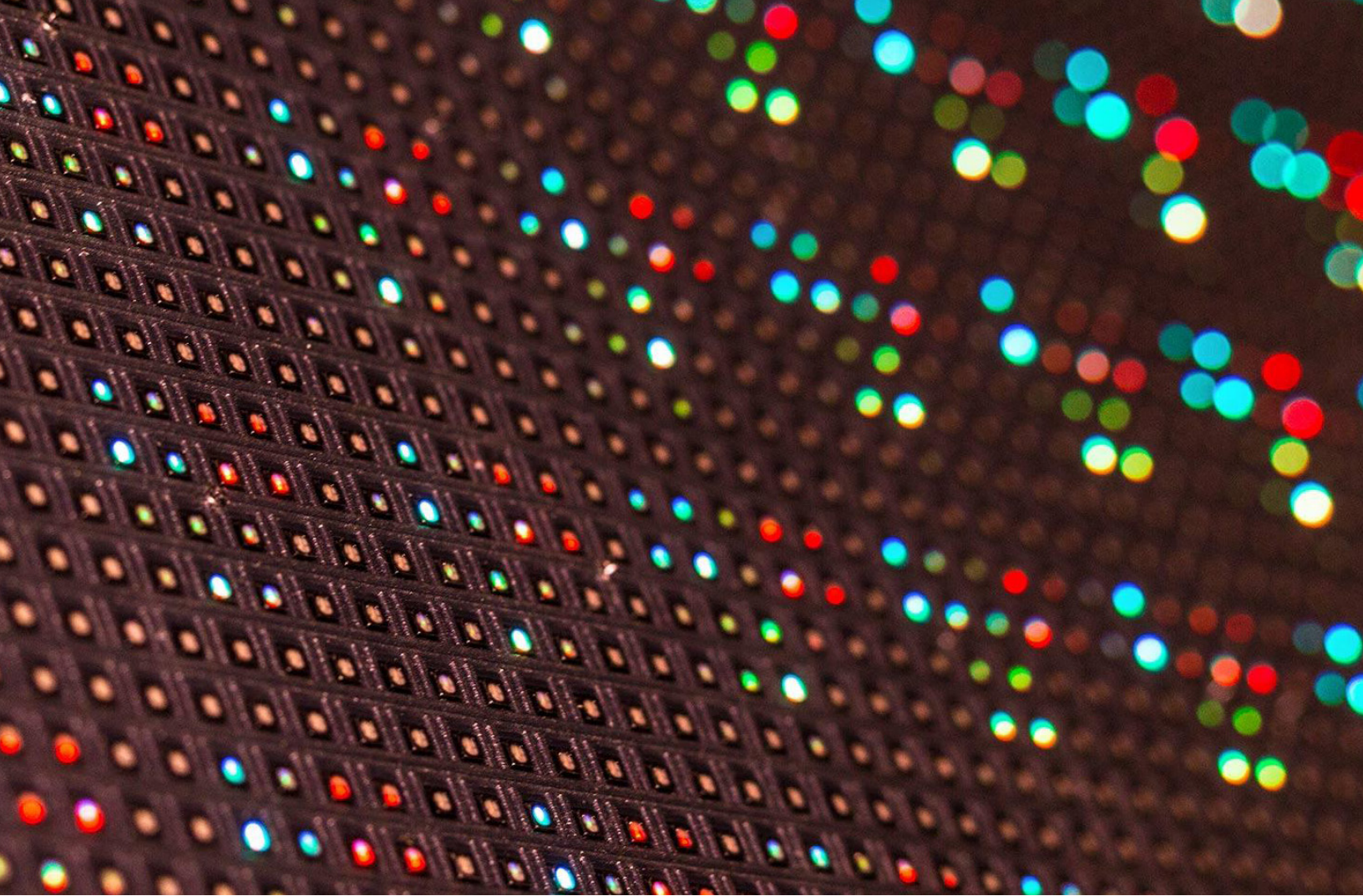
Measuring B2B's digital gap

Liz Harrison, Candace Lun Plotkin, and Jennifer Stanley

B2B companies fall short of their B2C counterparts in key areas of our Digital Quotient assessment.

The need to invest operations and processes with digital capabilities touches every company and industry. B2B companies, however, face added challenges. Their customers increasingly gravitate toward digital tools to research and buy products—after all, they use Amazon at home just like everyone else does. Yet B2B buying and selling is often more complex. There are more decision makers and influencers involved in final purchasing decisions, often higher price points, an array of products and specifications, and many competing sales channels, both traditional and digital. B2B customers can also have different needs at different stages of the customer decision journey, requiring a balanced approach across channels that includes, at times, digital-only interactions.

To get a better portrait of the digital readiness of B2B companies to respond to this changing landscape, we mined our database of Digital Quotient (DQ) assessments. Over the past three years, we have built a perspective on the most important digital characteristics needed to improve financial performance.[1] We have found that strong scores across management dimensions of strategy, culture, organization, and capabilities correlate strongly with higher margins and shareholder returns. For the first time, we compared the DQ of B2B companies with those of B2C players to get a benchmark of B2B's digital strength. As the exhibit shows, B2B companies significantly trail B2C, and that's true across all but one of the four dimensions we measure. This gap is important, since B2B companies (like their B2C counterparts) are in a digital footrace. They face shrinking shelf lives for products, more acute customer demands for price transparency, and better experiences. Getting digital tools into the hands of legacy-minded sales reps is also a must. There's plenty of upside for adopting best practices. The top quartile of B2B companies we studied had demonstrably higher revenue growth, operating profits, and returns to shareholders.

Breaking it down

We looked at B2B versus B2C Digital Quotient scores across the four dimensions and also peered into the survey data for details on underlying practices for each dimension.

Strategy: attention deficit. B2B companies are behind B2C companies in how they use digital tools and data to set strategy. They often treat overall strategy and digital strategy differently. Only 10 percent see digital as one of their top three investment priorities, about half the average for B2C companies. As a result, digital strategies are often fragmented rather than adopted coherently and fluidly across the enterprise. Revealingly, fewer than 24 percent of executives understand how their industries are being disrupted by digital. And in the critical customer-facing area of mobile, only 6 percent of B2B companies have a mobile strategy, compared with 30 percent of B2C companies.

Organization: beyond legacy structures. Most B2B players haven't taken concrete steps to mobilize the organization around digital tools and data. The average DQ score for organizational maturity was 27 (versus 35 for B2C companies), in the range of laggard companies across our global sample, signaling a struggle to push digital initiatives. Only one in four companies said their leadership communicates digital strategy clearly, and most said there is confusion about digital roles as well as ownership of digital initiatives. One reason for the fuzziness: we found efforts to define metrics associated with the effectiveness of digital initiatives were below the levels of B2C companies.

Capabilities: skills deficit. With lower levels of strategic focus and organizational discipline, it's not surprising that B2B companies are behind those in the B2C sector in digital capabilities. They aren't using social media or digital-content creation as effectively in their outreach to customers. They are also behind in their use of data and advanced analytics. That shows up in their inability to offer satisfying experiences to customers across channels.

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[1] Over the past three years, McKinsey has measured the Digital Quotient of approximately 200 B2C and B2B companies around the world by evaluating the 18 management practices related to digital strategy, capabilities, culture, and organization that correlate most strongly with growth and profitability.

B2B companies trail their B2C counterparts in progress toward digitization.

Digital Quotient (DQ) score[1]
on a scale of 0 to 100

Digital leaders

Average B2B[2] score = 28

Average B2C[2] score = 35

Digital laggards
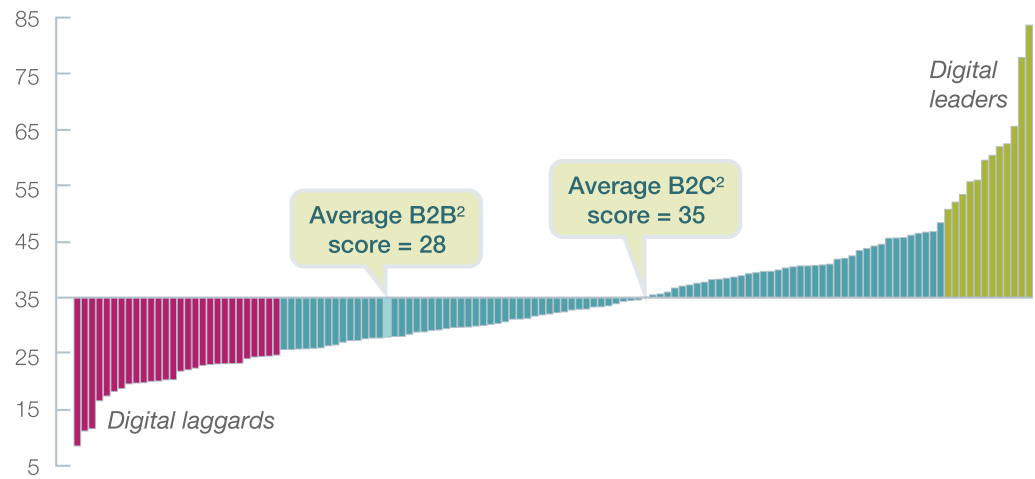
[1]DQ score is an average across 4 equally weighted dimensions: culture, strategy, capabilities, and organization.
[2]2016 sample includes 47 B2B and 128 B2C companies and reflects an update from previously published versions.

This failure is especially acute when customers voice a preference for digital interactions. The data-analytics gap also shows up in B2B companies' ability to automate decisions. B2C companies were able to automate, and thus better optimize, customer interactions across purchasing journeys, as well as automate their marketing decisions. B2B companies have applied digital automation largely to internal processes rather than to those that are customer facing.

Culture: a firm base. On average, across cultural DQ measures, B2B companies aren't far behind their average B2C counterparts in core areas such as trust and internal and external agility. Deep-seated cultural barriers, in other words, shouldn't hold back B2B digitization. There's a big gap between leaders and laggards, though, and some pain points that stand out. We found that fewer than 15 percent of companies had adopted test-and-learn approaches to new digital business initiatives, and for a third of B2B companies, it takes more than a year to bring a new digital idea to implementation. Many fewer B2C companies require that much delivery time.

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As the "consumerization" of B2B proceeds, pressure will grow on leaders to accelerate their digitization efforts. Doing so should help boost effectiveness across the board, and it holds particular promise for companies seeking to raise their omnichannel game by putting better tools in the hands of sales teams and striking the right balance between new and traditional channels. Our research suggests that as senior leaders elevate digital as a strategic priority, they can look to B2C companies and industries for inspiration. ☐

How B2B digital leaders drive five times more revenue growth than their peers

Tanguy Catlin, Liz Harrison, Candace Lun Plotkin, and Jennifer Stanley

By focusing on the right digital practices, B2B companies—currently trailing B2C companies in digital transformation—can create long-term value. Here are six areas where digital leaders excel.

Far from standing on the sidelines, B2B companies have embraced the digital revolution. Most are outpacing consumer companies in digitizing back-office workflows and resource planning and in modernizing their existing IT architectures. But those efforts have tended to focus on internal cost and process efficiencies and less on innovating around sales and the customer experience—and that's where the real growth is.

Digitization has made providing consistent, high-quality customer interactions a competitive differentiator, no matter the channel. B2B companies need to adjust accordingly. Right now, however, selling models remain firmly planted in the offline world. Company websites, though rich in product descriptions, are often little more than digital brochures that fail to provide an easy way for customers to buy. And while sales teams are working harder to navigate deals that stretch longer and involve multiple influencers and buyers, they often lack (or are unable to apply) the analytics needed to manage the sale profitably, understand who the real decision makers are, and what sorts of outreach might prove persuasive.

It's not going to get any easier. B2B players must contend with shrinking product shelf lives, greater price transparency, and a changing cost basis on the one hand, while simultaneously growing the capabilities needed to create consumer-like experiences on the other, with personalized service and hassle-free purchasing across platforms and devices. Nontraditional players like Amazon Business and Alibaba are already cashing in on this trend by providing business buyers with simple and convenient digital marketplaces.

So what to do? Our research is clear: by investing in a targeted set of digital capabilities and approaches, B2B companies can improve their financial performance—and not just by a percentage point or two. Rather, the B2B companies that master these areas are generating 8 percent more shareholder returns and a revenue compound annual growth rate (CAGR) that is five times greater than the rest of the field.
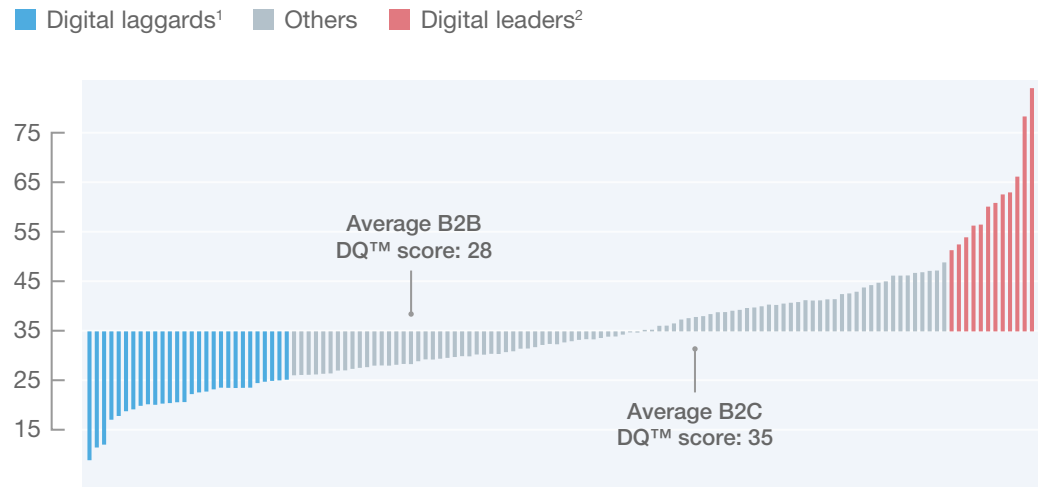
The digital practices that drive high performance

Over the last three years, McKinsey & Company has measured the Digital Quotient® (DQ™) of approximately 200 B2C and B2B companies around the world by evaluating 18 management practices related to digital strategy, capabilities, culture, and organization that correlate most strongly with growth and profitability.

The study shows that B2B companies trail consumer companies in terms of their overall digital maturity: the average DQ score for the 50 B2B companies in our study was 28, compared with 35 for consumer companies (Exhibit 1). While that might not be surprising—B2B companies, after all, generally contend with a more complex environment, longer deal cycles, lengthy RFP processes, and the involvement of many vendors, decision makers, and influencers—comparing the scores of B2B and B2C companies was helpful in order to reveal and better understand those areas where B2B companies could most profitably improve.

B2B companies' overall digital maturity is below B2C's.

Distribution of Digital Quotient® (DQ)™ scores,
score out of 100

■ Digital laggards[1]   ■ Others   ■ Digital leaders[2]

Average B2B
DQ™ score: 28

Average B2C
DQ™ score: 35

DQ™ score is calculated on a scale of 0 to 100 as the average score of four equally weighted dimensions: Culture, Strategy, Capabilities, and Organization

[1]Digital laggards are defined as companies with a DQ score below 25.
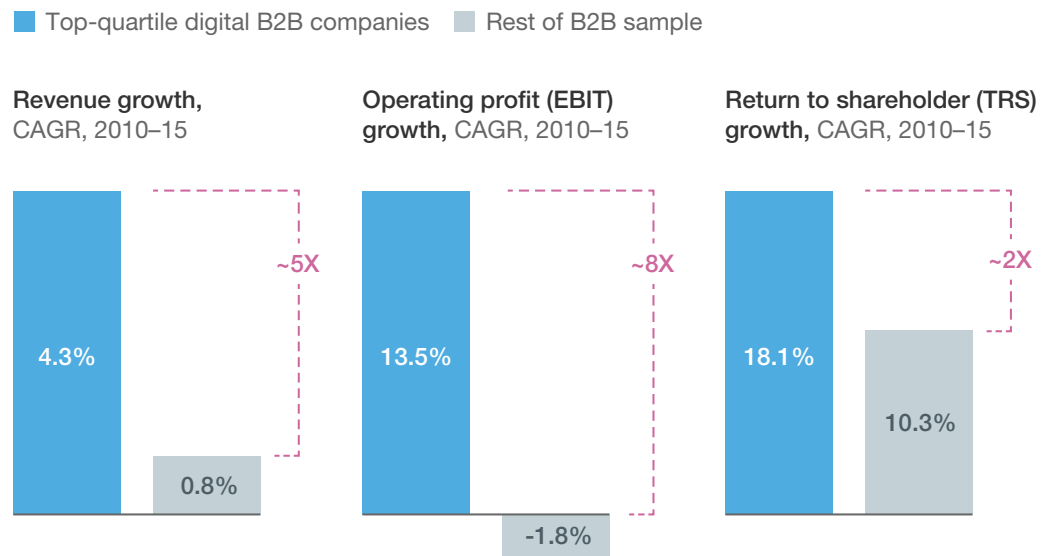[2]Digital leaders are defined as companies with a DQ score equal to or above 50.

Source: McKinsey Digital Quotient®

Moving up the digital curve matters because B2B digital leaders turn in stronger financial performance. Top-quartile B2B players generate 3.5 percent more revenue and are 15 percent more profitable than the rest of the B2B field (Exhibit 2).

Our research shows that six digital practices have an outsize impact on performance. These are the areas in which digital leaders excel and where B2B companies can do better.

1. Commitment to digital at a strategic level

Outperforming companies create digital strategies that are designed to make and shape markets, and they back those efforts with the necessary resources. At most B2B companies, however, digital strategy is a sideshow. Initiatives are less likely to be anchored in customer needs and often falter from insufficient investment. Only 10 percent of the B2B companies in our survey, for instance, said that digital was a top investment priority. When held off to the side, digital strategies often splinter into smaller initiatives that are too diffuse to gain momentum and too limited in scope to make a material difference. As a result, top-quartile B2Bs across sectors have an average DQ of 44, compared with 50 for consumer companies.

Top-quartile digital B2B companies   **Rest of B2B sample**

Revenue growth, CAGR, 2010–15	Operating profit (EBIT) growth, CAGR, 2010–15	Return to shareholder (TRS) growth, CAGR, 2010–15

~5X

4.3%

0.8%

~8X

13.5%

-1.8%

~2X

18.1%

10.3%

McKinsey&Company | Source: McKinsey Digital Quotient®, Capital IQ

But some B2B companies are breaking that mold and embracing an "all in" digital strategy. Knowing it needed to make significant changes to compete as a modern digital business, for example, GE made an audacious move, investing more than $1 billion to create a new market around the Industrial Internet. To make its digital strategy the de facto way of operating, GE consolidated each business unit under a chief digital officer. CDOs report to the CEO of the business unit (who in turn reports to the CEO of GE Digital) and have final say on platform investments. GE also went on an ambitious hiring spree, bringing in thousands of new software engineers, user-experience experts, and data scientists to acquire needed skill sets and embed the right innovation mind-set.[1]

Strategic shifts like that are hard. They require gaining management consensus around a shared vision, challenging time-honored institutional truths, and learning new skills and practices on the fly, but they can make a huge difference. GE's ambitious technology platform now generates $5 billion in revenue, and the company estimates that business will triple to $15 billion by 2020.[2]

2. Creation of consistent experiences online and off

B2B buyers who interact with multiple channels, such as field sales, online web stores, and so on, spend more than those who only purchase from a single channel. Taking advantage

[1] *The Wall Street Journal CIO Journal*, "GE Digital CEO Bill Ruh says corporate structures must evolve with technology," posted by Steve Rosenbush, January 13, 2016, wsj.com.

[2] TechCrunch, "GE predicts Predix platform will generate $6B in revenue this year," posted by Ron Miller, September 29, 2015, techcrunch.com.

of that fact takes strong cross-channel integration. But even though the average B2B customer now uses six different channels over the course of their decision-making journey, many B2B companies struggle with disjointed selling models that make it hard for customers to move smoothly from face-to-face interactions to the online environment (see "Do you really understand how your business customers buy?" on McKinsey.com). Mobile especially has changed the way B2B decision makers interact. More than 90 percent of B2B buyers use a mobile device at least once during the decision process,[3] yet fewer than 10 percent of the B2B companies in our survey indicate that they have a compelling mobile strategy—a figure that's three times lower than top-performing consumer organizations.

B2B leaders are doing things differently. At the Netherlands-based bank ING, for instance, corporate clients have a single point of access to real-time account overviews, customized reporting, and the ability to execute payment and hedging transactions wherever they are in the world.[4] To make that happen, the bank had to overhaul its customer-data processes and make it possible for information to be updated across all channels automatically. Now customer-service personnel, marketers, and account managers can track where a customer is in his or her decision-making journey and respond with tailored offers and advice. In the first year after launching its omnichannel strategy for retail and corporate clients, ING grew profit by 23 percent, increased its share price by 15 percent, and won *EuroMoney*'s "Best Bank" award.[5]

3. Use of data to enable and empower the sales force

Most B2B companies have not yet mastered the digital capabilities needed to operationalize customer-centricity—and that's making them vulnerable. Our benchmark shows that only 15 percent of B2B companies feel they have a complete view of their customers (versus 20 percent of consumer companies), and only 19 percent say they understand the customer journeys that matter most to core segments (versus 31 percent of consumer companies).

By contrast, top-performing B2B companies are using advanced analytics to improve their insights-generation capabilities and deploying tools that help marketing and sales understand what offers, content, and services will hit the right notes with key segments. At an electronics manufacturer, for instance, marketers could tell when a prospect opened an email, but their customer-relationship management systems had no way of tracking how long a customer spent reading that email or what action they took next. To gain more predictive muscle, the company invested in next-product-to-buy (NPTB) analytics that presented a list of recommended actions, scored by relevance. More effective targeting insights helped the company increase sales by 8 percent.

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[3] Pashmeena Hilal and Kelsey Snyder, "The changing face of B2B marketing," March 2015, thinkwithgoogle.com.
[4] "ING's multichannel approach: anytime, anywhere," interview with Nick Jue, Quarter 3, 2014, ingworld.ing.com.
[5] ING, "Inside business: The digital future of banking," Steven van Rijswijk, ingwb.com.

Advanced analytics can also help sales reps navigate a more crowded purchasing environment. After an industrial company lost a major deal, for example, postmortem discussions revealed that the buyer's procurement function wielded far more influence than the company realized. To improve its success rate, the company invested in predictive analytics capable of isolating buying patterns to help sales reps anticipate what deals were likely to trigger procurement's involvement. Those insights were funneled into a specialized iPad app that reps could use in the field. If the app flagged that procurement was likely to be engaged, reps could press a button and generate tailored punch lists and other add-ons designed to meet procurement specifications and simplify the RFP process for internal buyers. In tests, the iPad tool shortened the selling process by about 30 percent and increased conversion by 8 to 10 percent.

Similar data-enabled marketing practices allow B2B companies to create highly targeted campaigns that can break through the noise and forge meaningful relationships—a critical capability in a competitive or fragmented market. Vestas, a wind-turbine manufacturer, knew from customer research that turbines could play a major role in driving down business costs, but most companies still saw them strictly as an energy-solutions provider, which was narrowing their market. To change perceptions, they used customer analytics to create a campaign focused on gaining the attention of *Fortune* 500 C-level executives—the lead decision makers for their product. Customer-decision-journey analysis revealed that busy CEOs were more likely to engage if presented with targeted data that addressed company-specific issues. So Vestas partnered with *Bloomberg BusinessWeek* to hand deliver a series of custom 16-page inserts filled with company-specific data that spelled out tangible wind-energy benefits. Using internal benchmarks and outside economic research, account executives developed concrete business cases that described the specific returns CEOs could expect from increasing their companies' wind-energy usage, right down to illustrating which geographies and properties offered the optimal locales for turbine placement. That targeted, data-driven campaign helped Vestas achieve a ten-times improvement in conversion rates.

4. End-to-end connection of processes to improve insight and decision making

Effective presales activities—the steps that lead to qualifying, bidding on, winning, and renewing a deal—can help B2B companies achieve consistent win rates of 40 to 50 percent in new business and 80 to 90 percent in renewals.[6] But that level of success requires close coordination from front office to back, and while many B2B companies have done a good job automating the back office, they fall short when it comes to connecting those processes to the front end. That lack of integration can lead to multiple customer handoffs between functions, long turnaround times for quotes, missed delivery dates, and a proliferation of unnecessary technologies, applications, and data.

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[6] Homayoun Hatami, Candace Lun Plotkin, and Saurab Mishra, "To improve sales, pay more attention to presales," *Harvard Business Review*, February 17, 2015, hbr.org.

DQ leaders do it differently. They use automated decision-support processes and other tools to link finance, accounting, and ERP systems with customer, sales, and order data to generate a 360-degree view of the customer across the business. That interconnected network lets sales teams access all the client service, support, and financial information they need prior to their customer interactions, and it gives operations teams greater transparency into the sales pipeline to assist with resource and delivery planning.

A building-materials supplier improved its qualification rate, for instance, by using order histories of existing customers and analyses of prospective markets. That data helped the company identify which prospects were most likely to buy its products, which resulted in a 3 to 5 percent improvement in win rates. A global high-tech company used automated territory-management tools to pull in operational data on transportation routes, traffic densities, and other factors to redraw its sales regions. Those steps increased the time sellers were in the field by 25 percent.[7]

5. Creation of a culture anchored on innovation and execution

One-third of B2B companies take more than a year to move a digital initiative from concept to implementation, and fewer than 15 percent use the types of test-and-learn and rapid prototyping processes that have been shown to accelerate innovation and customer satisfaction.

Leading B2B companies, by contrast, are at the forefront when it comes to deploying agile development practices and rapid experimentation. They collaborate actively with external partners and use events like digital hackathons to shorten the learning curve. One Asian insurance company, for example, hosted an intensive jam session over a 48-hour period. It divided 120 participants into ten cross-functional teams and tasked them with redesigning how customers processed their healthcare claims. Staged as a friendly competition, it ended with teams delivering a model that went far beyond the original scope of the hackathon and effectively eliminated the need for processing claims.

Others are using rapid prototype development and minimally viable products (MVPs) to transform speed-to-market. One telecom company, for example, wanted to shave its traditional product-development time—more than six months from start to trial—to include additional weeks of training and internal pilots. Following MVP design principles, a mixed team of product managers, IT developers, and user-experience experts tore apart the company's old onboarding process and laid out a simpler, automated approach that allowed customers of its fiber, mobile, and TV services to access service in three quick steps. They conceived, tested, and built the new model in less than 12 weeks. Such fast-paced test-and-learn development not only helps teach the right innovation behaviors; it can persuade skeptical executives that a company has the ability to deliver on ambitious and high-profile customer initiatives.

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7 McKinsey Sales & Channel Management, "How we help clients," McKinsey.com.

6. Willingness to shake up the organizational structure and metrics to support digital aspirations

At the majority of the B2B companies we studied, organizational challenges can blunt the reach and effectiveness of digital initiatives. Inward-facing processes, limited transparency, confusion about roles, and a lack of prioritization from executive leadership are common. Only one in five systematically tracks digital performance indicators, and only 17 percent of managers in our study believe they can articulate their company's digital metrics. The DQ scores for organizational maturity reflected these challenges. The average organizational maturity for B2B companies averaged just 27, putting them near the "laggard" range. (The average organizational maturity for the consumer sector, by contrast, is 35.)

DQ leaders, on the other hand, strive to create an organizational structure that supports their digital transformation. Some, like Merck, have invested in innovation hubs centered near research and entrepreneurial hotspots to unearth promising research and to forge licensing or partnership arrangements. Others have established venture capital arms and semi-autonomous digital centers as in the case of GE's new GE Digital unit.

Top-performing digital companies are also willing to dust off their metrics and think strategically about what types of measures and incentives will engender the outcomes they want. That doesn't mean creating more complex and numerous performance indicators, but rather revisiting how the company measures progress and carving out a handful of metrics that can really move the needle. When Dan Levin joined Box as COO, for example, he realized that most of the company's customers paid on a month-to-month basis, which was hurting the company's capital efficiency. To fix that, Box needed to get its prepay rate up to around 70 to 80 percent. To force the shift, Levin revamped the sales compensation structure, making bonuses and commissions contingent on hitting certain prepay targets. In the quarter following the change, Box's sales department hit its stretch targets without slowing growth.

How to raise your DQ

Rather than biting off a slew of digital improvements at once, B2B companies often get faster results by starting with small wins to build conviction and momentum—concentrating on areas where they have existing capabilities, clear objectives and strong leadership backing.

The B2B organizations that we work with generally see the swiftest DQ bump by first picking one or two high-value customer segments and mapping their decision journeys in full to understand how these customers buy, what channels they use, what influences their decision making, and what turns them off. Then they employ agile development techniques and digitization to redesign one or two supporting, customer-facing processes from scratch.

This approach breaks the digital-transformation process into bite-size chunks that are easier to isolate. It allows the company to test and learn to find success—in tangible increments that moderate the overall risk. It also forces product development, marketing, sales, and IT to come together and understand how to use leading digital design practices, such as MVP, in a disciplined, customer-focused way. That can ramp up the cultural changes needed and lay the groundwork for broader, deeper improvement.

In parallel, B2B players then need to be thoughtful about identifying and augmenting those capabilities that are critical to achieving scale. Any process change creates a ripple effect across the wider organization, and particularly the commercial organization. Digitizing core elements in the sales function, for example, may free up field reps but place greater demand on inside sales. To support their evolving customer and sales model, B2B companies need to anticipate the reverberations and reconfigure where and how they invest financial and human resources across sales channels and customer journey stages. That involves identifying which skills need to be reallocated, what data and analytics resources are needed, and which customer opportunities require capabilities that need to be built, hired, or acquired.

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B2B companies have the ability to take a more structured approach to digitization that can give them more control over their spend and greater assurance that resources and investments are being directed toward the highest-value opportunities. By focusing on the digital practices that our research shows to be most tied to customer and financial success, B2B players will be able to create and sustain significant long-term value. ◻

Finding the right digital balance in B2B customer experience

Nicolas Maechler, Adina Poenaru, Thilo Rüdt von Collenberg, and Patrick Schulze

Growing numbers of B2B companies are focusing on digitization to succeed with customer-centric strategies. Here's how to get it right.

Customer-centric strategies, once the preserve of business-to-consumer players like Amazon and Google, are now fundamentally changing the complicated landscape of business-to-business relationships, too. Case in point: the chief executive of a global chemical business produces items that are in such high demand that they are allocated, rather than sold, to customers. Nonetheless, he recently announced at a top-management meeting that the company could no longer afford to deliver "a subpar

experience" to its customers and therefore would embark on a customer-experience transformation spanning all functions.

Industry-leading B2B companies increasingly respond to intensifying global competition by putting customer-centricity and experience at the heart of their strategy. This often leads to changes in the business model: Monsanto, for example, is transforming itself with an online platform from a supplier of seed and crop-protection products to a productivity partner, providing advice on subjects ranging from product selection to sowing and harvest timing.[1] In the industrial-equipment sector, Atlas Copco is on a similar journey, with a platform supporting customers in the selection, purchase, operation, and maintenance of their equipment.

For a large swath of B2B companies across many sectors, the growing influence of customer-experience strategies and the bold moves of customer-centric leaders pose a critical challenge. Traditionally, winning in the B2B arena has been a matter of being in the right markets, offering superior products and services, or being the lowest-cost producer. As these advantages have come under threat from increasing global competition, many players have invested in functional excellence. But while these benefits are substantial, they are dissipating quickly as competitors tap the increased mobility of labor markets and expanded access to knowledge.

This is why we believe that the emerging battle in B2B will be fought on the smart combining of digital and nondigital transformation to improve customer experience. A holistic, cross-functional transformation of a company's core, including its culture, enabled by digitization offers a significant opportunity for differentiation and competitive advantage, especially as new competitors fluent in digital tools move into the B2B space. The trick is striking the right balance between digital and human interaction in B2B's more complex customer relationships.

An opportunity—with challenges

Investing in improved customer experience pays dividends. We have seen companies substantially raise customer-satisfaction scores through significant improvements in operational performance. These improvements can lower customer churn by 10 to 15 percent, increase the win rate of offers by 20 to 40 percent, and lower costs to serve by up to 50 percent. In parallel, as customer experience improves, employee satisfaction tends to increase as well, because a more direct connection with customers adds meaning to employees' work and helps them witness customer satisfaction.

Business-to-business customers are already demanding a better experience. In a recent McKinsey survey of 1,000 B2B decision makers, lack of speed in interactions with their suppliers emerged as the number-one "pain point," mentioned twice as often as price. And digital solutions loom large in executives' thinking as a way to make routine tasks

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[1] See Climate Corporation, a subsidiary of Monsanto Company, at climate.com.

more efficient. Some 86 percent of respondents said they prefer using self-service tools for reordering, rather than talking to a sales representative.[2]

Yet the reality at most B2B companies is far from this vision. Many companies often need days to provide a quote, require customers to fill in complicated order forms (often on paper), and frequently leave customers in the dark about the status of their order.

In an effort to serve customers better, some companies have invested in developing customer portals or apps. Yet often these efforts fail to create significant improvements in customer experience, because underlying issues such as bad data remain unsolved or the functionality of the technology proves to be too limited or complex to be useful.

At the root of the problem is that while the role of customer journeys is central to both B2B and B2C, their incidence and importance is different for B2B. Among the chief differences:

- *Relationships often go deeper in B2B.* In many B2B industries, codeveloping a product with a supplier is common and a key source of innovation, but it is very rare in B2C relationships. Also, many B2B relationships are long-term, with recurring sales. This makes reordering a very important journey, whereas "nonsubscription" goods in B2C are more often bought on a transactional basis.

- *Longer, more complex B2B journeys involve more individuals.* In a B2C setting, selecting a supplier largely amounts to choosing a simple yes or no to a standardized offering. In B2B, multiple engineers need to evaluate and later certify the product, often adapting a design or process, while logistics and customer-service operations typically must wait to coordinate regular deliveries until prices, volumes, delivery terms, and other points are negotiated. The whole process can require decisions by 15 to 20 people, just to make the transaction happen.

- *Customization is more widespread in B2B than B2C.* B2B suppliers adapt not only their products but also their processes to accommodate customers. Therefore, redesigning the customer experience requires an understanding of this variability: How much of it is value-creating flexibility to meet the needs of key customers, and how much has crept up because flexibility was the norm, with no one in charge of making efficiency-versus-flexibility trade-offs? For example, in container shipping, some customers prize the flexibility that suppliers offer them in meeting customers' special requirements when it comes to managing customs or accepting cargo. Mapping a "typical" journey in this case may lead to dozens of alternative paths that customers can take when interacting with the shipping company.

- *The stakes are usually higher in B2B deals.* Individual customer relationships are easily worth millions of euros for big B2B companies. These sellers will go to great lengths to

[2] J. Stanley, C. Plotkin, et al., "The new B2B customer decision journey: How digital disrupts how business customers buy and what to do about it," *McKinsey Quarterly*, forthcoming.

keep a good (and profitable) customer happy and loyal; losing a single customer could spell disaster for the entire company. For B2C, it's more of a numbers game, rather than one individual customer's worth. To tap the potential of an improved customer-experience program, companies need to understand the profitability of their customer base and address the pain points in the customer journey with different measures that fit the financial as well as strategic profile of the customer segment. Companies mostly serving a few big customers can use entirely different journey designs than those serving thousands of smaller customers. Most companies will need to design journeys that accommodate both ends of the size spectrum. For example, a chemicals company serves customers that spend hundreds of millions of dollars on their products per year as well as small mom-and-pop shops that spend only a few hundred dollars annually. As a result, the strategic task is putting in place different journeys and methods of tracking levels and triggers of satisfaction.

Transforming B2B organizations to improve digital experience

Any customer-experience program should start with an inventory of customer needs, a leadership commitment to governance, and a grouping of journeys based on their importance to customers, the potential impact of improvement on satisfaction, and their cost to deliver. Keep in mind that there are also common pitfalls that companies would do well to avoid. The result will be unique for each company, but in our work, five key success factors regularly emerge from successful efforts in B2B businesses.

Focus on the six journeys that drive customer experience in B2B

The first factor is a focus on the most significant customer journeys. By comparing customer interactions and touchpoints across B2B industries, we have identified six key journeys that shape the customer experience in most industries and cover the customer life cycle end-to-end (see sidebar, "Six journeys that truly matter in B2B").

Identifying products and services that meet a need. B2B customers often find it challenging to identify the right product or service. Improving this journey is especially relevant for companies with a fragmented customer base and nonessential but value-adding products. For example, one agrochemicals company significantly increased its customer base by developing a "soil analyzer" application that allows farmers to get a first indication on possible yield increases remotely. The app takes them through a streamlined process of soil sampling, crop planning, and buying a package of yield-enhancing products. The company then used digital marketing and its sales channels to promote the app, resulting in a substantial uptick in orders.

Selecting a supplier and making an initial purchase. In this journey, buyers struggle to compare suppliers in a timely manner across multiple criteria. Some simplify the choice and choose a supplier only on price (to be disappointed later on by the service level) or take months to go through a very detailed tendering process. Suppliers that differentiate based on performance or that package required information tailored to the precise stage in the
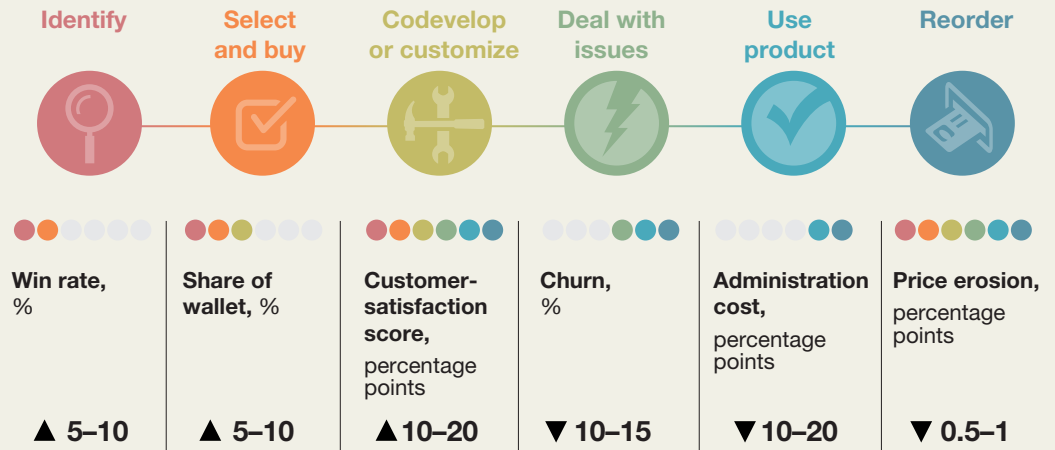
Six journeys that truly matter in B2B

In the following six journeys that characterize the B2B customer experience, we have found that meeting customers' needs delivers measurable business benefits (Exhibit A).

1. "I **identify** products/services I need." In this journey, the customer translates a latent need for a product or service into an explicit one through technical sales conversations or research. The need is for enough technical support to evaluate a solution.

2. "I **select** a supplier and buy initially." The customer compares different suppliers and their offerings, weighing price, total cost of ownership, performance value, and "soft" factors. The need is to get multiple stakeholders aligned on a choice.

3. "I **codevelop or customize** with my supplier." The buyer works with the supplier to have the product or service customized to meet the buyer's needs. The intensity of the process ranges from selection from preconfigured options to a multiyear joint R&D effort. The buyer's primary need is to manage return on investment.

4. "I **deal with** unexpected events." This journey occurs when the buyer encounters problems such as equipment breakdowns, missed deliveries, missed payments, and other mishaps that can make or break close relationships with suppliers. The buyer's need is to minimize disruptions to the business.

5. "I **use** the product and get the service." As the customer uses the product and performs or obtains regular (scheduled) maintenance, this journey should involve ease of use and performance optimization. The customer also may encounter innovative offerings, such as hourly pricing. The customer's primary need now is to maximize efficiency.

6. "I **reorder**." This final journey involves reordering a well-known product or service. The need now is for an efficient transaction, coupled with confidence in getting a good deal from the supplier.

A holistic, integrated measurement system has clear linkages between metrics at every level of customer-experience delivery.

Gains to be made, by journey range

Identify	Select and buy	Codevelop or customize	Deal with issues	Use product	Reorder

Win rate, %	Share of wallet, %	Customer-satisfaction score, percentage points	Churn, %	Administration cost, percentage points	Price erosion, percentage points
▲ 5–10	▲ 5–10	▲ 10–20	▼ 10–15	▼ 10–20	▼ 0.5–1

buyer's purchasing journey can create significant value by helping buyers make a faster and more informed choice. A manufacturer of wind turbines, for example, is developing a website where prospective customers can enter location data and receive information including expected energy output, installation costs, expected maintenance, expected revenues, and financing options for the company's products and its main competitors. This information enables buyers to make a faster decision based on their total cost of ownership.

Codeveloping products with a supplier. This is a critical journey in innovation-heavy industries, but many sales managers and R&D leaders complain about how difficult it is to keep projects efficient and on track, as they tend to operate in a governance vacuum. To address this issue, a textile company built an integrated platform for a B2B collaborative information system, including an e-vendor-managed inventory (VMI), e-production, and an e-library, all integrated on one platform to provide quick access to information both for supplier and customer.

Dealing with unexpected events. Coping with purchase-related problems, such as equipment breakdowns and missed deliveries, is a make-or-break journey. This is the moment when the customer is the most vulnerable.

Using the product and getting service. Receiving (planned) maintenance also is a make-or-break journey, again especially for customers of machinery and capital goods. For example, in three months, a manufacturer of building equipment achieved a 25-point increase in its customer-satisfaction score (CSS)[3] and significantly reduced churn in service contracts

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[3] Customer-satisfaction score is an index of customer loyalty that measures a customer's willingness to recommend a company's product or service.

by improving its breakdown and maintenance journey. The company leveraged remote diagnostics to plan appropriate time for repairs, ensured the technician had all required information and materials handy in a dedicated app, and kept facility managers up-to-date with a tracking-and-tracing system based on simple text messaging.

Reordering familiar products and services. Efficient and error-free reordering is a major concern for customers sourcing raw materials or components. One steel manufacturer developed a quotation app to empower its sales reps to set prices themselves within guidelines rather than wait for the pricing manager to do it for them. In doing so, they reduced average time to quote a price by more than 90 percent while maintaining a high degree of central control.

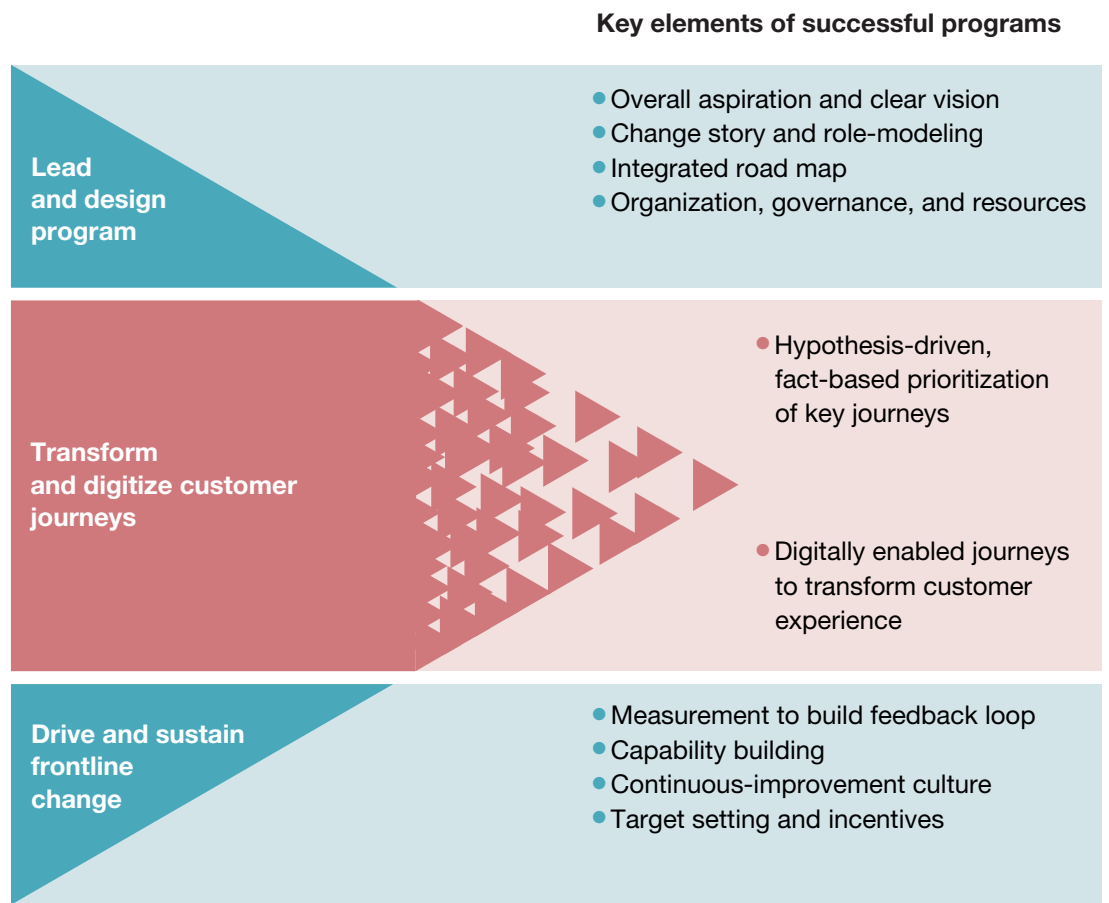## Address the root causes of customer dissatisfaction to enable digital interaction

Digitization is often heralded as a tool to leapfrog competitors and leave behind problems such as bad data or poor interaction quality. However, most large B2B companies find it hard to create value outside their established business system. Because journeys are longer and more complex, fully automating them may not be possible or economical. In situations where the stakes are high, most B2B decision makers do not want that approach anyway; they prefer to deal with an individual. Thus, any enhancement of the customer experience—digital or not—will require many people in the organization to change the way they work. Successful customer-experience transformations cannot be run as small and isolated journey optimizations. They require program management and a portfolio of initiatives to encourage front-line change that addresses issues in performance management, employee mind-sets and behaviors, organization, and skills gaps that came to the surface in the design phase (Exhibit 1).

One diversified industrial-goods manufacturer learned this lesson the hard way. The team developed an elegant and compelling vision for the future journey that was heavily digital based and included instant order confirmations, one-click reordering, track-and-trace capability for in-progress orders, and transparency about the implications of order changes.

Yet when the team presented the approach, the mood at the presentation was glum. When the program lead inquired what was wrong, the future product owner shared her concerns that their work could set big expectations that could be impossible to achieve because too many things outside their immediate control needed to be changed. In the discussion that followed, the team surfaced a long list of required changes, including information technology (IT) systems, organizational structures, training needs, and mind-sets. Rather than treating these as one big roadblock, the team decided to enroll a C-suite-level program owner and also make one person responsible for each change, thus translating them into a portfolio of initiatives that laid the groundwork for transforming their organization's core.

Exhibit 1

Successful
customer-
experience
programs include
leadership action
and frontline
empowerment.

Key elements of successful programs

**Lead
and design
program**
- Overall aspiration and clear vision
- Change story and role-modeling
- Integrated road map
- Organization, governance, and resources

**Transform
and digitize customer
journeys**
- Hypothesis-driven,
  fact-based prioritization
  of key journeys

- Digitally enabled journeys
  to transform customer
  experience

**Drive and sustain
frontline
change**
- Measurement to build feedback loop
- Capability building
- Continuous-improvement culture
- Target setting and incentives

Design hybrid journeys combining digital and human interactions

How much companies should invest in digitization of individual journeys varies significantly, but some general patterns emerge. Companies with standardized products and a fragmented customer base will want to invest more heavily in the customer journeys of identifying needed products and services, making initial purchases, and reordering to benefit from efficiencies. In contrast, companies selling more customized products to a smaller set of customers often put a higher priority on the journeys of codeveloping or customizing with suppliers and dealing with unexpected events.

One chemical company redesigned and digitized its ordering journey with numerous ideas for digital self-service, only to find that key customers were skeptical about not having an individual relationship manager to call when things went wrong. The team went back to the drawing board and tweaked the experience design. Most important, they reinstated the role of the relationship manager, giving customers a choice between using the self-service platform and calling the manager. They arranged it so the customer and manager

would use the same portal to compare notes. And they added a cobrowsing and desktop-videoconference feature so that communication about any problems would be quick and personal.

This example illustrates how the best reimagined journeys purposefully switch between digital self-service, digitally enabled human interactions, and improved offline interactions to match customer preferences and ensure the degree of standardization and transaction volume that warrants investments in digitization. B2B customers are generally happy to use digital self-service for simple, routine interactions like reordering to save time or be more flexible. Yet when the interaction is new and complex or the stakes are high, most still prefer a real person (who also might be digitally enabled).

Thus, for each journey and interaction, a range of interventions could apply (Exhibit 2). For example, the journey "I deal with unexpected events" could be improved by making it fully digital, providing self-help guides or a tracking-and-tracing system for resolving issues. The improved journey also could be digitally enabled—say, with augmented-reality goggles to help technicians be more efficient, or a visit-scheduling system to ensure that technicians have the necessary time and preparations for the job. Or it could offer an offline improvement, such as training technicians to acknowledge the problem with the customer, provide full transparency about the situation, and explain how to prevent the problem in future. The right interventions to use will depend upon customer preferences, the economics of the journey, best practice or references in the industry, and the internal systems, mind-sets, and processes available.

To transform B2B journeys, define a range of digital and human interventions, to be combined as needed for each situation.

Journey	Improved human interactions	Digitally enabled services	Fully digital, automated self-service
Identify	• Educational marketing • Strong technical expertise with focus on creating value for customer	• Live chat/call-back tool • Joint web shopping with sales rep	• Product/solution navigator • Product configurator • Lead capturing
Select and buy	• Independent performance comparisons • Simple and transparent pricing	• Sales rep empowered to live-quote based on dynamic deal scoring • Online content iterations and signature	• Interactive value calculators • Web shopping, including availability and delivery timing
Codevelop or customize	• Best-practice standards on project governance, resource tracking, and progress reporting	• Cloud-based collaboration platform • Interactive product/solution holding and simulation	• Open innovation platforms giving access to key data
Deal with issues	• Apology and acknowledgment of problem • Full transparency about situation • Explanation and help to prevent	• Augmented-reality tool to guide response • Visit scheduling and preparations based on remote diagnostics	• Self-help guides • Notifications tracking resolution progress
Use product	• Simple, intuitive interactions • Efficient packaging • Friendly service, looking to add value	• New offerings (eg, uptime guarantees or hourly pricing)	• Remote equipment monitoring to trigger maintenance
Reorder	• Offering but never pushing visits • Focus on simplicity (eg, clear product documentation and simple invoices)	• Next-product-to-buy engine to add value and drive cross-selling	• Analytics-based order reminder • 1-slide reordering through self-service website

Create tracks to manage variability

B2B journeys often grow complex because they must accommodate the special needs of small percentages of the client base. Such relationships require specific tailoring, extra services, or additional checks. Splitting the journey into standard and specialty tracks can minimize complexity for a majority of clients, resulting in easier journeys for clients and significantly lower costs.

One European corporate bank radically redefined the customer journey into three tracks, helping clients and employees better understand how complex international financing deals could be approved. An express track was set up for relatively easy deals that entailed low risk and could be executed with fewer checks, smaller teams, and shorter timelines. An advanced track for more difficult deals included extensive auditing, the addition of senior executives to the working team, and more interactions with the client. Between these two was the standard track. After reviewing a proposal, loan officers map the risk indicators and choose the track that includes the most conservative approach to processing the deal.

Use an agile approach to cut through the complexity

Customer journeys can be complex. Typically, the initial design is never 100 percent right. Therefore, the work of designing cannot stop at the end of the designated design phase. To advance progress, a cross-functional team with journey experts from the business side and IT need to work hand-in-hand from design to ongoing operation.

But as such a team continues to learn and improve the design, and as it runs into unforeseen problems, traditional project planning with timelines and milestones defined at the beginning of the project will become meaningless. Instead, a journey owner should be empowered to make decisions and revisit priorities for every one-to-four-week "development sprint." These priorities will be expressed as "user stories" that capture the spirit and benefits of an idea without defining every detail, thus leaving room to incorporate what is learned during implementation. At the end of each sprint, the full team can review the improved journey with customers and get critical feedback from major stakeholders. While such agile approaches and scrum processes that employ small expert teams, rapid iteration, and repeated testing with customers may be most familiar to many in the IT community, we have found that they translate well to the human-interaction elements of customer journeys.

Consider the utility company that digitized the journey whereby customers connect their home or business to the grid. The customer-facing team minimized programming time by using clickable dummy screens to test new ideas with real customers in weekly sprints and then revising plans as feedback came in. To enable the envisioned customer experience, a back-end team changed complex physical processes involving more than 4,000 electricians, a network of heavy-construction companies, and local municipalities. The team mirrored the approach of the front-end team, testing processes, gathering feedback from stakeholders, and eventually rolling out the new process in one geographical area

for live testing. This emphasis on a test-and-learn approach with quick iterations, rather than extended up-front planning, was significantly faster than any comparable project the company had done to improve processes.

The customer-experience challenge for B2B companies is growing. And while B2B players share with B2C companies the need to build strategies around the core of understanding customer journeys, the complexity of B2B relationships makes digital-transformation efforts unique. Carefully parsing those complex customer relationships, striking the right balance of human and digital interactions, and maintaining an agile approach to navigating intricate customer networks will be among the keys to success. ◻

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

Dianne Esber, Wei Wei Liu, Åsa Tamsons, and Lareina Yee

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

Over the past few years, many B2B companies have taken a cue from their B2C counterparts by increasing their investment in digital sales. But most have achieved limited bottom-line impact, with expected gains failing to materialize or falling far below

expectations. Often, the problems arise because companies have trouble achieving benefits at scale, with many promising initiatives losing momentum after the pilot stage.

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

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

1. Creating a comprehensive and focused digital-sales strategy

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

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

To address these issues, enterprise-technology companies need to treat digital as a strategic priority, giving it the full attention of top executives and a place on the C-suite's top agenda. For instance, leaders must develop a clear view of their digital-sales gaps and determine what value they can attain by closing them. They must also establish long-term, company-wide goals, prioritizing initiatives by their impact.

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

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

[3] *Ibid.*

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

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

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

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

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

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

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

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

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

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

2. Concentrating on customer needs

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

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

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

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[4] McKinsey Digital Quotient Diagnostic, covering 2014 through Q1 2017.

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

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

3. Shifting from rigid to agile

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

Our Digital Quotient Diagnostic suggests that many established enterprise-technology companies are having difficulty applying agile processes, and this could interfere with their digital-sales efforts. For instance, only 20 percent of the respondents stated that they were comfortable with the rapid testing and revision cycles that agile requires, and upward of 70 percent said they needed more than six months to move from the idea-generation phase to implementation when developing products or services.[6]

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

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

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[5] McKinsey B2B Sales Global Survey, May 2016, McKinsey Channel Survey.
[6] McKinsey Digital Quotient Diagnostic, 2014 through Q1 2017.

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

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

4. Recruiting and nurturing talent

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

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

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

5. Monitoring results with relevant metrics

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

[7] McKinsey Digital Quotient Diagnostic, 2014 through Q1 2017.
[8] *Ibid.*

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

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

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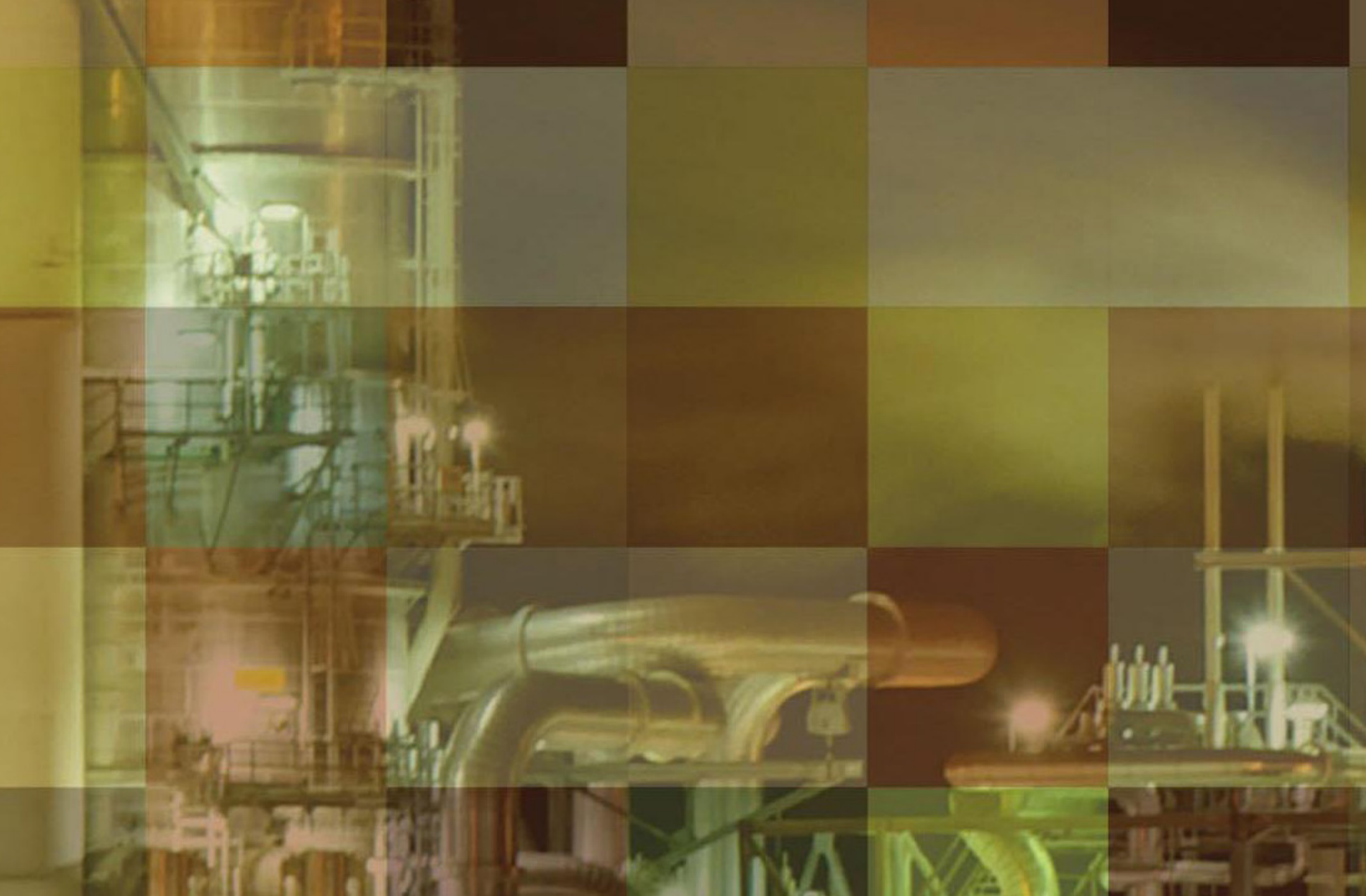
Demystifying digital marketing and sales in chemicals

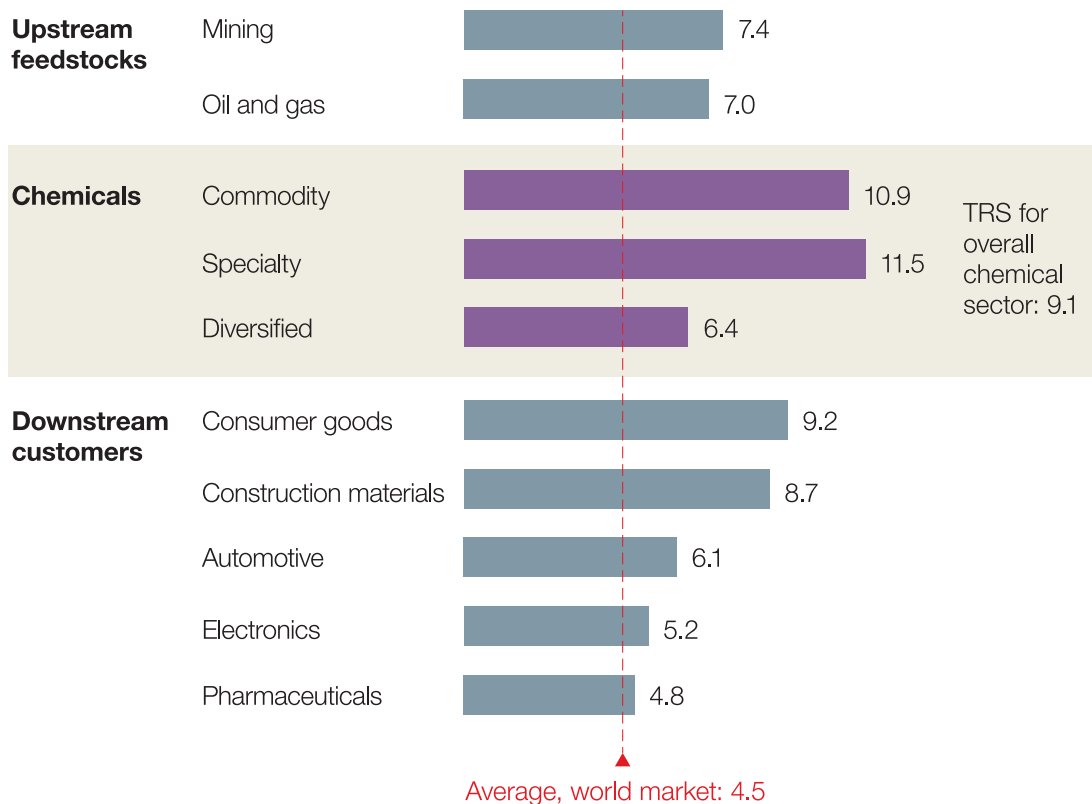**Søren Jakobsen, Kedar Naik, Nikolaus Raberger, and Georg Winkler**

Digital can give chemical companies the power to unlock more than $200 billion of new value by reducing cost to serve, improving pricing, and for fast movers, capturing growth from competitors.

Over the past decade, the chemical industry has enjoyed remarkable success, delivering more shareholder value than its upstream suppliers, downstream customers—and, indeed, the global equity market as a whole (Exhibit 1).

Exhibit 1

The chemical sector is one of the strongest performers in its value chain.

Total returns to shareholders (TRS) compound annual growth rate, Dec 2000–Mar 2016, %

Upstream feedstocks	Mining	7.4
	Oil and gas	7.0
Chemicals	Commodity	10.9
	Specialty	11.5
	Diversified	6.4
Downstream customers	Consumer goods	9.2
	Construction materials	8.7
	Automotive	6.1
	Electronics	5.2
	Pharmaceuticals	4.8

TRS for overall chemical sector: 9.1

Average, world market: 4.5

Source: Datastream; analysis of data provided by Corporate Performance Analytics by McKinsey

But experience shows there is no room for complacency. Almost 50 percent of chemical companies in the top quintile from 2000 to 2004 no longer were from 2010 to 2014.[1] Today's chemical companies can't expect to keep delivering above-market returns by continuing on the same path. That's because that path has been forged, to a large extent, by advances in productivity. Many traditional productivity levers, however, have now been exhausted. Where can companies look for their next step change in financial performance?

We believe that digital can give them the power to tap into new value pools and capture growth from competitors. Applying readily available digital approaches to marketing and sales to reduce costs to serve and improve pricing could be worth as much as $105 billion to $205 billion annually in additional earnings before interest, taxes, depreciation, and amortization (EBITDA) to the $3.8-trillion-a-year chemical industry. In addition, fast-mover companies that act aggressively to deploy digital tools could also capture $45 billion to $65 billion of additional earnings by taking customers and revenues away from less nimble peers (Exhibit 2).

[1] See Bing Cao, Obi Ezekoye, and Michael Glashke, "Chemicals and capital markets: Still a strong performer," July 2016, McKinsey.com.
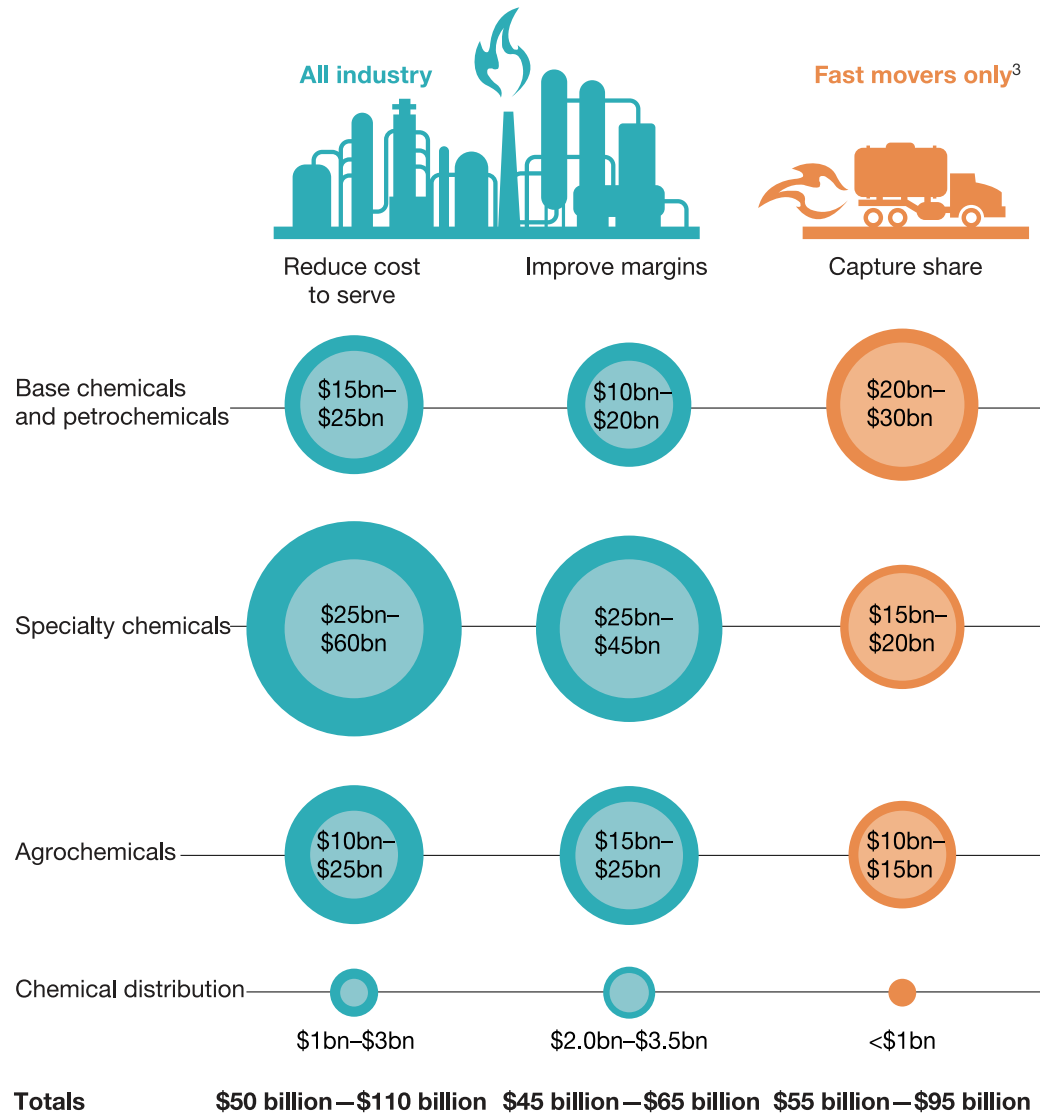
Exhibit 2

Digitizing
commercial
operations could
be worth more
than $200 billion in
additional earnings.

Digitizing commercial operations could be worth more than $200 billion in additional earnings.

Opportunity from applying digital levers, 2020[1]

Additional EBITDA[2] by segment, $ billion

All industry

Reduce cost to serve
Improve margins

Fast movers only[3]

Capture share

	Reduce cost to serve	Improve margins	Capture share
Base chemicals and petrochemicals	$15bn–$25bn	$10bn–$20bn	$20bn–$30bn
Specialty chemicals	$25bn–$60bn	$25bn–$45bn	$15bn–$20bn
Agrochemicals	$10bn–$25bn	$15bn–$25bn	$10bn–$15bn
Chemical distribution	$1bn–$3bn	$2.0bn–$3.5bn	<$1bn
Totals	**$50 billion—$110 billion**	**$45 billion—$65 billion**	**$55 billion—$95 billion**

[1]Excludes disruptive industry changes (eg, increased chemical sales from 3-D printing) and assumes
 constant revenue base and industry growth; figures may not sum, because of rounding.
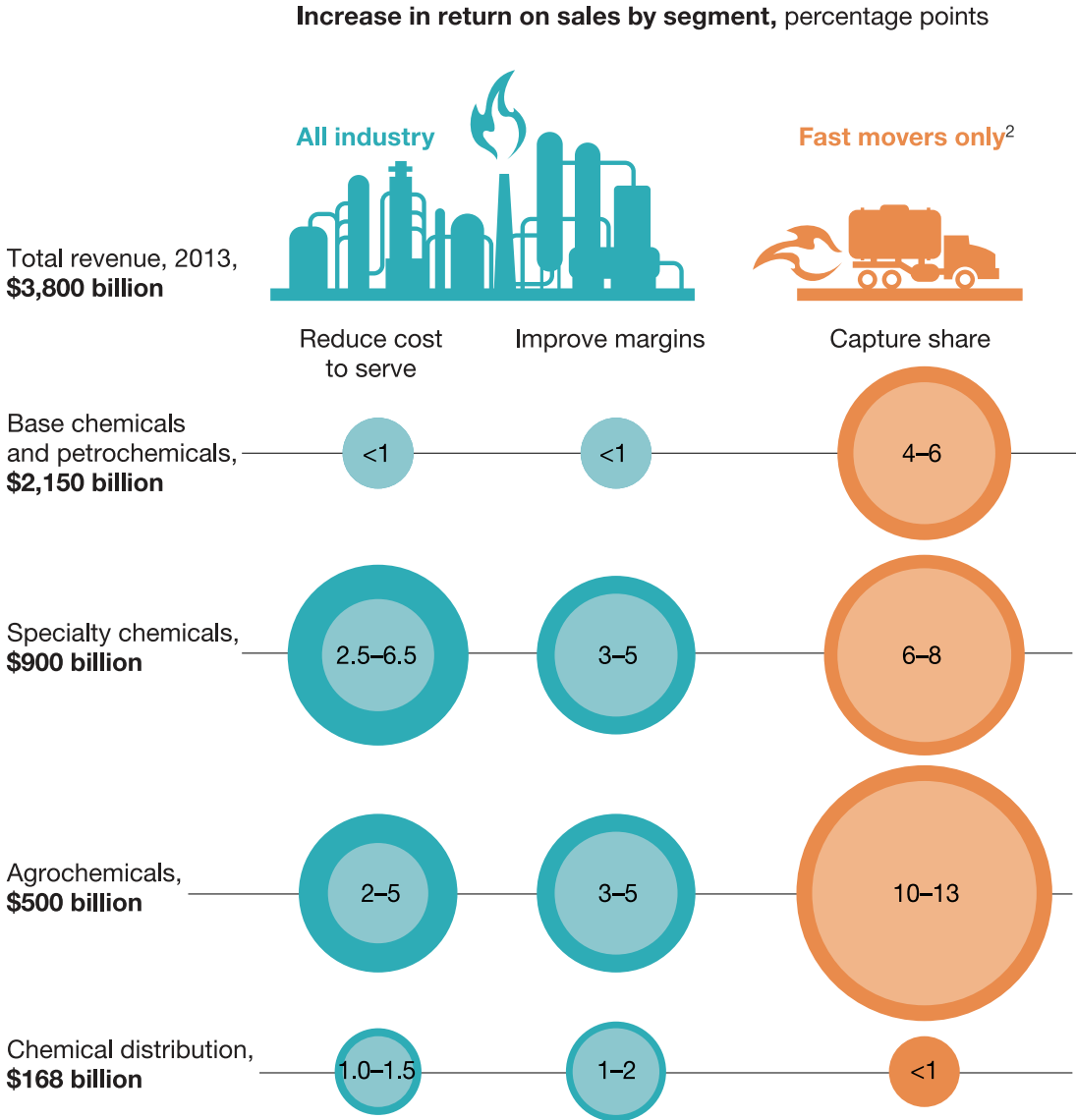[2]Earnings before interest, taxes, depreciation, and amortization.
[3]Industry winners expected to outperform historical 10-year real industry growth by factor of x1.5–2.0
 over the next 5 years; return on sales calculated for sample (25%) of industry sales.

We estimate that the additional EBITDA chemical companies would generate could also increase returns on sales performance. Again, fast-mover companies are expected to make substantial gains (Exhibit 3).

Opportunity from applying digital levers, 2020[1]

Digitizing commercial operations could also provide a substantial boost in return-on-sales performance.

Increase in return on sales by segment, percentage points

	All industry		Fast movers only[2]
Total revenue, 2013, **$3,800 billion**	Reduce cost to serve	Improve margins	Capture share
Base chemicals and petrochemicals, **$2,150 billion**	<1	<1	4–6
Specialty chemicals, **$900 billion**	2.5–6.5	3–5	6–8
Agrochemicals, **$500 billion**	2–5	3–5	10–13
Chemical distribution, **$168 billion**	1.0–1.5	1–2	<1

[1]Excludes disruptive industry changes (eg, increased chemical sales from 3-D printing) and assumes constant revenue base and industry growth; figures may not sum, because of rounding.
[2]Industry winners expected to outperform historical 10-year real industry growth by factor of x1.5–2.0 over the next 5 years; return on sales calculated for sample (25%) of industry sales.

Other B2B industries are showing the way— introducing digital tools, technologies, and approaches that are equally applicable in the context of chemicals. And leading chemical companies are already looking to digital solutions to help them tackle challenges and explore new business opportunities.

What will digital mean for chemicals? Let's be clear: the chemical industry isn't about to have its whole business model turned upside down by new digital players. With heavy assets requiring huge investments, no private production capacity to tap, and comprehensive regulations that govern manufacturing and distribution, the barriers to entry are just too high to allow wholesale displacement by digital attackers. Yet there is money to be made, and companies that neglect the digital opportunity risk being outmaneuvered by more agile competitors. Introducing and expanding digital sales channels, applying advanced analytics and machine-learning tools, increasing automation, and digitizing end-to-end processes in commercial operations will help chemical companies tap all aspects of digital to increase growth and profitability.

To do so, however, companies must understand what a digital transformation involves. Technology is critical in building a digital commercial backbone, but a digital transformation is a business priority, not an IT project, and has to be managed as one. Such a transformation involves adopting new skills, mind-sets, tools, and processes and learning how to apply them in every part of the business.[2] Leaders must also move quickly. As Klaus Schwab, executive chairman of the World Economic Forum, put it: "It isn't the big fish that eat the small fish any more, it's the fast fish that eat the slow fish."

So what are the sources of digital commercial value in chemicals? We see four distinct areas:

New growth

New organic growth begins when companies consider how digitization could affect every part of the value chain, from raw materials to end consumers. To understand the potential, the best companies set up cross-functional teams with members from marketing and sales, R&D, and product development, as well as downstream-market experts. This cross-section of talent is needed to identify promising opportunities across the business, to work out how to capture them, and to translate the findings into either new products or services or new value propositions for existing ones.

Capturing any opportunity, however, requires an intimate understanding of the needs of end users, so the best teams interview and observe them to understand what they do with a product or technology and what refinements and innovations they would like to see. For instance, new opportunities created by digital advances, such as 3-D printing, have prompted materials companies to introduce innovative products. Examples include new classes of polymers with the structural stability to replace metal plates and prosthetics

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[2] For more on this, see Driek Desmet, Ewan Duncan, Jay Scanlan, and Marc Singer, "Six building blocks for creating a high-performing digital enterprise," McKinsey & Company, September 2015, and Markus Hammer, Malte Hippe, Christophe Schmitz, Richard Sellschop, and Ken Somers, "The dirty little secret about digitally transforming operations," *Harvard Business Review*, May 2016, hbr.org.

in bone surgery, on the one hand, and colored polylactic acid to meet customers' esthetic demands, on the other.

Disrupting an existing offer often brings a risk of cannibalization, so leaders must assess shifts in value pools carefully before making their moves.

Better access to customers

Multichannel businesses consistently outperform their single-channel peers. Yet so far, few chemical companies have embraced online sales channels; most still serve customers mainly through their direct sales forces and distribution partners. Our latest research on B2B customer decision journeys shows that customers of chemicals, energy, and other materials industries continue to see personal interaction as critical for some purposes, such as identifying suppliers or researching new products. Eighty percent of the buyers find it helpful to speak to someone in person when they get a completely new product or service. However, the number drastically changes on other occasions; only 15 percent of buyers find this helpful when they order exactly the same product or service they got the last time. As the market's digital maturity increases, digital approaches are increasingly needed to complement personal interaction.

A case in point is BASF, which wanted to expand its footprint in China by addressing its attractive small and medium-size enterprises (SMEs), which account for 99 percent of the country's companies and 60 percent of GDP. This segment is challenging to serve profitably because of the customers' relatively small scale and diverse needs. So in 2015, BASF decided to open an e-store on Aliba and secured access to the large number of Chinese SMEs that already use the Alibaba platform; this also helped it to serve customers with minimum complexity, to keep its selling costs low, and to manage its portfolio easily.

Chemical companies can also learn from industries that have reached a similar level of digital maturity. In steel, for instance, the Chinese manufacturer Baosteel launched an e-commerce channel for its basic products as early as 2000. Over time, it complemented this offering by adding services such as logistics and financing to its digital portfolio. After overhauling its online business model in 2013, Baosteel relaunched its online store two years later and merged it with other online platforms. Baosteel now hosts the trading of its competitors' steel offerings as well as its own.

This step clearly met a market need: the channel grew more than threefold between 2013 and 2015, with 60 percent of sales coming from other companies' products. In addition, Baosteel generated valuable pricing and market insights from the data it collected and processed through its enormous data-analytics engine. The company is now generating revenues of approximately $800 million a year from its online activities.

Data-driven decision making

Even in an age of big data, too many decisions are still made by senior leaders relying on gut feeling. Commercial teams, from top management to frontline staff, can dramatically

improve their decision making if they use advanced analytic engines to mine data and unearth insights that can help companies grow and expand their margins.

Seeking to improve the productivity of the sales force, one leading chemical distributor used a machine-learning application to identify how collaborating with product experts affected sales. By gathering and mining gigabytes of metadata from phone records, calendar entries, email traffic, and the like, it discovered that its top-quartile product experts increased sales by 6 percent, whereas its bottom-quartile experts had zero impact. Digging deeper, the company found that its high-impact product experts had networks of salespeople three or four times bigger than those of their other product experts and took part in four times as many monthly calls and 12 times as many meetings. Armed with this information, it developed precisely targeted initiatives to improve connectivity and expand sales growth.

One specialty-chemical company abandoned its annual inflation-based across-the-board price increases and instead applied dynamic peer-based pricing to every possible combination of products and customers to improve margins. It adjusted up to 150,000 product and customer price points in each country, taking into account as many as eight different price drivers for all customers, as well as their distinct risk profiles. The results were dramatic: realized price increases rose from 1 percent to 3 to 5 percent. The biggest challenge was not calculating the new price points; state-of-the-art advanced analytic engines took care of that in a few days. What took time was ensuring that everybody, from top management to frontline salespeople, bought into the new approach, understood what to do, trusted the findings, and acted on them.[3]

A superior customer experience

Consumer companies like Amazon are leading the way in the customer-experience field with their constant efforts to make interactions more convenient and delightful. The same approach can give chemical companies a real competitive edge, particularly by standing out from their low-cost rivals.

Digital presents companies with the means to delight customers by smoothing and simplifying their customer journeys at every step, from providing instant quotes via dynamic deal scoring at the supplier-selection stage to monitoring equipment remotely and offering preventive-maintenance recommendations at the service stage.[4] By using digital technology, chemical companies can move from optimizing customer touchpoints to redesigning entire customer journeys to reduce churn, increase win rates, and cut the cost to serve.

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[3] For more on advanced pricing approaches, see *The Hidden Power of Pricing*, McKinsey on Marketing & Sales, New York: McKinsey & Company, 2014.

[4] See Nicholas Maechler, Kevin Neher, and Robert Park, "From touchpoints to journeys: Seeing the world as customers do," March 2016, McKinsey.com.

One of the world's largest logistics companies researched sales and service issues with its customers to identify the top 20 pain points, which included poor sales-response times, limited real-time tracking data, and insufficient access to customer service. It then redesigned and automated error-prone manual processes to address 16 of the 20, while also bringing together critical information in an easy-to-use digital interface that helped customer-facing personnel to enable seamless customer journeys. Customer satisfaction soared. Selling, general, and administrative costs are expected to fall by 20 to 30 percent initially and by as much as 60 percent once digitization is complete.

How to prioritize

To choose where to focus digital efforts, companies can look at the scale of each opportunity and consider how it applies to their business:

- Cost to serve can fall by 15 to 50 percent through e-commerce, the digitization of processes, and the use of big data to allocate salespeople. By capturing this immediate benefit, a typical company could save enough money to finance the rest of its digital transformation—and create enough buy-in and excitement to keep up the momentum. This opportunity is largest in specialty and crop-protection chemicals but still attractive in basic chemicals, petrochemicals, and distribution.

- Companies can, on average, raise their margins by two to three percentage points of return on sales by shifting from traditional pricing and margin management to digitally enhanced methods. Most of the value comes from introducing a dynamic-pricing engine that factors in data from plant utilization, storage levels, real-time customer demand, and so on.

- Fast-mover companies that want to position themselves to use digital tools and capabilities to capture business from their less nimble rivals can raise the growth of their revenues by up to twice the market average. The most important initiatives are likely to include creating a best-in-class online sales channel; using advanced analytics to reduce customer churn, identify new customer leads, and support upselling; and developing customer journeys that attract new business, foster loyalty, and boost share of wallet. Using digital to make sales processes more efficient and the experience of customers more engaging can enhance their satisfaction by as much as 20 to 30 percent.

Taking the first steps in the digital marketing and sales journey

We see four steps that business and commercial leaders should take to start extracting value from digital:

1. *Discover:* Begin by identifying and quantifying tangible commercial opportunities for your company. Prioritize the top three to five by the value they offer, the market's digital maturity (or expected receptiveness), and the digital savvy of your business. Start your

transformation by galvanizing the team around these—and only these—priorities. Set clear monetary targets and follow up on implementation and capturing value.

2. *Design:* Successful transformations have dedicated leaders from the business side who work closely with IT experts on multiple rounds of rapid prototyping. Great teams include facilitators who help the company address its culture and ways of working by supporting the organization as it shifts to a dynamic work environment where people are comfortable with constant experimentation, fast adaptation, and learning from failure as much as from success.

   At the same time, companies need an agile, fast technology platform. Ensure that both your traditional IT projects and your digital marketing and sales transformation get proper IT support. Success in such transformations depends on agility, rapid adaptation, and piloting—not hallmarks of IT departments geared to routine B2B commercial operations. Companies can build an agile digital IT support cell on top of the existing IT infrastructure to help meet both legacy and new requirements without disrupting the business.

3. *Deliver:* If solutions require large investments or long development times, outsource noncore activities and partner up with the pros. This is even more important in digital, where things move fast. Ask who is the natural owner of the technology you need and how you can secure access by partnering up. A successful partnership brings advantages to both partners and ensures the rapid delivery of projects. When implementing a program, first run a test on a small part of your customer and product portfolio before going full scale. Start with the minimum viable product and then expand its functionality. Work with customers from the kickoff to adapt products and services to their needs and build the market's digital maturity.

4. *De-risk:* Maintain the highest standards in data hygiene—your digital platform is now part of your competitive advantage. Limit implementation risk by following a step-by-step digitization road map, one opportunity at a time. Avoid the temptation to jump into a "big bang" transformation on day one.

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Digital is already changing the way chemical companies operate. How much value individual businesses will extract from digitizing marketing and sales—and how quickly—will depend largely on what their leaders do next. ◻

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The 90% success recipe:
How digital and analytics can help commercial transformations beat the odds and the market

Homayoun Hatami, Candace Lun Plotkin, Kevin McLellan, and Patrick Schulze

Pressure is mounting on CEOs and business leaders to deliver above-market growth. Consistently beating the market over time, however, requires a top-performing commercial engine underpinned by a new wave of digital and analytics capabilities.

While hiring new talent is a crucial component of building necessary capabilities, our experience has shown that developing a market-beating company requires change that comes within the organization itself. Business executives today need to focus on building capabilities with the same level of commitment they showed when transforming their businesses through lean operations in the 1980s.

That prospect, however, is daunting considering that, traditionally, less than a third of transformations have succeeded as expected. A staggering 70 percent of the failures are due to an organization's inability to adopt required new behaviors quickly and completely. At the same time, leaders often doom any transformation effort by being overly tentative about changing their commercial structures for fear of disrupting sales activities. This level of change requires significant courage and leadership.

A new approach to commercial transformation (embedding digital, analytical, and agile skills into marketing, sales, and pricing capabilities to drive revenues and/or margin improvements) is turning that failure rate on its head. We have found an astonishing 90 percent of companies that embrace this new approach to overhauling their commercial drivers are not only delivering above-market growth but also sustaining it over time. Furthermore, two-thirds of all companies pushing these transformations are achieving this in either profitability or revenue growth, and a quarter are achieving it in both (see exhibit).

The case for change

While most major companies understand the need to adapt to the marketplace, we find that they often don't have the level of commitment needed for a commercial transformation to succeed over time. Increasingly, however, the decision for change is one that leadership can't put off. Better commercial capabilities are necessary to respond to something that we observe more and more often in the marketplace: Competitive advantage just doesn't last very long anymore. Competitors spot and adapt to innovations and new products quickly, and that reality is just going to accelerate as companies build out more digital and analytical capabilities.

"Sometimes we'll spend a lot of time bringing a product to market, and we need to plan for the fact that that gives us only a six-month head start," says Gary Booker, CMO for Dixons Retail. "We need to then figure out, whilst our competitors are catching up with what we've just done, what we're doing to make sure that when they get there we're already on to the next thing."

What that means in practice is having an agile organization that is constantly innovating, constantly spotting and reacting to new opportunities. It is a business that is constantly improving its understanding of how, what, and when the customer wants to interact and buy. Erwin van Laethem, CEO for Dutch energy company Essent, puts is succinctly: "Every success we've had in the market has been copied by our competitors. What you can't copy is how people work together in an organization."

Our research demonstrates that companies with more advanced marketing and sales capabilities tend to grow their revenue 30 percent more than the average company within their sector. (See exhibit). What's more, those companies with leading digital capabilities, are growing 5x faster than their peers.

Furthermore, successful commercial transformations have delivered consistently impressive results: A chemicals company grew revenue 7 percent annually while cutting marketing

Growth above market

Companies that
invest in marketing
& sales drive above-
market growth.

**Company's performance
relative to market**
(revenue growth multiplier)

Company's M&S capabilities score
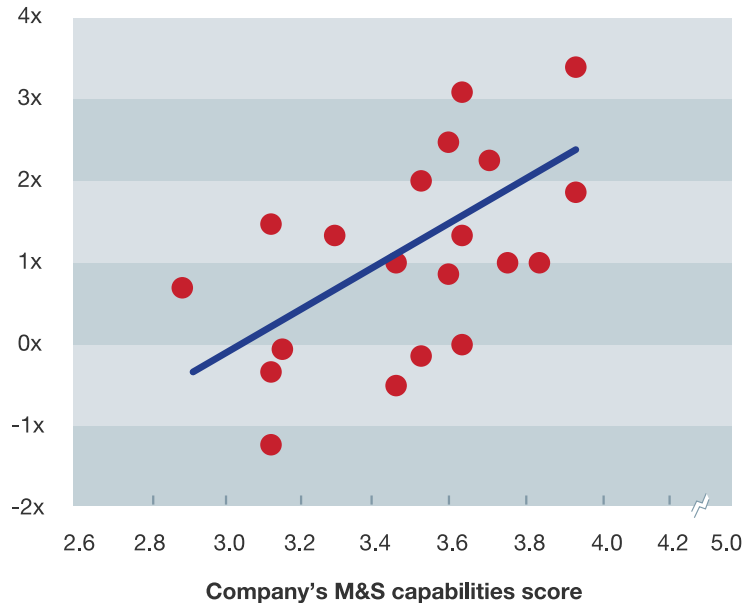
Source: McKinsey CCAT Database

and sales costs by 8 percent; a manufacturer saw a 3-5 percent uptick in revenue based
on revised marketing plans; a paper and packaging company is on track to increase ROIC
from 6 percent to 10 percent in three years, thanks to its program to build a continuous-
improvement mindset in marketing and sales.

The case for change is clear; how to do it is less so. How have these commercial
transformations succeeded where others before have faltered? Our experience leading 100
commercial transformations in the past five years, together with the results from a survey of
2,300 executives and our Digital Quotient ™ database, distilled the recipe for success into
the following six components:

1. Know where you are and where you're going

"You need to create the compelling case for change. Define what problem the organization
is trying to solve and why the current status is not good enough." That's the advice of one
European chief commercial officer, and it crystallizes where any transformation should start.
A clear vision is essential and should be based on insights from data rather than on hunches.

Typically, companies don't have a strong sense of their commercial capabilities. High-
performing companies, however, systematically assess their capabilities at a granular enough
level to allow executives to take meaningful action. The best companies are deliberate about
identifying their strengths and weaknesses against all capabilities and then mapping them
against their goals so they understand which capabilities to prioritize. Everyone in the C-suite

must be able to articulate what two to three commercial capabilities their organization is focused on building, how they are building them, and how well the capability-building effort is translating into impact. High performing companies have been focusing particularly on their digital capabilities across marketing, sales, and IT strategy, culture, and organization.

Leading companies use intense multiday workshops to distill this initial vision into concrete targets and timelines that can be filtered down from the leadership team. Connecting a visionary goal with a clear and pragmatic timeline creates tremendous energy to start the transformation.

2. Create a transformation team built on trust

With the aspirations and fact base in place, the next stage is to create a resilient commercial-transformation team. While it is typically led by either the CEO, head of sales, CMO, or sometimes even the COO, it should include marketing, sales, operations, data analytics/scientists, and business-unit leaders. Team members need to be respected—their day-to-day colleagues should feel they can't afford to lose them. It is also important to include HR and communications professionals alongside a project manager who keeps everyone focused on the next step of the journey and tracks the relevant metrics.

Since commercial transformations are long processes and involve taking risks, the team must invest time in building deep levels of trust to keep morale high over time. We've found that 63 percent of successful commercial transformations balance team health with performance. Activities to build that trust should focus on learning what really makes each person tick, understanding motivations, and identifying attitudes towards change and risk.

To kick start team building at a healthcare company, for instance, executives went on an offsite that included an extreme ropes course and an outdoor orienteering exercise where some team members were blindfolded. Trust builds quickly when you're dangling 50 feet above the ground or relying on someone else to see. The second half of the offsite focused on sharing stories, often personal ones related to issues that employees might not otherwise bring up in the workplace but that can explain behaviors with a major impact on a transformation.

What matters is that the team members understand their own motivations and those of their colleagues as they embark on a transformational journey that definitely involves new experiences and risks.

3. Score quick wins

Transformations will not succeed unless they deliver substantive short-term wins within six to twelve months. Typically, therefore, the best companies build momentum by focusing first on initiatives that have early impact—and help fund the transformation—then on building a case for further change efforts.

A heavy-equipment manufacturer discovered there was a large consumer market of people who liked the brand but couldn't easily buy the products because they were sold

only through B2B sales channels. As a result, the company quickly moved its mid-priced product line into big-box retailers, thus gaining access to the consumer segment. Revenues grew by 10 percent within just eight months.

Aside from the additional revenue, this success proved that the company could get its products into new segments through both targeted marketing and building relationships with retailers, without upsetting its traditional sellers. In the longer term, this quick win moved customer insights to the heart of everything the company did and proved to any skeptics that the transformation into a customer-solutions organization was both worth pursuing and achievable.

To help accelerate the process, many companies are also embracing, at least in parts of their organization, the notion of agile. This capability boils down to having a dedicated approach to constantly testing, learning, and evolving ideas and solutions based on getting quick results and clear data-driven insights.

4. Activate the organization

Working with leadership, the transformation team has to structure a plan for pushing change throughout the organization. That requires a clear vision for building new habits at every level of the organization. For the C-suite, it's about mindset change and developing new leadership and change-management skills. For managers, the focus needs to be on coaching, product knowledge, and problem solving. Frontline reps need specific selling skills like consultative selling and using pricing analytics. You can't do everything at once, of course, so the team needs to carefully sequence the effort, from rolling out training sessions to doing field work to reinforcing habits through e-learning, for example.

Activating an entire organization also requires finding the right people to make the change happen throughout the business. More than 60 percent of our survey respondents said that having committed change leaders across the organization was "extremely important" to the transformation effort. At a packaging company, senior managers used network-analysis and organizational-health-index tools to discover who would be "up for the battle," in the words of one marketing director. The company ran a survey to identify to whom staff turned when they had questions, and who was trusted. The results revealed the most influential people at key points across the organization, and they were invited to become "change champions." These are the people who have to reinforce the messages relentlessly and deliver the change on the ground.

Imaginative communications are also necessary so that everyone continues to sit up, take notice, and act. These may involve internal or even external advertising campaigns, social media, town hall meetings, and a raft of other communication efforts.

5. Commit to coaching

Coaching is so critical for success that we want to highlight it specifically. Good coaching is much more than going on a ride-along with your buddies or doing a sales pitch while someone watches. It's about a real commitment to improving your people by providing

constructive feedback, empathizing, helping them work through issues, and reinforcing their strengths … at the right cadence. It's also about role modeling new behaviors, something that rarely happens in practice.

The CEO of a business division said that "personal development through manager coaching is now a hallmark of how we run our business." It's clear that success doesn't just come from shiny new tools; it comes from breaking old habits. But turning sales managers into coaches requires a change in behavior. One company provided managers with training in traditional skills such as handling difficult conversations and assigned a "supercoach" to each sales manager. These coaches, drawn from its central sales-training team, observed real-life coaching interactions between managers and sales reps and gave specific feedback on the managers' coaching skills. The company credits the enhanced coaching role of the sales managers with a resulting 25 percent improvement in close rates.

In sales, companies have found that a structured coaching program with at least weekly contact between coach and sales rep is vital to changing how people work. For example, a consumer-services company mandates that sales managers conduct daily 15-minute check-in calls with all reps who fail to hit their monthly targets. Reps who make their targets get weekly one-on-one sessions, and reps who exceed their targets get a 10-minute praise call every week. The company also requires managers to join each rep for a day every month.

Such regular and frequent team touchpoints can be vital to the success of pilot projects. One company held weekly meetings at which the team could plot strategy for the week ahead. The results of the first pilots exceeded all aspirations. Sales calls per rep rose by 40 percent, offers closed per sales team rocketed by 75 percent, and the average contract value per week rose by 80 percent—and by as much as 150 percent for new deals. These results were achieved with the same sales reps and managers who had previously been underperforming. It was the company's approach to performance management rather than the specific tools that made the difference.

6. Hardwire a performance culture

The reality of today's economy is that change is constant. Hard-wiring a high-performance culture into a company's DNA is the only way to assure growth above the market year after year.

As Tom O'Brien, group vice president and general manager, marketing & sales, at Sasol, says of the pricing transformation he led: "The real success of this is not if we deliver two to three billion, but if we deliver that and then identify another two to three billion, and deliver on that, again and again."

Building this culture requires putting in place specific processes and tools to redirect the organization, reinforce behavior, and build new habits. But the really critical component is putting in place the right metrics to track and adjust performance. Without them, it's virtually impossible to understand what is and isn't working.

Listen and lead—what leaders say about taking responsibility

Ultimately, a commercial transformation lives or dies on the hunger and determination to make it succeed. Just as companies set corporate visions, they can also set "people visions." During a transformation, people are invited to do things they haven't done before and perhaps they didn't think they could do. None of this is possible without leadership. In conversations with senior marketing and sales executives who have gone through successful transformations, leadership emerged as paramount. Here are some of their insights:

- Be consistent, be accessible, be passionate. Show that you care.

- Translate the change story within the organization, but keep it simple, celebrate successes, and give tough feedback when things are going wrong.

- Be transparent, and trust people. One CEO shares KPIs with 35,000 people through weekly webcasts to help people understand where the company is in the change journey.

- Have honest conversations. There is huge value and respect to be gained from saying "I don't know!"

- Find great people, have the courage of your convictions, but recognize that you don't have a monopoly on insight.

- Be fair, be clear, respect people, and be a true part of the team— never miss meetings or fail to respond to e-mails, etc.).

- Celebrate initiative, learnings, and failure, when it is following by learning; experimenting and testing, tweaking and improving are now, more than ever a reality in the digital world.

The best-performing companies develop dashboards to track progress. They include basic financial-performance metrics, of course, but importantly they also track indicators of changes in behavior, such as understanding how marketing is helping the salesforce sell, which tools helped close sales, and how often collaboration meetings occurred.

These companies also actively track capability metrics, such as training courses their people have taken, whether they passed or failed, and how that correlates with performance in the

field. They then use those calculations to adjust their capability-building efforts and zero in on weak performers who need more or different training.

The companies that effect a successful transformation go one step further by adding surveys and in-person interviews with their people to provide an even more comprehensive picture of commercial performance. They also develop customer-satisfaction measures—using sales, business units, and pricing as the "customers" of marketing. To be most effective, measurement must start before a transformation kicks in, in order to create a baseline. Then at regular intervals, companies measure again to understand what progress has been made at both the organizational and capability levels.

One multinational industrial company took this comprehensive commercial view of metrics and discovered a big gap between what sales reps were doing in the field and what their distributors actually wanted from them. Although the product and pricing were good, their distributors wanted to visualize the product and calculate the cost and payoff of various product options. They found further that the things marketing was creating, such as brochures, weren't helping with the sales process. Sales decided to ask marketing to create a calculator that would help tabulate the answers to distributor questions in real time.

As a European marketing director put it, "The organization needs to be—and stay—hungry. Focus on what needs to be done, and then ensure you sustain it."

While metrics are important to track performance (e.g. traffic, conversion, transaction size, etc), they also need to support a performance culture. Commercial leaders put in place metrics to measure test and learn progress and agile A/B testing approaches, for example. These metrics can help avoid paralysis by analysis by helping employees track their performance in a way that encourages learning as you go to drive progress, incremental improvements, and quick feedback loops with your customers.

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A new breed of commercial transformation is rewriting the playbook on how to deliver successful, sustained, above-market growth. At least as much investment is needed in organizational culture and health as in the intricacies of what will change on the ground. This makes transformation challenging, yes, but it also means the rewards are substantial.

Not only do all the pieces of the transformational jigsaw have to fit, but the picture they create has to be clear and easily understood by everyone. A strong leader needs to ensure that the enthusiasm, energy and momentum is sustained throughout the process. It's likely to be one of the most challenging things a company undertakes—but it has the potential to be the most rewarding both for your people and for achieving above-market growth. ☐

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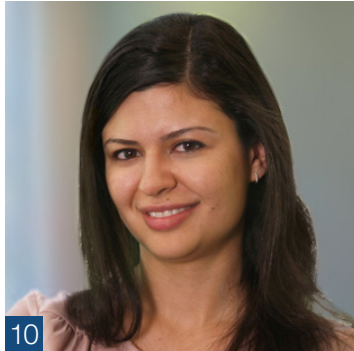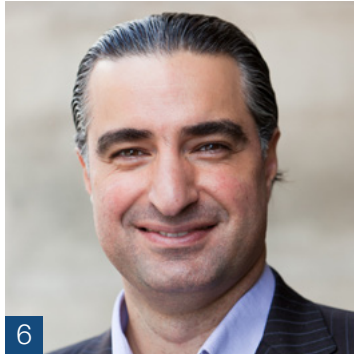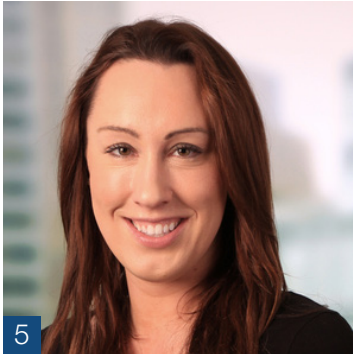
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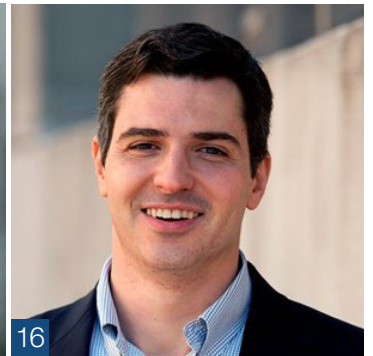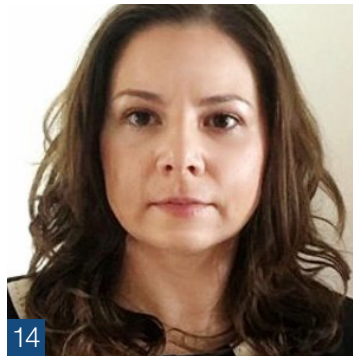
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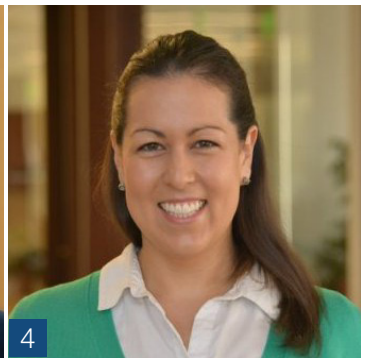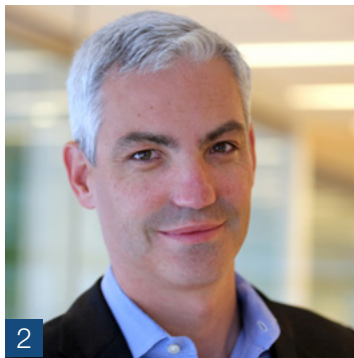
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