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REVENUE OPERATIONS

A NEW WAY TO ALIGN SALES & MARKETING, MONETIZE DATA, AND IGNITE GROWTH

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REVENUE OPERATIONS: A NEW WAY TO ALIGN SALES & MARKETING, MONETIZE DATA, AND IGNITE GROWTH

A system to align your sales, marketing, and customer service teams to create sustainable, scalable growth

Growing a business in the 21st Century has become a capital intensive and data-driven team sport. In *Revenue Operations: A New Way to Align Sales and Marketing, Monetize Data, and Ignite Growth*, an accomplished team of practitioners, academics, and experts provide a practical and proven system for aligning revenue teams and unlocking more growth from your people, data and technology assets. The book shows business leaders, managers, and front-line sellers' practical ways to crush sales, marketing, and customer support siloes and connect the dots across an increasingly complex technology ecosystem to simplify selling and accelerate growth. With this book, you'll learn a set of smart actions you can take to successfully transition to the new system of growth without disrupting your cash flow or profit growth. This practical and executable system for generating scalable and sustainable growth can applied virtually any business - large or small - that wants to generate more growth and value. This book will teach you:

- Real-world case studies and personal experiences from executives from an array of high technology, commercial, industrial, services, consumer and cloud based businesses.
- The six core elements of a system for managing your commercial operations, architecture, intelligence, infrastructure, and data assets.
- Building-block approaches to connect the dots across your technology infrastructure to generate more scalable growth and a better customer experience at lower costs.
- The skills and tools the next generation of growth leaders will need to succeed and an essential career roadmap for anyone who wants a career any growth discipline in the next 25 years.

An indispensable resource for anyone who wants to generate more growth from the business – from the CEO to sales and marketing leaders, to operations professionals, and front line sellers - *Revenue Operations* is based on over one thousand surveys of and interviews with business professionals conducted during 2020 and 2021 and a comprehensive analysis of the sales and marketing technology landscape. As a perfectly balanced combination of theoretical insight and data-driven application, this book belongs on the bookshelves of anyone responsible for driving revenue and growth.

About the Authors

Stephen Diorio is the Managing Director of the Revenue Enablement Institute, and a Senior Fellow at the Wharton Customer Analytics Initiative. He is a leading authority in go-to-market transformation, sales and marketing performance management, and revenue operations. Over the past 30 years, Stephen has helped over 100 organizations like American Express, DuPont, IBM, Intuit, Ricoh, UPS, and US Bank to reengineer their selling strategies, technology portfolios, and revenue operations to accelerate growth and become more data-driven, digital, and accountable. He is a widely published analyst at Forbes and has authored several books on commercial transformation including Beyond e: How Technology is Transforming Sales and Marketing Strategy.

Chris Hummel is a Managing Director at the Revenue Enablement Institute leading CXO programs. Chris is a global CXO with a proven track record of accelerating revenue and adapting to changes in the buying and selling environment. He has successfully led sales, marketing, product, and digital teams at world-class companies like Oracle, SAP, Schneider Electric, Siemens and United Rentals. Over the past 25 years he has developed 360-degrees of experience driving every aspect of the commercial system – as a GM, F500 CMO and Chief Commercial Officer responsible for growth– while also leading the core marketing operations, field marketing, sales operations and customer care teams that support them.

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CHAPTER 1:

A BOLD APPROACH TO TAKE CONTROL OF THE ENTIRE REVENUE CYCLE

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CHAPTER 1:

A Bold Approach to Take Control of the Entire Revenue Cycle

Revenue growth – the increase in a company's sales over time – has become the primary basis for building business value. The more sustainable and scalable that growth is, the more valuable it becomes to shareholders, management, and employees. Unfortunately, most businesses approach growth more as a bespoke, episodic activity rather than a system.

Why? Fundamentally, business owners, CEOs, and commercial leaders don't have a system for growth. While other primary functions like purchasing, manufacturing, and finance already spent the last few decades standardizing and even automating their systems, few leaders we spoke with could clearly describe any kind of connected approach, system or model they use to generate revenue and profit growth.

Everyone struggles to get the different pieces working together. Efforts to accelerate or sustain profitable growth will be confounded by the fragmented way most companies manage the many ingredients in the growth formula. It's hard to align customer-facing employees who work in different marketing, sales, and service organizations. It's difficult to connect technologies that are deployed in silos of automation. It's impossible to deliver a superior customer experience when you selling process consists of a variety of disconnected processes, policies, procedures, and machines.

The leaders we interviewed gave some reasons for this. First, go-to-market processes have proven hard to manage, measure and systematize. Second, customers and markets change too often and too quickly to create stable, repeatable processes. Finally, a perceived lack of customer feedback data has hindered the ability to anticipate customer needs and respond with channels and products that better meet those customers' needs.

In the 20th Century, perhaps these arguments had some validity. Not so today. A revolution in data analytics and the emergence of digital selling has given managers unprecedented visibility into the demand chain and insights about the revenue cycle. This enhances their ability to measure customer engagement and account health. It also helps them manage selling teams and predict sales pipeline performance.

Managers didn't just forget how to grow. They are confronted with a deep and serious shift in the market.

In essence, the formula for growing a business that most leaders think they know has changed. The traditional structures for managing the people, processes and technologies that support revenue growth have proven woefully inadequate.

A new system for growth is urgently needed. It must do a better job of aligning revenue teams and generating greater returns from commercial selling, processes, data, and operations. It must also deliver impact throughout the entire revenue cycle from customer acquisition to transaction to consumption.

In this book, we define that new system for growth and call it Revenue Operations.

Revenue Operations represents a bold new commercial model for the 21st Century to create sustainable and scalable business growth. As we define it, Revenue Operations is comprised of two component systems – the EQ and IQ, if you like. The first is a management system for aligning the people in your revenue teams. The second is an operating system for combining the systems, processes, and data assets that enable selling in ways that generate more sustainable and scalable growth. Revenue operations links these two systems together towards growing revenues, profits, and firm value.

Throughout this book we strive to articulate this new system for growth in depth and to show you examples of how to make it work. This book will help owners, CEOs and leaders of the marketing, sales and service functions – the growth leaders that we will refer to as "CXOs." This work will also help revenue-centric employees on the front line take a more systemic approach to growing their business. Furthermore, the lessons and insights inside will help large enterprises and small companies looking to accelerate growth.

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What is A System for Growth?

At the simplest level, a system is a combination of things that work together as a united whole to achieve a common purpose.

What exactly those ”things” are, the ways they ”work together”, and the nature of the “united whole” they create all vary of course. As does their purpose. Systems can do many things. Run a computer (an operating system). Educate people (an education system). Manufacture and distribute products (a production and distribution system). Manage money (a financial system).

The “things” or elements within a system can include a wide variety of ingredients – ranging from people and organizations to technology, devices, or software code to principles and procedures. The way they combine to “work together” can take the form of a machine (like a computer), and operation (like manufacturing), a network (as with railroad systems), or an organism (as in a digestive system).

Businesses have established systems for most of their operations including: manufacturing, distribution, supply chain management and finance. These systems are generally pretty well organized, automated, managed and measured in a mature organization.

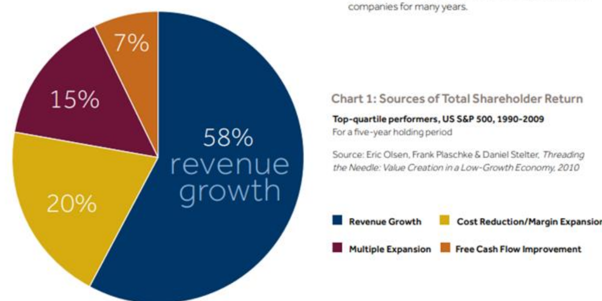
The conversation changes when you start to talk about a system of growth. The “things” that are supposed to combine to create growth are made up of fragmented groups of customer-facing employees, silos of automation, and a lot of disconnected processes, policies, procedures, and machines. In most businesses they don’t work well together. Nor do they don’t work with common purpose towards a common goal. By definition, there is no system. This gets at the core reason most organizations struggle to generate consistent, scalable, and profitably growth.

1. THE FINANCIAL LINK BETWEEN FIRM VALUE AND GROWTH

An organization’s ability to grow revenues has become more and more tied to firm value than at any time in our business lives.

This relationship can be seen in the high valuations awarded to businesses that can deliver predictable, scalable, and profitable growth or hyper growth (in the case of cloud businesses). For example, the marketplace values firms with hyper growth (e.g. annual growth over 40%) and predictable revenues (e.g. Net Annual Recurring Revenues of over 100%) disproportionality. That is why a hyper growth business like HubSpot commands PE ratios in the hundreds while not yet showing a profit. It also explains why a SaaS business like Salesforce.com with double-digit growth rates and recurring revenue streams will have a valuation in excess of 60 times its earnings – more than triple the S&P 500 average.[59,52]

An analysis of total shareholder return of the S&P 500 over a twenty-year span found that 58% of value creation is attributed to organic growth. That means the ability to grow revenues organically has created more firm value than all efforts to reduce costs, expand earnings multiples and improve free cash flow combined. (CITATION)



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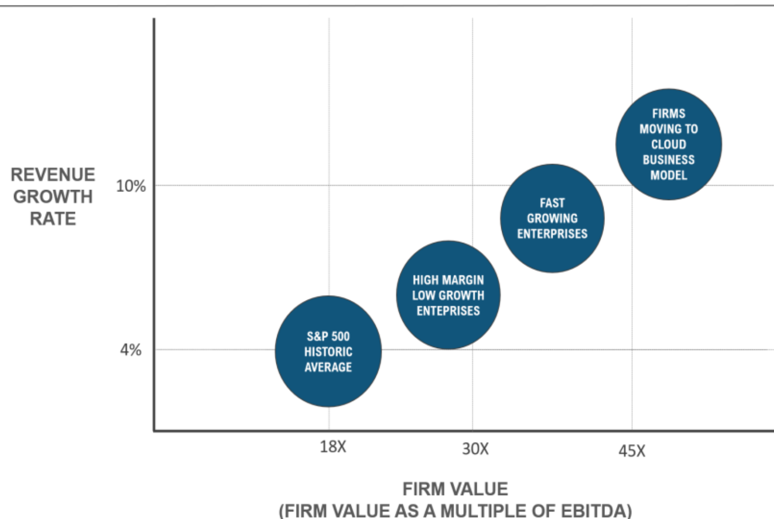
The capital markets value growth. Generating more consistent growth is a formula every business can use to create value. Private investors need growth to justify the historically high prices they are paying for businesses. Growth attracts talented employees, and buyers view it as a sign of innovation, quality, and validation.

Today the average business in the S&P 500 is growing top line revenues at 4% annually and is valued at 18 times earnings (or profits). A firm that grows at double that pace is worth almost twice as much. Businesses that master scalable growth – by creating systems for growing revenues faster than the resources needed to generate those revenues – are even more valuable. For example, businesses that are able grow fast and have recurring revenue models are worth over forty times their profits. Business like Google, Salesforce.com or Citrix that have mastered the ability to scale revenues faster than costs and to make salespeople even more valuable. This is why so many private equity firms are pushing their businesses to move to a recurring revenue or cloud business model.



Source: Blue Ridge Partners, Pitchbook, Blossom Street Ventures, Dow Jones, Refinitive 2021, Inc 500, NASDAQ

The growing importance of Revenue Operations as a practical way to create firm value is not lost on the owners and boards of high growth businesses. For example, several private equity firms like Rockbridge Growth Equity, Morgan Stanley Private Equity, Tengram Partners, and Vista Equity Partners have created a growth culture, operating model, and infrastructure to support accelerated growth at scale across their portfolio by creating centers of excellence in demand generation, call centers and digital marketing channels. For example, Rockbridge is the PE arm of the Quicken Loans group. They have been able to leverage their highly sophisticated marketing capability and focus on customer experiences that Quicken Loans used to become the #1 mortgage provider and launch Rocket Mortgage as a major brand across the other firms in the portfolio.

Average purchase price multiples are at historic highs (in excess of 13 times EBITDA) and most PE believe financial engineering will not be enough to justify such high prices and deliver their LPs the returns they expect.[60]

Jim Howland, an Operating Partner at Morgan Stanley Private Equity, sees the role of the private equity investor evolving from pure financial engineering towards enabling faster revenue growth in the last few years. "What you do with an asset is as or more important as getting that asset at the right price," reports Howland. "The reality is that if you want to attract good deals and make a return in today's PE world, you need to have a plan for how you will add value over the entire ownership period and build it into the price you pay for the asset. And a big part of that value plan is built around marketing and growth capabilities."

Investment banker Ben Howe, CEO of AGC Partners, reinforces reports that Private Equity owners are increasingly creating value using a "buy, grow, and build" model of governance and enablement. "The top tech buyout funds including Vista, Thoma Bravo, and Insight are relentless in their programmatic efforts to build organically and apply operational best practices to enhance organic growth via ongoing technology, go-to-market initiatives and product improvements across the

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organization" reports Howe. "Stories like Vista taking Marketo private for $1.8 billion with ample leverage, growing it at 66% and then selling it to Adobe for $4.8 billion generating a multi-billion dollar return in just 2 years tends to get LP's attention."

Unfortunately, many people still perceive growth as a form of "art" and fail to understand the science of growth. These people often see Marketing as more of a creative discipline with little or no connection to financial outcomes. Selling is about personal relationships not method. Superstar sellers are treated as kings and queens – despite being hard to manage and even harder to replicate.

In addition, executives cannot agree on the causal chain of events that leads to revenue growth and the future cash flows that underlie firm value. This leaves executives without a financially valid way to make growth bets, weigh tradeoffs, and optimally allocate resources across growth alternatives. It also makes it difficult to build a business case and management consensus on the capabilities that can create the greatest value to the firm. For example, most business leaders pay lip service to the notion of being data driven, digital, agile, and customer focused as a basis for competitive advantage. They understand these things are strategically important, but in most cases, they don't have a basis for evaluating these strategic value drivers and lack a tangible set of corporate initiatives to exploit them in the marketplace. Academic research proves, however, that these are the primary causal factors that determine the financial value of the enterprise.

Corporate leaders struggle with the long-term growth formula. They can rarely agree on the big questions underlying their growth strategy such as the measurement, value and importance of growth assets. "With all the focus on advanced analytics and data-driven marketing, not much progress has been made on understanding the fundamental math of growth in a business," reports Professor Dominique Hanssens of the UCLA Anderson School of Management and author of the book The Long Term Impact of Marketing. "In my experience, executive teams that make the big growth bets often lack consensus and alignment on fundamentals like the true cost of customer acquisition, the right balance of customer acquisition relative to customer retention, and the financial contribution of the brand to the business."

REAL-WORLD PROBLEMS CROSS ORGANIZATIONAL BOUNDARIES

Growing a business is an interdisciplinary endeavor. A team sport. Any "go-to-market" strategy has dozens of functions to manage and many more disciplines to master. These functions include traditional growth disciplines like marketing, sales, and customer service. They also include brand management, product development, and the "4Ps" of pricing, promotion, product packaging and placement. New disciplines like sales enablement, customer analytics, earned media management, and content management have emerged as these budgets have grown to command 15% or more of business-to-business (B2B) growth budgets.

There are job descriptions for all of these individual disciplines. There are millions of experienced managers and experts in these functional disciplines. Universities offer master's degrees and PHDs in most of these disciplines. Individually.

Organic growth requires all of these disciplines to work together in unison towards a common end – consistent, profitable and scalable growth. There is no curriculum for that. Few CEOs have direct experience in these disciplines. Less than 20% of CEOs have direct experience in sales. Few marketers become CEOs.

This is the underlying reason why few managers have been able to master the science of growth. "The root cause of this problem is that historically academic and business institutions have taught and managed the science of growth as a set of individual disciplines – branding, product management, marketing and analytics," says Professor David Reibstein of the Wharton School of Business. "But the real-world problem of growing a business is interdisciplinary in nature. We as teachers need to do a better job of creating skills, structures, and leaders who can manage, coordinate, and align all these disciplines coherently around the customer. Being the captain that coordinates and leads all those functions in a business is a very big job. But an essential one."

Academic and commercial research have made it overwhelmingly clear that growth is a "team sport" and that there is a causal relationship between organizational competence in analytics, marketing, information sharing, agility, and cross-functional collaboration with enterprise value. This research shows that a 10% increase in organizational competence will drive on average a 5.5% increase in stock price.[7] An analysis of 380 CMOs by Forbes found that organizations investing in data-driven measurement processes, competencies and systems were achieving significantly higher levels of marketing

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effectiveness and business outcomes – achieving 5% better returns on marketing investments and more than 7% higher levels of growth performance.[7] The analysis revealed that these high-performing marketers – who were exceeding growth goals by over 25% – were significantly more data-driven in their approach to measuring, optimizing, and reallocating their offline and online sales and marketing investments.

THE ROLE OF INSIGHT IN VALUE CREATION

Investments in customer insights and agility do create firm value. How fast and effectively an organization analyzes, leverages and shares information and customer data can increase tactical marketing returns but also generate long term enterprise value.[63] Academic research has proven there is a significant relationship between how fast your organization shares data and customer insights across revenue teams and share price.[6] A comprehensive analysis of 114 academic research studies by the Marketing Science Institute (MSI) has demonstrated that the ability of an organization to generate, disseminate and respond to market intelligence – called Organizational Knowledge Sharing – has a quantifiable positive effect on firm value and financial performance in terms of profits, sales, and market share.[6]

Managers need to recognize and prioritize the importance of sharing knowledge across the business. Modern selling systems produce customer data that allows revenue teams to identify trigger events that signal buying intent, flag inquiries from important influencers within accounts, and make decisions about next best actions based on past customer behavior. However, the window of time an organization has to act on that data is small – gated by customer time, attention, and expectations for response. This makes hastening data and decisions about an opportunity from the source (e.g. a website, an algorithm in marketing) to a customer facing employee who can act on it (e.g. a relationship manager or customer service rep) a critical value driver.

Similarly, customer relationships, go-to-market effectiveness, organizational information sharing, customer experience, and the quality of products, people and innovations have all been empirically proven to drive increases in firm value by academics.[6]

In particular, the push to focus the organization on customer lifetime value as the common purpose of the revenue team has a financial basis. Customer equity is a significant driver of share price. According to academic research the value elasticity of customer equity is 0.72.[6] This means a 10% increase in the value of customer assets will drive a 7.2% increase in stock price because higher levels of customer satisfaction, trust and online service innovations enhance long term margins, sales growth, and enterprise value.[6,7] Hence lifetime value is being redefined as an economic model in a digitally driven economy. This is evidenced by the ability of businesses like AirBnb ($92B in firm value with no profits) and the GHX Global Healthcare Exchange to convert digitally enabled consumer and business networks into valuable assets.[59]

For example, Rockbridge pushes its portfolio companies to deploy advanced analytics and direct marketing competencies pioneered by another Rockbridge company, Quicken Loans, to accelerate revenues, profits, and firm value. One Rockbridge portfolio business that provides online postgraduate education, North Central University, was able to borrow demand generation practices developed by Quicken Loans to grow their enrolled student population from 5,000 to 9,000 over their 6 years of ownership. This led to rapid growth in revenues (from $31M to $114M) and EBITDA (from $6M to $29M) and a highly successful exit.

INTANGIBLE ASSETS AS THE FOUNDATION FOR GROWTH

Any business can also unlock more growth and value by improving the return on their commercial assets. Revenue generating commercial assets – customer data, digital technology, digital channel infrastructure, customer relationship equity – make up most of the growth investment mix in B2B organizations according to an analysis by the Marketing Accountability Standards Board.[1] They also make up a significant portion of a firm's balance sheet. Most CEOs can generate more revenue and profits from these commercial assets if they only treated them like assets.

Many see these business assets that support growth as inherently "intangible" whereas factories, inventory materials, and trucks are tangible. This misperception makes growth assets difficult to value, hard to manage, and difficult to build.

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For example, growth assets like brand preference, customer loyalty, and perceptions of innovation are valuable because they make customers choose your product more and pay higher prices to buy it. That is certainly the case for Apple, which values its brand at more than $250 Billion at the time this book is published.[CITIATION] But these business assets are hard to describe. They cannot be found on a financial ledger. There is no proven formula for creating, growing, protecting, and monetizing them. That's why most CEOs find it so difficult to fund smart long term growth investments in many areas and don't understand how their marketing budgets create financial returns.

Growing a business involves managing a variety of commercial assets. Brand assets have traditionally been among the biggest growth assets. As buying has become more digital, data-driven, and capital intensive over the last 30 years, an entire set of new assets have become critical cogs in the growth engine: customer data; advanced analytics; digital selling channels; and a growing portfolio of sales and marketing technologies.

Growth leaders are the unwitting caretakers of what may be their company's most valuable asset: its customer data. For example, customer data assets in the airline industry – which include revenue management, frequent flyer, and customer engagement databases - can account for 100% or more of an airline's profitability and value. Still, they do not show up on any balance sheet or management report. These databases are regarded as "intangibles" just like R&D, "process know how", and brand equity. Accountants don't measure, report, or manage these as closely as physical assets like inventory or real estate, even though they are far larger and more strategic.

As evidence of this, both United Airlines and American Airlines recently secured multi-billion dollar loans by collateralizing their MileagePlus and AAdvantage customer loyalty programs, respectively. The third-party appraisals of their data suggest that it is worth two to three times more than the market value of the companies themselves. United's customer data was valued at $20 billion while its market cap at the time was about $9 billion. Similarly, American's data was valued at a minimum of $19.5 billion and up to a jaw-dropping $31.5 billion, whereas its own market cap was hovering at less than $8 billion. Unfortunately, most CEOs, CXOs, CIOs and their CFO counterparts don't put a financial value on their customer data because nobody is responsible for the assets and accounting regulations and insurers say they don't have to, according to Doug Laney, author of the book Infonomics.[62]

Unfortunately, most businesses don't curate, connect, manage, or monetize these growth assets very well. So for the majority of businesses, their largest business assets are underperforming.

Customer engagement data like this has become a key strategic asset in every business because it creates the foundation of future growth, profitability, and competitive advantage. This data grows firm value by optimizing pricing, conversion, account priorities and the allocation of growth resources in every business. Business leaders must recognize, measure, and manage them as a real asset – including insisting on a financially viable return on asset (ROA).

The rising importance of intangible assets as the foundation for growth and firm value is a big change. Managers and accountants are very comfortable managing, measuring and extracting value from tangible assets. Tangible assets are physical; they include cash, inventory, vehicles, equipment, machines, buildings and investments. In 1975 these tangible assets made up over 80% of the value of a firm.

It's not 1975 anymore. As the economy moved into the information age over the last half century, intangible assets have emerged as the leading asset class. Intangible assets do not exist in physical form. They include things like accounts receivable, pre-paid expenses, patents and goodwill. Increasingly, they are made up of commercial assets like brands, customer equity, and customer data. These assets sound ethereal but have real financial value. A number of commercial and academic research studies have documented that, when properly measured and accounted for, these intangible assets represent in excess of 80% of the value of a business.[7, 55, 56, 57] The ability of revenue teams to deploy these assets to grow future revenues and profits by building customer preference, conversion, loyalty, and usage while commanding price premiums are the primary drivers of firm value. As evidence of this, over two thirds (68.1%) of Private Equity firms are pushing their portfolio companies to grow at faster than 10% a year to justify the price premiums they have paid.[58]

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This ambiguity and lack of stewardship applies to all of the large commercial assets in the business – including the sales and marketing technology portfolio, brand equity, and the growing investments in owned digital channel infrastructure that displaced paid media in the marketing mix and became essential to competitive differentiation in B2B selling.

2. THE CHALLENGES OF GROWTH IN THE 21ST CENTURY: CUSTOMERS, DISRUPTIONS AND FRAGMENTATION

Several factors have changed how we generate revenue growth in the past 30 years. Customer expectations have shifted as buyers have become more digital, better informed, and impatient. Traditional selling processes have been disrupted to become more "capital intensive" as more buying activity happens within the digital channel infrastructure and as human sellers rely on analytics and automation to deliver against customers' demands. These challenges are being amplified by the growing appetite of Owners, Investors and CEOs to replace episodic sales transactions and fragmented teams with reliable recurring revenues and aligned organizations.

THE MEGA-TRENDS THAT CHANGED THE GROWTH FORMULA

Here are some of the forces and mega-trends that have changed the basis for generating revenue growth over the past 30 years:

- **Changing buyer behavior has elevated the customer experience as the primary goal.** Business-to-business buying behavior has passed the tipping point where "new school" digital buying behavior becomes pervasive and forces organizations to adapt traditional selling models to meet customer expectations for faster cadence, complete answers, digital channel engagement, and relevant content. It's well known that digitally enabled customers armed with better information are pushing sellers to deliver a superior customer experience in the "moments that matter" across the entire revenue cycle. As buyers become more digital and demanding those "moments" will ultimately become the only

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way to differentiate your business. Customers want more relevant information and complete answers faster. Recent research shows most buyers don't even want to talk to humans if they don't have to.

Much of this change is the culmination of a decades long transition to digital channels for research, collaboration and increasingly transaction. Over 80% of customers now prefer to communicate via text, mobile and online chat in service interactions according to the Salesforce.com State of Service report.19 These changes in buyer behavior were accelerated by the impact the recent pandemic had on customer engagement – which doubled the percent of sales that occur in digital channels according to research by the Fuqua School of Business. Changing buyer demographics are also playing a big role in this change. About 10,000 baby boomers turn 65 every day, according to Forbes.[40] These millennial buyers were raised on Google search and digital channels and expect to do all or most of their buying 100% online. 83% of millennial B2B buyers expect e-commerce to keep them more informed about product choices than ever before.[39] Most (55%) of millennial B2B customers today would prefer to buy a complex solution without engaging a sales rep at all according to Gartner.[17] And when they do ask questions, they want fast and complete answers. "Today, half of the working population was born after 1977," says Jaime Punishill, CMO of Lionbridge. "That's important because the only information paradigm they've known is defined by Google – which is fundamentally an ask-response paradigm. They don't want to sort through big menus or wait for answers. They simply want to ask the question using Google, or voice search, or a human if need be." This is forcing sellers to fundamentally shift the way content and websites are organized from a manual classification scheme to more data-driven response management paradigms based on how buyers search and ask questions. To adapt, sales enablement teams are shifting to a response management paradigm that uses AI to track and anticipate the questions customers ask and make it faster to provide a contextual answer by a sales rep, service rep, chatbot, or a voice activated device.

While most of the buying process happens online, most (64%) of B2B buyers cannot see the difference in the digital selling experiences of B2B solution providers and 58% say digital experiences don't impact decisions.[17] But if the experience is bad it can be fatal. Almost 60% would stop doing business with a B2B vendor based solely on a mobile experience that's difficult to use.[40] This has elevated the customer experience to the primary goal in selling. This primacy of the customer experience puts pressure on managers to better manage the end-to-end commercial process rather than a few parts or stages of it. Growth leaders struggle to coordinate revenue teams, management systems, metrics, and platforms into a more unified customer experience. It puts a premium on systems and procedures and processes that improve speed, agility, as well as personalize customer experience, and connect channels.

- **The speed and cadence of business is faster.** The cadence of customer communications has accelerated as conversations have moved from face to face to digital channels. There is less time to rest and regroup between calls. Sales velocity has become so fast revenue teams and the executives that direct them require real time customer intelligence and selling guidance. Senior growth leaders rated visibility of customers, seller effectiveness, account health, and pipeline health as four top drivers of the performance of "4D" (distributed, diverse, digital, and dynamic) revenue teams.
- **Selling has become more capital intensive.** The executives we spoke to told us the key to leading a revenue team in the 21st century is more about managing selling systems and less about managing human sellers. This is because as selling has become more digital, it has become more capital intensive. The capital and operating components of the growth investment mix have both changed significantly in the past 30 years. For example, the commercial technology portfolio – or the sales and marketing technology stack - has grown to represent a large component of growth investment mix and sales and marketing operations overhead. Worldwide spending on customer experience (CX) and relationship management (CRM) software grew 15.6% last year as 81% of marketers say they will compete completely on the basis of CX, according to Gartner.[16] The Duke CMO Survey reports marketers are now investing more money in Customer Relationship Management than they are in Branding. [4]

In all, the average enterprise now has invested in over 20 selling tools.[36] Smaller cloud based businesses use over 30 on average to support selling.[26]

For the first time, as mass media declines in reach and privacy concerns make third party media more untenable, at most firms more of the operating budget is being spent on "owned" digital channel infrastructure than on "paid" media (digital or otherwise). As a byproduct, businesses are investing over 10% of their marketing budgets on advanced analytic to find ways to monetize the valuable customer engagement, seller activity and product telemetry data this digital selling infrastructure creates. These commercial systems need to be managed more like capital equipment than

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discretionary expenses if they are going to generate real revenue yields. All of this puts pressure on managers to rationalize, streamline, connect and monetize the growth technology portfolio to generate greater financial returns from these commercial assets and to better enable scalable and predictable growth. This has made "connecting the dots" across the increasingly complex and expensive commercial technology ecosystems that support revenue teams has become a basis for competitive advantage.

- **Selling is more data-driven.** A revolution in advanced sales analytics and Artificial Intelligence (AI) - fueled by rich new customer engagement, seller activity data, and product usage data sources and increased investment in analytics - is changing the way companies grow and create value. Advances in AI and a growing portfolio of AI-enabled selling tools are making data-driven selling possible. The benefits of this are faster information flow, better allocation of selling resources and more visibility into pipeline, account and opportunity potential. Advanced analytics are helping managers improve the performance of every aspect of the go-to-market system. As such these tools will are fast becoming the primary drivers of growth, competitive advantage, and value creation in the next 25 years. This has created a Copernican revolution in selling where every action and activity is centered around customer data.
- **The pivot to "4D" selling has changed the economics and the architecture of selling.** The massive and continued shift to remote work, hybrid work, and work-from-anywhere practices by both buyers and sellers has made digital, data-driven, dynamic, and dispersed selling teams a primary channel to market. This has changed the economics of field sales by shifting dollars from travel and real estate to more scalable training and technology investments. It has also significantly altered long standing assumptions about sales force emphasis, roles, workloads, selling costs, and the mix, nature, and cadence of engagement needed to convert prospects to customers. This has every organization rethinking geographic based territory definitions, quota assignments based on face to face calling patterns, and "labor intensive" coverage models. Readjusting the "architecture" of your commercial model to reflect these new dynamics can reduce selling costs and improve seller performance significantly with no additional investment.
- **Managing customer lifetime value has become a primary focus as businesses chase recurring revenues.** A business with recurring revenues is worth more than one that must sell their offerings to their customers one at a time repeatedly. So it's no surprise that most (53%) of boards are pushing their CEOs to repackage their products and services as subscription pricing models, usage-based models, or cloud-based offerings according to a report by CFO Magazine.[50] [CITATION] Virtually 100% of cloud-based businesses and 90% of on premises technology and solutions businesses are moving to a cloud mode according to Gartner.[17] Every business that can pull it off – including industrial firms like Honeywell, automotive firms like Audi, and infrastructure like Flexential – is trying to move to recurring revenues. Moving from selling products to selling subscriptions and SaaS solutions requires significant changes to the commercial model. It shifts the focus of selling from hunting for new customers to building more loyal customers and expanding their relationships with them. It has increased the importance of growing customer equity and lifetime value as a driver of firm value. It has also forced organizations that engage customers - sales, marketing, customer experience and support services - to find ways to work together collectively as one revenue team.
- **Growth has become a team sport.** There are 18 strategic levers that grow revenues, profits, and firm value according to academic research compiled by the Marketing Accountability Standards Board.[7] These growth levers reside in different parts of your organization. They include the ability of IT to move information quickly, the ability for service teams to build customer equity, and the ability to deliver a superior digital channel experience. They also include the effectiveness of sales and marketing channels, the engagement of customer facing employees, and the perceptions of innovation your product team creates in the marketplace. No single organization or leader controls all 18 of these growth levers. Our analysis shows they are distributed across sales, marketing, customers success, product management and sometimes information technology. When we added it up, none of these traditional job functions controlled more than a quarter of the levers of growth. And critical new pieces of the growth equation – like customer analytics and managing digital channels – are being fought over by these executives. As a result, teamwork across functions has become fundamental to managing revenue growth. This is forcing managers to develop operating models, incentives, and platforms that help get marketing, sales, and service silos working as one revenue team with a single common purpose.
- **A growing focus on financial accountability has made it more difficult to fund smart growth investments**. Growth leaders - CMOs, CROs and Chief Commercial Officers - are under growing pressure to prove the

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contribution of growth investments and commercial assets to financial performance. This is a good thing. You can't manage what you cannot measure. Demanding to know the financial contribution of every growth action and investment to the business is essential to generating profitable growth. this focus on increased financial accountability is fundamentally changing how commercial resources and assets are allocated, organized, funded, measured, and deployed. But there's a' problem. The way most organizations measure and calculate the performance of their growth investments is flawed. Simple revenue attribution measures favor short term actions. Smart investments that connect sales to marketing and span budgets are hard to justify. Valuable capital investments like building the type of digital selling infrastructure that has made Amazon preferred by most shoppers don't fit into operating budgets. They also take too long to pay off for impatient CFOs. This has created unintended consequences that actually do more harm than good. For example, a bad short-term investment with clear attribution will take precedent over a profitable long-term investment that requires many different organizations to work together. This flawed approach to financial accountability has made it next to impossible for managers to create a business case for investments that can create scalable growth such as one-to-one personalization, real-time coaching, response management, and account based marketing.

The Challenge of Managing "4D" Selling Systems

How Digitally Enabled, Data-Driven, Dynamic and Geographically Dispersed Revenue Teams Are Changing The Way We Manage Selling Systems

A massive shift to Work at Home, Hybrid Work, and Work from Anywhere policies will act as a tipping point for sales transformation and dramatically alter the sales and marketing mix. Budgets are shifting to digital, data-driven, and measurable channels that accelerate the digital transformation of sales.

Remote selling is the "new normal" as the coronavirus pandemic forced over 4 billion consumers, customers, employees, and salespeople to work, sell and buy from home. The dramatic displacement of revenue teams forced businesses to accelerate the transformation to a more digital commercial model to adapt to remote selling and a new buying reality. Lost in the rush to enable remote selling is the fact that virtual selling channels offer growth-oriented companies the potential to transform sales performance and accelerate growth.

The shift to remote buying is having an even bigger impact as customers demand a faster cadence, more complete answers, and more personalized content at every stage of the customer journey – regardless of whether they are talking to an account rep, BDR, product specialist or customer service manager. "As B2B buyers' increasingly use digital channels and information in the customer journey, it is reshaping how B2B sellers engage with them," according to Brent Adamson, Distinguished VP, Advisory, Gartner, "This presents a huge challenge to B2B revenue teams because our research tells us that most B2B buyers under the age of forty would prefer not to talk to sales and service reps at all, if it were possible, and they can see no difference in the digital buying experiences of most of the companies they try to buy from. It is going to be mission critical for reps to make the most of the moments that matter during this buying cycle." That means building buyer empathy, sharing more compelling content, asking smarter questions, and having conversations that build trust, communicate the financial value of their solutions, and reveal the nuanced differences between their competitors.

The shift has changed the commercial model by:

1. **Redefining field selling economics and capital investment.** From a sales perspective, sales executives have embraced the notion of remote selling channels as a way to sell more for less. Virtual reps offer the selling capabilities of a high-end field sales rep, but the visibility, coverage, cadence, and productivity of digital and direct channels. The shift to virtual channels will dramatically impact the economics of selling in terms of big reductions in sales travel and real estate overhead and the increased use of technology and skills to leverage and enable sales reps in digital channels.
2. **Creating a burning platform to redefine the customer experience.** From a marketing standpoint, over 80% of CMOs viewed the pandemic as a big opportunity to redefine the customer experience in digital and virtual channels and change the way they reach and engage customers (e.g., media mix, channels). This sentiment is being reflected in the way CMOs are reallocating their budgets in the recession. An overwhelming 81% of the

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traditional businesses are increasing investment in digital technologies to improve market coverage and client engagement despite budget cuts in other areas.

3. **Accelerating the adoption of advanced communications, enablement, and visualization technologies.** From a technology perspective, the pressure to adapt to this new buying reality is accelerating the adoption of existing but grossly underutilized technologies that offer the potential to multiply seller performance. These include algorithmic selling, sales enablement, 5G communications, DTC channels, and even augmented reality. Properly designed and equipped, virtual selling channels can dramatically improve the coverage, control, and cost effectiveness of sales channels while offering buyers the speed of response and experiences they demand.
4. **Creating massive new customer and seller activity data sets.** "An explosion of sales engagement data has become available to analytics teams in the past 24 months," according to Len Ferrington, a Managing Director of Summit Partners. "This data is coming from first party systems, email, calendars, third party sources, recorded sales conversations (via Zoom, Teams or transcripts) and contactless selling platforms (like text and chatbots)." The number of recorded sales calls has gone up thirty fold since the start of the pandemic.
5. **Elevating the importance of analyzing customer sentiment and non-verbal cues**. "The rapid growth of virtual selling is creating a need for AI and analytics that inform the EQ of selling to help sales reps better understand customer sentiment, response, and relationships in the absence of face-to-face conversations," reports Professor Iyengar of Wharton. "Businesses will need to find ways to use new data from customer transcription and digital engagement platforms like Zoom, Teams, or Cisco Webex to understand customer emotions and all the non-verbal elements of selling."
6. **Forcing sales operations to improve visibility and transparency**. Gaining access to real time commercial insights into account health, opportunity potential, seller and pipeline performance are now essential to managing the performance of digital, displaced, diverse and dynamic revenue teams. These are regarded as the top drivers of remote sales productivity by sales managers and performance professionals.

20TH CENTURY MANAGEMENT TOOLS ARE OBSOLETE

Each of these forces is disrupting the status quo in marketing, sales and service. Collectively, they have made traditional notions of how to manage growth obsolete. Managers are trying to manage revenue teams and the activities that need a far more advanced and digital commercial model with systems and tools developed in the 20th century.

The business consequences of trying to use an obsolete commercial model to manage a modern selling system are significant. For example, managing marketing, sales, and service resources as discreet functions is an obstacle to teamwork. The idea of a linear and orderly customer journey - with advertising in the front, selling in the middle and service and support at the end - is unworkable considering current customer buying behavior. The historic reliance on traditional print advertising and human selling in person as centers of gravity for marketing and sales investment gets directly challenged as customers who prefer to buy online increases.

The financial consequences of relying on a commercial model developed in the last century to manage a 21st Century selling system are large. For example, the uncoordinated management of the commercial process leads to revenue and margin leaking through "air gaps" and handoffs in the customer journey. Organizations can leak ten percentage points of EBITDA (bottom line profits) by failing to follow up on opportunities, enforce pricing discipline, respond to buying signals, or recognize when their biggest customers are about to take their business elsewhere. The disconnected management of the valuable technology, customer data, and digital infrastructure assets that support revenue growth can create even bigger financial problems. Without a coherent system for curating and connecting these commercial assets to selling outcomes that create value, they will deliver lower than acceptable financial returns and higher selling costs. Managing your commercial growth assets in many different functional silos is comparable to trying to race an expensive car that is not firing on all cylinders and needs a wheel alignment and a tune up.

Management models evolve. The corporation, conglomerate, and business unit structures pioneered by Rockefeller (Standard Oil), Reginald Jones (GE), and Alfred Sloan (GM) respectively were all structural innovations that served their purpose in their time.

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But the world has changed. Dramatically. The "stovepipe" organization consisting of separate marketing, sales and service functions is a vestige of another era when media had greater reach, digital channels were just emerging, and customers followed an orderly and linear buying process. A business could get by with a big media budget to drive demand and a sales organization to close deals.

The leadership model for managing growth resources is similarly outdated. For example, the Chief Marketing Officer (CMO) is a job function built on big brands and TV budgets that has only existed for a few short decades. But those big media budgets have been in decline for years. This has left many CMOs struggling to find a seat at the table as their core budgets have eroded and fighting from being pigeonholed at the very front of the revenue cycle. Large field sales organizations like the famous IBM "Blue Suits" have been around a long time, but the selling function has evolved by adding multiple tele, social, web and even contactless channels that don't necessarily need a field sales force to serve customers. Service has become far more elevated and strategic as product adoption and experience have become central to customer relationship building, revenue expansion and customer lifetime value.

Today, the functional distinctions between marketing, sales and service exist more because of cultural and operational inertia rather than market reality. The silos that manage these roles have become a political and operational necessity to keep the machine running and cash flowing in the short term. These silos have also led to dysfunction and waste. Strategically, the hard functional structures represent a boat anchor that holds back revenue growth in the 21st Century by impeding horizontal information flow across the commercial process and by making it difficult to deploy technology as a force multiplier at scale.

The 20th century commercial structure is collapsing under the twin pressures of changing customer behavior and shifting business models. "Organizations are going to need to rewire their commercial engines to better reflect the new buying reality where customers are channel agnostic and buyer behavior is non-linear," reports Brent Adamson, distinguished Vice President in Gartner's Sales practice. "It's a big job. It's going to involve reworking the legacy commercial infrastructure, and creating new roles, processes and metrics."

Thus, it's no surprise that the vast majority of the senior growth leaders we spoke to in writing this book were taking steps to better align sales, marketing, and service teams to sustain and accelerate growth in light of the forces and dynamics outlined above. Over 90% were actively redefining their commercial architecture and consolidating the operations that support selling and oversee commercial data and technology assets. 85% of CXOs were actively reconfiguring the roles and assignments on their revenue teams to improve the customer experience and grow the value of their accounts. And over 9,000 businesses have introduced "CXO" roles with a broader span of control over sales and marketing and a CEO mandate to lead commercial operations, systems, and processes across the entire business. Most significantly, almost all of them – regardless of company size or the industry they serve - believe fixing the commercial model in light of these market trends requires leadership from the CEO to succeed and a common purpose across every employee that touches the customer.

The CXOs we spoke with are also working to find ways to generate greater returns from commercial selling systems. Most feel their investments in CRM, digital selling infrastructure, sales enablement technology and data assets are under performing. They feel like they are increasingly working harder at the care and feeding of these tools, rather than the tools working harder for them. They feel their sales and marketing technology stacks have become too complicated. The majority tell us they are trying to rationalize, simplify and better connect the many solutions in their sales technology stack. They are doing this to simplify the seller workflow, better leverage customer insights in day to day selling, and turn technology into a "force multiplier" to help them sell more for less.

This shift in commercial focus is happening across businesses large and small, in every industry. Executives we spoke with agree on the importance of Revenue Operations, even if – until now – there has been little clarity on an exact definition or description of this still maturing discipline.

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