Sales Productivity in the Age of AI

Monday, November 11th, 2024, 12:45 to 1:30 pm CDT

Session Presenter
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Your Facilitator and the Experience that Frames My View

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Indian River Consulting Group has been providing business advisory services to distributors and manufacturers for over 30 years

- Each of our projects are bespoke and conducted within an NDA
- The coolest stuff we have done we can't talk about

I am the semi-retired Founding Partner of the firm

- Since 2019 my time in AI has grown to about 25% in late 2024
- I serve as an outside director for two distributors, Exotic Automation and ARG Industrial; a manufacturer, ZeroZone; and Florida Tech
- I am a Research Fellow with the National Association of Wholesaler-Distributors Institute and serve on the graduate adjunct faculty at Purdue for their University of Innovative Distribution (UID) program
- I road race sports cars, have a Medicare card, two granddaughters, and enjoy competitive shooting, fine tequila, & cigars (not together)

Agenda

Productivity in the Sales Function

Design Your Distribution 2.0 Model

Emerging Opportunities with AI

IPAAS - Integration Platform-As-A-Service

Additional Research Links

Everything you will see and explore in this conference is all about growing faster than the market and creating true competitive advantage with significantly higher net profits than your competitors

Take notes, download the decks, and discuss with your team upon your return, then act

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Change Is Challenging if Every Day Is Groundhog Day – My Territory Is Different
It Is About Productivity Improvement with Defined Processes ④

"Think of sales resources like any other asset class. The difference between sales resources is that they spend time, but we pay them money (investment).

If you simply look at ROI like other asset classes, a rep that gets paid $250K and has responsibility for $5M in GP looks fine which is the view investors are accustomed too. But that's like being happy with the stock that you bought 10 years ago that has quadrupled in value but hasn't moved in five years.

You can be happy and complacent that you invested the money well or you can be a professional investor and look at what investments are going to make me the most money today (not day trading but using an ROI that incorporates net present value). "
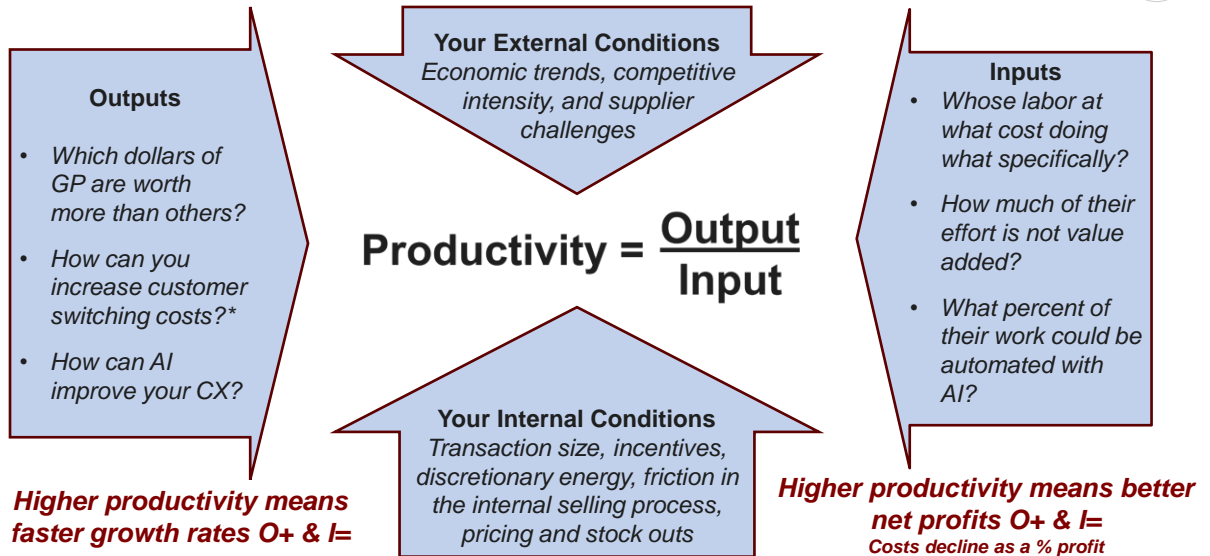
Mike Emerson, Managing Partner
Indian River Consulting Group

If You Can't Measure It, Then You Can't Manage or Improve It
Step One – What Are the Right Questions for Your Business?

Your External Conditions
Economic trends, competitive intensity, and supplier challenges

Outputs

- *Which dollars of GP are worth more than others?*
- *How can you increase customer switching costs?**
- *How can AI improve your CX?*

$$\text{Productivity} = \frac{\text{Output}}{\text{Input}}$$

Inputs
- *Whose labor at what cost doing what specifically?*
- *How much of their effort is not value added?*
- *What percent of their work could be automated with AI?*

Your Internal Conditions
Transaction size, incentives, discretionary energy, friction in the internal selling process, pricing and stock outs

Higher productivity means faster growth rates O+ & I=

Higher productivity means better net profits O+ & I=
Costs decline as a % profit

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* A proxy for higher gross margins

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Your Solutions Must Recognize and Respect These Business Model Drivers
Many Tech Vendors Don't Understand Our Industry Drivers

1. In the $621 billion* industrial distribution market, most of the business is channel led, not brand led, as the customer chooses the distributor before the brand

2. Most industrial distributors have a customer repurchase rate over 85%, often with major customers buying on LOOP (Lights Out Order Processing) using punchouts

   Defined by the percent of monthly revenue from SKUs that the customers have purchased before, these are bought, not sold

3. Most customers have relatively low switching costs so there is high competitive intensity creating margin pressure, except for those distributors doing VMI or other services moving up the value chain

   "The dumbest guy in the market controls pricing and doesn't know it"

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* Source: MDM 2024 Economic Outlook Report

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Agenda

Productivity in the Sales Function

PROFIT AND PRODUCTIVITY SUMMIT

Design Your Distribution 2.0 Model

Changing from Distributor 1.0 to 2.0 without technology or AI creates more competitive advantage than investing heavily in technology using the old model

Emerging Opportunities with AI

IPAAS - Integration Platform-As-A-Service

Applying new technology to an outdated and ineffective go-to-market (GTM) model is a recipe for failure

Additional Research Links

You are behind if you haven't already started

These Capabilities Take Time to Build, So What Event Would Cause You to Start?*

Distribution 1.0 Is Well Past the Best by Date

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Distribution 1.0 Current State	Distribution 2.0 Emerging Future State
• Geographically based reps servicing an established set of customers	• Field reps have a defined set of customers that often change
• Incentivized on gross margin, getting to 'eat what they kill'	• The field rep does market making and others do market serving
• They negotiate or influence pricing with customers	• They leverage data to migrate up the customer value chain, increasing switching costs
• They receive some clerical, admin, and counter support from others	• All processes are digitally enhanced providing rich insights and a low drag differentiated CX

What is the percent rise in sales rep W-2s compared to growth in company net profit over the last 5 years?

WWW.IRCG.COM   * Chances are that some of your competitors have been working on this for years   INDIAN RIVER CONSULTING GROUP

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Just Benchmarking Your Team Improves Productivity from 18% to Over 20%

This Is the Piece that Gets Left Out by Many Distributors

Getting the order right is a key driver of success and most firms never define step one

1. Define your sales and sales management process (flowchart)
   Playing at the A Player level links the sales process to your customer journey map

2. Create Key Performance Indicators (KPIs) around results and core process activities, knowing fewer are better

3. Benchmark your branches or sales reps on an agreed set of KPIs and share monthly consolidated* KPI rankings from top to bottom

4. Coach performance improvement for those at the bottom by sharing the best practices learned from those at the top

5. Rinse and repeat

This is your process improvement loop

WWW.IRCG.COM   * The group agreed a weighting for each KPI for the consolidated score   INDIAN RIVER CONSULTING GROUP

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Engage in the Ongoing Flow of Information and Progress in Innovation

Free* Newsletters – Thought Leadership to Get in the Race

1. https://a16z.com/
2. https://www.gartner.com/en/sales
3. https://www.mdm.com/
4. https://distributionstrategy.com/
5. https://www.ircg.com/blog
6. https://www.proton.ai/ (an AI-driven CRM that I invested in)
7. https://www.rethinkx.com/
8. https://www.forrester.com/bold
9. https://markdancer.substack.com/
10. https://www.univid.org/aws/AEA/pt/sp/UID_home_page
11. https://blog.feedspot.com/change_management_blogs/
12. https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights
13. https://www.linkedin.com/newsletters/the-digital-distributor-6904434669878927360/

Sign up for the free newsletters, unsubscribe if they aren't interesting
These help you work on your business instead of just in your business

> **Customer Journey Mapping**
>
> Copy and paste this search link
>
> *https://www.google.com/search?q=how+to+do+customer+journey+mapping&rlz=1C1CHBF_enUS839US839&oq=how+to+do+customer+journey+mapping&aqs=chrome..69i57.21319j0j15&sourceid=chrome&ie=UTF-8*

WWW.IRCG.COM   * Most have premium plans as well   INDIAN RIVER CONSULTING GROUP

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Additional Research Links

The FOMO (Fear of Missing Out) is huge, along with the misinformation and hype, but there are no B2B AI platforms yet, just tools

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https://www.hollywoodreporter.com/news/general-news/robin-wright-digitally-preserved-trippy-718682/

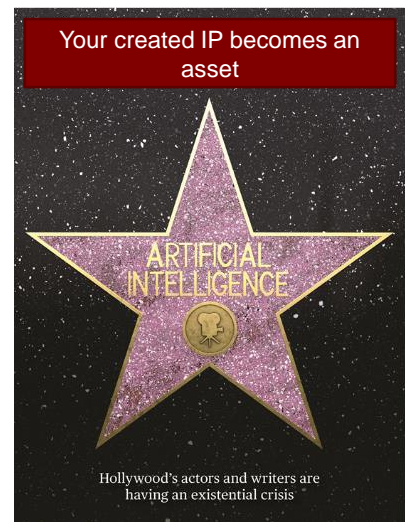## Would You Like To Have Super Sales Rep On Your Shoulder?   12

How many times does a rep think of the perfect comeback the day after the sales call or miss a key preparation step with a customer or supplier?

Suppose you create a digital copy of your sales reps including those about to retire, powered by AI?

- It could become a mini-me to the entire rep team sharing hard earned experience and personal advice by **talking to it** on their phones seeing and commenting on the other questions asked
  - Get college interns to interview your sales reps around how they handle situations capturing the insight on Otter.ai

    Load it into your private cloud on AWS using OpenAI or Llama as your open-source model, the interns train it, and your sales team tests it
  - Remember that the more you use it the smarter it gets

Your created IP becomes an asset

WWW.IRCG.COM   https://www.washingtonpost.com/technology/2023/12/19/ai-porn-sophie-dee-jack-nicklaus/   INDIAN RIVER CONSULTING GROUP
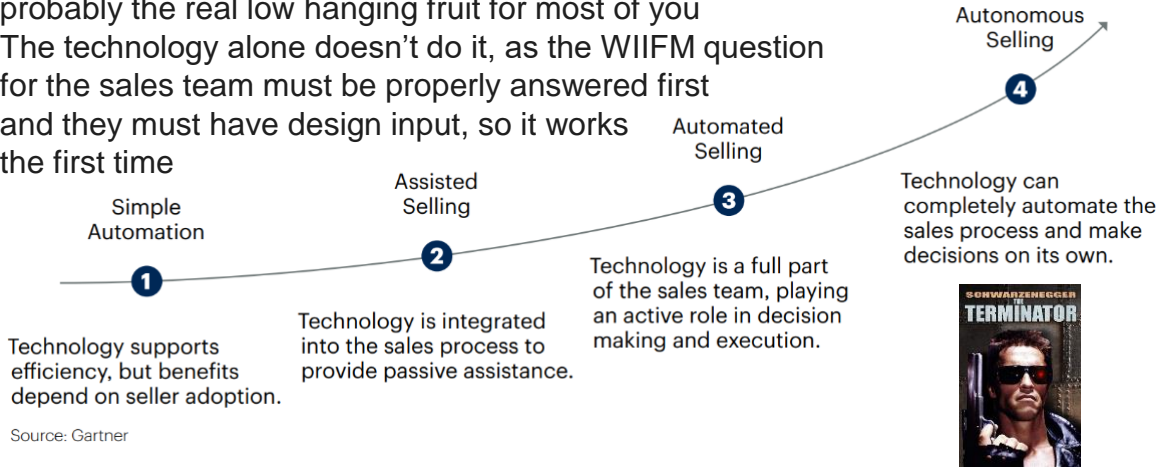
12

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Gartner's *RevTech* Maturity Scale

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- The speed of adoption increases as progress is made
- Marketing investment to improve quality opportunities is probably the real low hanging fruit for most of you
- The technology alone doesn't do it, as the WIIFM question for the sales team must be properly answered first and they must have design input, so it works the first time

They forgot the zero

Autonomous Selling

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Technology can completely automate the sales process and make decisions on its own.

Automated Selling

3

Technology is a full part of the sales team, playing an active role in decision making and execution.

Assisted Selling

2

Technology is integrated into the sales process to provide passive assistance.

Simple Automation

1

Technology supports efficiency, but benefits depend on seller adoption.

Source: Gartner

WWW.IRCG.COM   https://www.gartner.com/en/sales/insights/the-chief-sales-officer/4q2023   INDIAN RIVER CONSULTING GROUP

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What Does Autonomous Selling Really Mean?

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The evolution of artillery 'lead gen' happened in a process almost identical to the digital enablement of sales today

Analog

1865

1970's

Transition

Gen 1 TACFIRE

Accelerate

2010

Gen 2 C-RAM

All business processes started as artisan processes, but machines and Frederick Taylor replaced factory workers creating replicateable processes

AI and digital is doing that for white collar work, we are still waiting for the digital version of Frederick Taylor's *Scientific Management Theory*

WWW.IRCG.COM   *SAP copilot AI Bot Demo:*   https://www.sap.com/products/artificial-intelligence.html   INDIAN RIVER CONSULTING GROUP
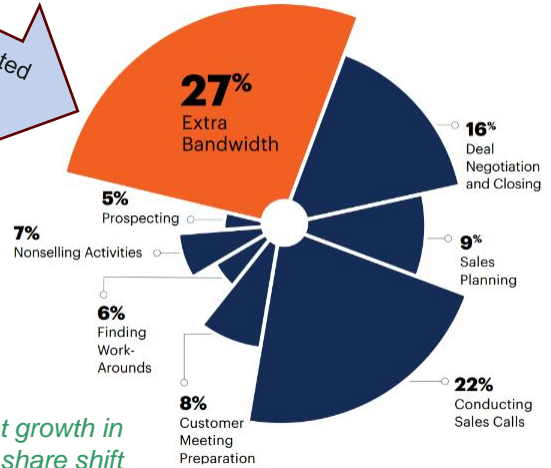
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Become a Gartner Client By Sharing Only Your Email, and Then Content Is Free

This Is the Payback if You Are in Sales

Now: **Seller Time Spent Monthly**

Future: **What the Role Could Look Like**

Invest it in targeted growth

18% Conducting Sales Calls

15% Nonselling Activities

9% Finding Work-Arounds

15% Prospecting

14% Sales Planning

13% Deal Negotiation and Closing

16% Customer Meeting Preparation

27% Extra Bandwidth

5% Prospecting

7% Nonselling Activities

6% Finding Work-Arounds

8% Customer Meeting Preparation

16% Deal Negotiation and Closing

9% Sales Planning

22% Conducting Sales Calls

n = 1,101 B2B sellers.
Source: Gartner Seller Time Spend Assessment

Remember that most growth in industrial markets is share shift

WWW.IRCG.COM   https://www.gartner.com/en/sales/trends/seller-of-the-future-hbr   INDIAN RIVER CONSULTING GROUP

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Additional Research Links

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LLMs are just a tool, but they have made agent technology work

IPAAS is the agent blanket that you place on top of your existing islands of automation across your siloed departments

You won't need 90% of your emails anymore while you take the friction out of your internal processes and improve your CX

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IPAAS Business Models – Agents Were the Missing Piece (17)

Gartner provides a list of IPAAS providers at: https://www.gartner.com/reviews/market/integration-platform-as-a-service

Be aware that all the major ERP firms are also building their own

We demonstrated an AI solution from Infor with Grossfillex at this year's NAW Executive Summit and they got their full implementation costs recovered in 90 days from profits on increased revenues

Learn more about this at https://www.youtube.com/watch?v=7OeLsRjWm_A

I am supporting a very large electrical distributor as they adopt AI with an initial roll out in quarter one 2025

Our IPAAS partner is Workato, learn more at https://www.workato.com/

Their main difference is that IT only creates the secure environment and ensures quality control, while each department head gets a quick training on the tools, and THEY integrate the silos and disconnected processes with seamless handoffs

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This Is the Blanket You Drape Over Your Siloed Processes (18)

Imagine when each department head has linked every handoff to other departments, so nothing falls through the cracks and informing emails go away

Triggers	Actions
Triggers are events that initiate a workflow in an iPaaS application. They act as the starting point for any automated process	*Actions are the tasks or operations that are executed in response to a trigger. They represent the steps in the workflow that manipulate or transfer data between applications*
•.Key characteristics of triggers: Listen for specific events in connected applications	•.Key characteristics of actions: Perform specific tasks in connected applications
•Initiate the workflow when the specified event occurs	•Can be chained together to create complex workflows
•Pass relevant data from the triggering event to subsequent actions	•Use data passed from triggers or previous actions

Ours Is Not an IT Project, It Is a PMO-Driven* Series of Multiple Parallel Efforts

A Bit Of Experience-based Scar Tissue for Your Consideration

1. The research links help you determine your readiness to move forward but there are three large categories of readiness; business, technology, and staff - so don't overreach

2. Announce a 90-day AI investigation project and involve multiple stakeholders from each function, letting them do research (with training wheels) and come back with recommendations

3. Start with a clear shared policy that your AI investment is focused exclusively on amplifying the effectiveness of existing staff, not reducing staff

4. Start with removing internal obstacles that do not require changes to the organization structure or existing roles to get some initial wins on your scoreboard

5. Once you define attractive use cases, group them into domains to facilitate project management

6. Use the 90-5 (tactical and strategic) design for your overall AI plan, describe specific deliverables in the 90-day part of the plan and include high level areas of investigation for the next five years

7. When you start training remember that you must do both process mining (what is happening) and fact mining (what is the needed data, where does it come from, and who has access)

8. Your ROI is either around growth or cost reduction, so set expectations and track them

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Emerging Opportunities with AI   *So, what will you write down?*

IPAAS - Integration Platform-As-A-Service

Additional Research Links

PROFIT AND PRODUCTIVITY SUMMIT

I'VE LEARNED TWO IMPORTANT LESSONS IN MY LIFE. I CAN'T RECALL THE FIRST ONE, BUT THE SECOND ONE IS THAT I NEED TO START WRITING STUFF DOWN

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Additional Research Links: 1 of 3

Deployment tips for an IPAAS – Centralized versus decentralized tradeoffs (distributors are decentralized)

https://www.perplexity.ai/search/what-are-the-differences-in-de-S8S6sq8uSQ6uGGZnDqV3Ug

A clear definition of Industry 4.0 and IIOT

https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-are-industry-4-0-the-fourth-industrial-revolution-and-4ir

Ten unsung digital and AI ideas that are shaping business

https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/ten-unsung-digital-and-ai-ideas-shaping-business

The AI impact on the Supply Chain

https://www.ibm.com/thought-leadership/institute-business-value/en-us/report/cognitivesupplychain and
https://www.ibm.com/downloads/cas/DGP9YPZV and

https://www.mhlnews.com/technology-automation/article/21279281/supply-chain-digitalization-trends-for-2024-and-beyond

So, what is this agent thing all about

https://www.mckinsey.com/capabilities/mckinsey-digital/our-insights/why-agents-are-the-next-frontier-of-generative-ai#/

The organization of the future: Enabled by gen AI, driven by people

https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/the-organization-of-the-future-enabled-by-gen-ai-driven-by-people

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Additional Research Links: 2 of 3

The new McKinsey practice, Quantum Black for B2B applications of AI

https://www.mckinsey.com/capabilities/quantumblack/how-we-help-clients

A solid introduction to machine learning in sales and marketing

https://blog.pics.io/how-can-machine-learning-transform-b2b-companies/

An AI engineer's guide to machine learning and generative AI

https://medium.com/@aigeek_/an-ai-engineers-guide-to-machine-learning-and-generative-ai-b7444941ccee

HBR article on how machine learning can help learn more about customers and where not to use AI

https://hbr.org/2018/01/machine-learning-can-help-b2b-firms-learn-more-about-their-customers

https://hbswk.hbs.edu/item/humans-vs-machines-untangling-the-tasks-ai-can-and-cant-handle

23 machine learning examples in marketing

https://builtin.com/artificial-intelligence/machine-learning-marketing

Forrester podcast on how AI transforms versus eliminates jobs

https://www.forrester.com/what-it-means/ep346-generative-ai-jobs-impact/

The ability to read a person's emotions through viewer glasses (Perhaps ethical questions arise if used by a sales rep on a buyer)

https://imotions.com/

Additional Research Links: 3 of 3

Will AI save us from customer-service hell?

https://www.economist.com/1843/2024/02/02/will-ai-save-us-from-customer-service-hell

Seven words that are giveaways that the text was written by AI

https://medium.com/practice-in-public/these-words-make-it-obvious-that-your-text-is-written-by-ai-9b04f399d88c

Humanity isn't ready for what is coming (Training LLMs for Super Intelligence)

https://medium.com/@ignacio.de.gregorio.noblejas/openai-superhuman-models-2712639da9e6

It is not about the technology, what are you trying to solve?

https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/in-digital-and-ai-transformations-start-with-the-problem-not-the-technology

What asks can and can't AI handle well

https://hbswk.hbs.edu/item/humans-vs-machines-untangling-the-tasks-ai-can-and-cant-handle

Free online classes on AI

https://www.aboutamazon.com/news/aws/aws-free-ai-skills-training-courses

The G7 agreement on principles and code of conduct of AI

https://assets.ey.com/content/dam/ey-sites/ey-com/en_gl/topics/ai/ey-g7-ai-principles-and-code-of-conduct-final.pdf