# Commercial Revenue Diagnostic

Aon Sales Force Effectiveness



# Sustainable growth drives shareholder value.

It matters more than margin. It matters more than cost. Growth is the best predictor of long-term success.

Of the three sources of revenue growth—acquisition, market expansion, and share growth— market share growth delivers greater long-term shareholder value. This is why most senior leadership teams agree that organic revenue growth is a top business priority.

There are many challenges companies face in the pursuit of revenue growth:

- Unpredictable rising and falling of global economic tides
- Failure to act upon disruptive changes in markets, technologies, and customer preferences
- Short (22-month average) tenure of sales leaders makes sales strategy difficult to execute
- Historical belief that salespeople are born, not made, and influence on performance is limited
- Insufficient data or analytics to identify obstacles and opportunities for revenue growth

Aon's Commercial Revenue Diagnostic provides the clear solutions needed to drive organic revenue growth.

## Commercial Revenue Diagnostic

Organic revenue growth is often overlooked because it lacks the speed and control of high-profile deal-making often associated with mergers and acquisitions. But with market valuations increasing and merger success rate low, acquisitive growth may now carry more risk than return.

Organic revenue growth provides a rich source of not only growth but also long-term value creation and sustainable competitive advantage. To tap into organic revenue growth opportunities, companies must be able to identify market potential, redeploy sales resources with confidence, and execute initiatives effectively.

## Clients Engage Aon's Sales Force Effectiveness Practice When:

- They are growing slower than the market, missing revenue plan and forecasts, or losing market share.
- They are entering new markets or dealing with fierce or emerging competition.
- They are experiencing high cost of sales and are concerned about the return they are realizing from their investment in sales.
- There is an unhealthy imbalance between customer retention and new customer acquisition ("Farming" vs. "Hunting").

- Insufficient numbers of salespeople are meeting or exceeding sales goals.
- Sales force turnover is high, and there is difficulty attracting and retaining top talent.
- They are integrating complex sales organizations from prior mergers and acquisitions.
- The sales force is not delivering sufficient value to customers, weakening customer satisfaction and competitive differentiation.



### Aon's Approach



- > Define what the team is solving for-desired strategic and financial outcomes
- > Hold joint client/Aon work session to define the scope of analysis
- > Conduct internal leadership, stakeholder, and subject matter expert interviews
- Fulfill data and information request
- > Conduct quantitative analysis across five areas of performance:
  - Customer
     Structure
     Talent
     Process
     Financial Results
- Perform the qualitative and observational analyses (e.g. field interviews, surveys, focus groups, ride-alongs, structure, roles, incentive plans)
- Compare findings from the quantitative and qualitative internal analyses to market practices and external benchmarks to support a comprehensive gap analysis
- Identify specific sales and revenue improvement programs from one or more of the following areas:
  - Go-to-Market Strategy Talent / Human Capital Total Rewards
  - Organizational Effectiveness
     Sales Enablement
- > Estimate and forecast three-year cost and revenue impact
- Build a roadmap and plan for implementing the change
- Success is dependent upon practical design of the identified revenue improvement initiatives; we ensure the design is informed by leading market practices and aligned with company values and strategy
- To optimize results, solutions must be implemented and operationalized. We ensure the new initiatives and processes are woven into the fabric of how work gets done each day
- Measure and analyze the financial, customer, and employee impact—adjust plans and programs based on learnings

## Analytical Approach

Aon's Commercial Revenue Diagnostic conducts analysis across three dimensions – quantitative analysis, qualitative analysis, and benchmarking. This enables us to have a high level of confidence about both the impediments to—and solutions for—improved growth.



Internal Quantitative Analysis Analysis of the company's performance is used to identify issues and inform the prescription for improved revenue growth.

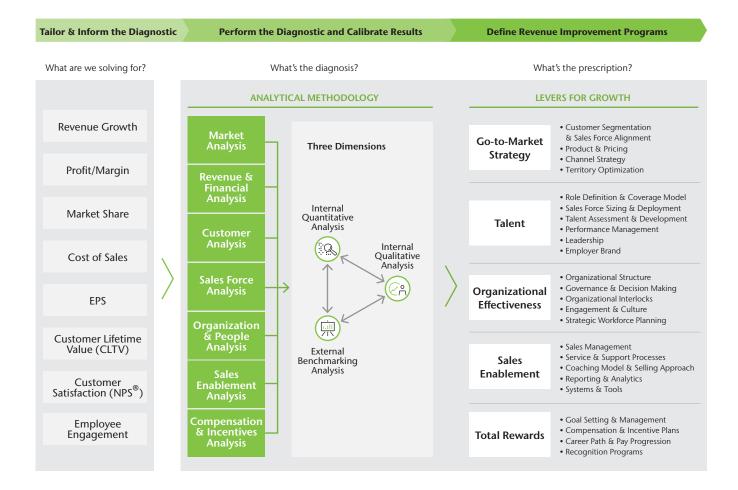


Internal Qualitative Analysis Observing people work and the processes being executed provides insight beyond what can be gleaned from data alone.



#### **External Benchmarking**

Findings from the internal analyses are compared to market research, external benchmarks, and competitor best practices.

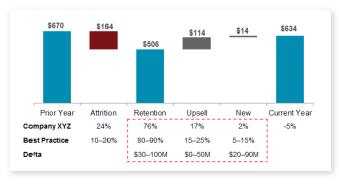


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## Analytical Methodology

#### ANALYTICAL SNAPSHOTS

#### Retention, Upsell, and New (RUN) Customer Revenue Analysis \$ Million

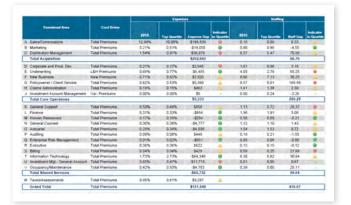


- Analyzing customer-level year-over-year revenue growth in the areas of Retention, Upsell and New customer acquisition provides insight into core strengths and weaknesses, helping to inform where investment will yield the greatest return
- For B2B sales forces, best practice performance typically falls within the following ranges:
  - Retention = 80–90%
  - Upsell = 15–25%
  - New = 5–15%

#### Sales Rep Turnover

#### % 60% Telesales 50% R<sup>2</sup>=0.91067 2014 Turnover Account Exec - Telephone Business Development Manager 30% Senior Relationship Manager 209 Market Sales Turnover=18% 10% Relationship Manager 20% 40% 60% 80% 100% 120% % of Market Median Pay

#### Benchmarking-Performance



- High sales force turnover burdens an organization with both real and opportunity cost
- Sales manager capability, high span of control, territory imbalance, weak pre-hire talent assessment, and uncompetitive compensation can all drive higher sales force turnover
- Turnover analysis, by sales role and by level of employee tenure, provides insight into current drivers and opportunities to make change that will improve top talent retention and motivation
- In this example, benchmarking showed that the client was spending \$16–22 million more on its distribution management structure relative to other top quartile peers
- Total acquisition cost including sales, marketing and distribution was 14.69% vs. peers 12.15%
- The client was under-spending on marketing & IT versus peers, meaning appropriate levels of investment in consumer technology platforms (or platforms for distribution support) should be evaluated
- We analyze revenue, sales productivity, staff levels, compensation, business practices, expenses and all areas of performance with a clear line of sight to optimizing performance and improving profitable revenue growth

## Deliverables & Outputs

#### DELIVERABLE SNAPSHOTS

#### **Commercial Revenue Diagnostic Assessment**

Area of Evaluation Assesse Revenue & Financial Analysis							
Market Size Analysis	72%	Area of Evaluation	Assessment	Confidence Level	Comments		
Market Growth Rate		Retention, Upsell, and New (RUN) Analysis			Analyzing customer-level year-over-year revenue growth has revealed.		
Segment Value Analysis	785	Cost of Sales Analysis			By quartile, total compensation (Base Pay + Commissions) for fail year replacementpointing revenue		
Market Share Rank	92N	Year-Over-Year Revenue Growth Analysis	785	in na	<ul> <li>No significant relationship exists between year over year performance.</li> </ul>		
		Gross Margin Analysis	875		There is a strong relationship between revenue and gross margin across on an incumbent level basis.		

- For each area of analysis, Aon provides a scorecard report informed by the three dimensions
- In addition to an assessment score, Aon provides a confidence level grading that speaks to the degree of certainty we have about our findings
- This scorecard provides deeper insights and clear, specific recommendations to address priority gaps
- Aon's recommendations are focused and realistic, made in the context of the full analysis, and supported by a clear business case with client consensus

#### **Revenue Transformation Plan**

Revenue, \$ Million	2019		2021
Incremental Organic Revenue Growth			
Go-to-Market Strategy			
Resize sales force	5	25	40
Redeploy sales team to market opportunity	8	38	60
Talent			
Redesign roles	21	33	39
Apply new sales rep profile	5	10	15
Total Rowards		-	
Redesign sales incentive plans	55	48	33
Organizational Effectiveness		-	
Resize sales force	22	31	40
Change spans of control	12	20	26
Sales Enablement			
Improve CRM Integration	5	10	12
Deploy additional sales tools	2	6	7
Total Revenue Growth	\$ 131	\$ 221	\$ 272

- There is rarely enough time or money to fix everything —attempts to transform all areas of the organization all at once can dilute return on investment and deliver mediocre results
- Instead, Aon designs a high impact set of revenue improvement programs, with logically sequenced initiatives that will deliver the greatest revenue improvement with the least organizational disruption
- Industry operating experience and Aon's consulting expertise help build a change management plan with multiple milestones to guide the organization toward financial improvement

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### Aon's Sales Force Effectiveness Practice

Aon's Sales Force Effectiveness Practice is a strategic division of Aon, the #1 global risk management and human capital consulting firm. The practice works with leading companies to identify, prioritize, and capture profitable revenue growth opportunities through optimal deployment and utilization of sales, marketing, and service resources.

This experienced team combines deep expertise in sales leadership, talent strategy, and financial management to balance multiple perspectives and build consensus within client organizations. Aon Sales Force Effectiveness consultants deliver clients practical, real-world solutions that are based in specific market benchmarks and best practices. The team executes client work with a proven set of rigorous tools, but also the philosophical flexibility to help different companies in multiple industries with distinct historical challenges find a compelling, differentiated path forward.

This combination of industry-specific benchmarks, scientific rigor, and deep consulting expertise provides Aon's clients with a competitive advantage that drives accelerated return on investment.

Learn more at https://humancapital.aon.com/sfe

#### About Aon

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