



NATIONAL CENTER FOR
THE MIDDLE MARKET



The Force Is With You

Building a Highly Effective Sales Organization

A REPORT FROM THE NATIONAL CENTER FOR THE MIDDLE MARKET
AND THE AMERICAN MARKETING ASSOCIATION

WITH GREG MARSHALL, CHARLES HARWOOD CHAIR OF MARKETING AND STRATEGY,
CRUMMER GRADUATE SCHOOL OF BUSINESS, ROLLINS COLLEGE

IN COLLABORATION WITH



THE OHIO STATE UNIVERSITY
FISHER COLLEGE OF BUSINESS



Grant Thornton



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About This Report

THE U.S. MIDDLE MARKET

The U.S. middle market comprises nearly 200,000 companies that employ 44.5 million people and generate more than \$10 trillion in combined revenue annually.*

The middle market is defined by companies with annual revenues between \$10 million and \$1 billion. In addition to their geographic and industry diversity, these companies are both publicly and privately held and include family-owned businesses and sole proprietorships. While the middle market represents approximately 3% of all U.S. companies, it accounts for a third of U.S. private-sector GDP and jobs.*

The U.S. middle market is the segment that drives U.S. growth and competitiveness.

IMPORTANCE OF SALES

Sales is a critical factor in the success of a middle market organization. As such, middle market companies looking to drive revenue growth must develop successful sales cultures. Executives can build a solid framework for sales success by understanding how the best performing middle market businesses structure their sales teams; their preferred methods for hiring, developing, and compensating the sales staff; and the technologies they leverage to facilitate sales. Middle market executives can use these insights to improve sales force effectiveness within their own organizations and ultimately enhance overall company performance.

HOW THE SURVEY WAS CONDUCTED

The National Center for the Middle Market, in partnership with the American Marketing Association (AMA), surveyed 400 C-level middle market executives with sole or shared responsibility for their organizations' business-to-business selling efforts. The Center and AMA designed the survey to identify best practices in middle market sales force structure, hiring and training strategies, compensation models, and technology deployment. Respondents completed the 15-minute, self-administered survey online between February 18, 2016 and February 29, 2016. This report was jointly designed and prepared by the National Center for the Middle Market and AMA in collaboration with author and professor Greg Marshall of the Crummer Graduate School of Business at Rollins College, Winter Park, Florida.

THE NATIONAL CENTER FOR THE MIDDLE MARKET

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, SunTrust Banks Inc., Grant Thornton, and Cisco Systems. It exists for a single purpose: to ensure that the vitality and robustness of middle market companies are fully realized as fundamental to our nation's economic outlook and prosperity. The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector. To learn more visit: www.middlemarketcenter.org.

THE AMERICAN MARKETING ASSOCIATION

The American Marketing Association (AMA) is the essential community for marketers. The AMA leads an unparalleled discussion on marketing excellence and provides opportunities for marketers and academics to connect with the people and resources they need to be successful and to provide solutions for both today and tomorrow. Through differentiated content from unrivaled scholarly journals, like the Journal of Marketing, and award-winning publications, like Marketing News, AMA focuses on the tension between Best Versus Next Practices™.

PROFESSOR GREG W. MARSHALL

Greg Marshall is the Charles Harwood Chair of Marketing and Strategy in the Crummer Graduate School of Business at Rollins College, Winter Park, Florida. He also serves as Professor of Marketing Strategy at Aston Business School, Birmingham, UK. He is co-author of *Sales Force Management*, the world's bestselling textbook in the discipline. Professor Marshall is a Distinguished Fellow and Immediate of the Academy of Marketing Science, Past-President of the American Marketing Association Academic Division, and a Fellow and Past-President of the Society for Marketing Advances. He has worked with numerous blue-chip organizations and brings a strong blend of industry and consulting experience to his work.

Executive Summary

Perhaps no other business function is as critical to the success of a middle market firm as sales. Across the middle market, and particularly among larger middle market companies with revenues of \$50 million to \$1 billion, business leaders say they have very to extremely effective sales forces in place. Generally speaking, company performance validates these claims.

Companies that say they have effective sales forces enjoy stronger performance across the board. They experience rapid revenue growth. They have increased the size of their workforce in the past year and have plans to add workers in the year ahead.

The fastest-growing middle market firms believe their companies are highly effective across a spectrum of selling functions, including prospecting, developing relationships, and maintaining customers. More often than slower-growing companies, these rapidly-expanding businesses give high ratings to their sales teams on a range of factors from product knowledge to effective use of technology to the ability of the sales team to drive the business.

Beyond perceived effectiveness, high-growth companies share a number of characteristics related to sales structure, hiring and training practices, compensation models, and the use of technology to augment the sales team's efforts. Most notably, high-growth firms are significantly more likely than their peers to set and use sales quotas. A higher percentage of these businesses pay at least some of their salespeople on a straight commission basis. And their new hires benefit from formal mentoring and coaching. High-growth businesses are also more apt to make at least some sales online.

At high-growth firms, the salesperson who makes the sale typically handles after-sale service him or herself. Broadly speaking, these companies also boast positive relationships between sales and other departments. Specifically, fast-growing firms generally report more collaborative and constructive relationships between sales and marketing than do firms that grow at a slower pace.

Despite the general effectiveness and success of the majority of middle market sales teams, especially at fast-growing companies, there is room for improvement in several areas. Middle market executives rate their sales teams the least skilled at driving the business, using technology effectively, and building new markets. While middle market companies appear adept at maintaining customers, more than a third of firms could improve performance when it comes to prospecting, and one third of businesses could enhance how they develop customer relationships.

Key Takeaways for Middle Market Firms



THE FASTEST GROWING MIDDLE MARKET FIRMS HAVE HIGHLY SKILLED SALES FORCES

Middle market businesses with annual revenue growth of 10% or more place a great deal of importance on their sales force and rate it as being very to extremely effective. More than eight in 10 rapid growers believe their sales teams are more effective than other sales forces in the industry. High-growth firms rate sales force performance as very good to excellent across a variety of criteria including product knowledge, effective sales force management, use of technology, and ability to build new markets.



SALES QUOTAS AND COMMISSION-BASED SALES STAFF ARE HALLMARKS OF HIGH-GROWTH FIRMS

While fewer than half of all middle market businesses set and use sales quotas, 54% of the fastest-growing firms do have these measures in place. Fast-growing companies base a higher percentage of each employee's compensation package on commission, and more fast-growing companies than slower-growing firms employ straight-commission salespeople. It appears that setting clear sales performance expectations and rewards can help drive more sales and thus faster revenue growth for businesses.



THE MOST SUCCESSFUL SALES ORGANIZATIONS INVEST IN FORMAL MENTORING AND COACHING FOR SALES STAFF

The fastest-growing middle market companies pay more attention to sales force mentoring and coaching than other middle market businesses. Firms that rate their sales forces as highly effective also emphasize formal mentoring and coaching. In addition, companies that perceive their sales forces as highly effective provide in-house training for new hires, fill senior sales positions with people promoted internally, and employ sales executives with a longer tenure with the firm.



ONLINE SALES ARE IMPORTANT TO GROWTH

In general, use of technology to augment the sales effort is somewhat limited in middle market companies. Across the middle market, only 43% of businesses make sales online. However, 51% of high-growth firms make some sales over the Internet as compared to just 39% of slower-growing organizations. Financial services organizations lead the way in online sales with 53% of these companies doing business over the Internet.



STRONG INTERDEPARTMENTAL RELATIONSHIPS FUEL SUCCESS

In the fastest-growing middle market companies, the sales team works collaboratively with other departments, including marketing and after-sale support. Eight in 10 rapidly-growing companies report very effective relationships between sales and marketing compared to 66% of slower-growing businesses. Sales and after-sale support are often part of the same organization in these fast-growing firms.

Middle Market Sales Force Effectiveness:

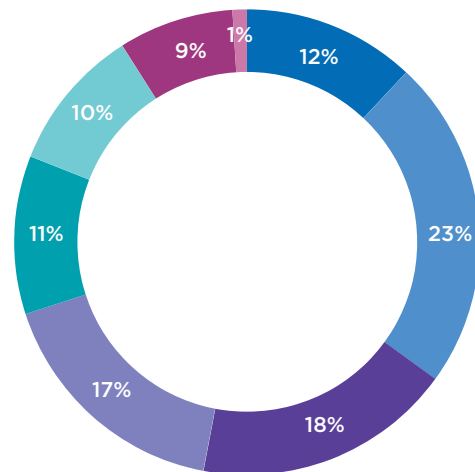
Companies with effective sales forces outperform their peers

Sales Fuels Success

Companies have to sell to survive. In fact, for middle market firms of all sizes, sales is considered the most important contributor to overall organizational success, followed by customer service/customer interactions and operations.

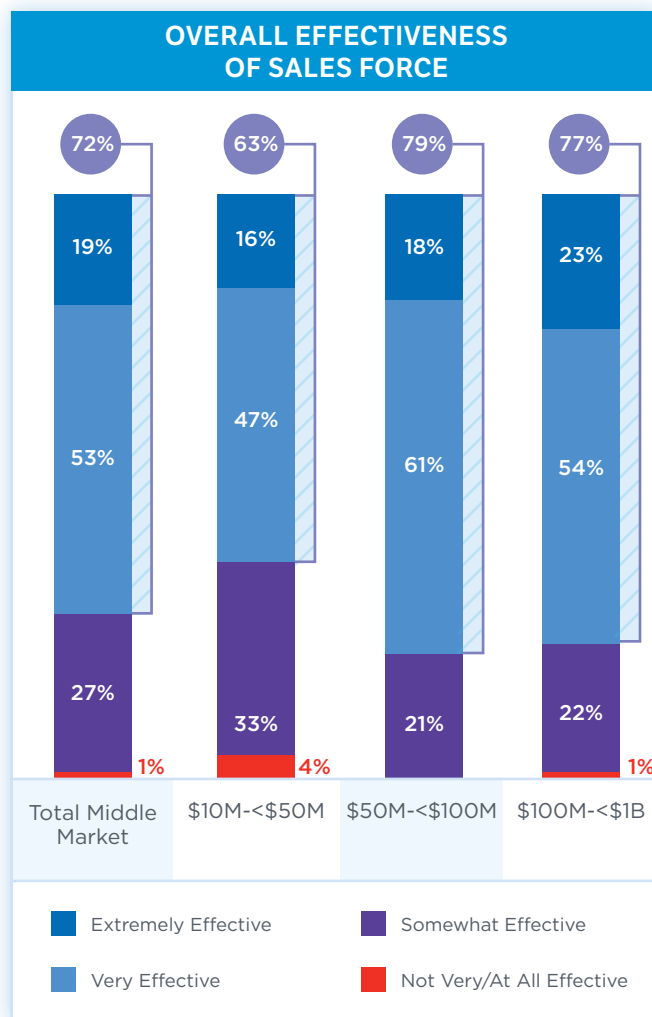
Across the middle market, more than seven in 10 companies describe their sales forces as very to extremely effective, and only a negligible 1% of firms say their sales force is not effective at all. Furthermore, most middle market companies (70%) believe their sales teams are more effective than other sales forces in the industry and nearly a quarter of companies believe their salespeople are much more effective than the competition's. Middle market leaders say that good customer service and follow up, product knowledge, and tenure of sales staff contribute to sales force effectiveness, while stiff competition and inability to connect with decision makers can hurt sales performance.

OVERALL CONTRIBUTION TO ORGANIZATIONAL SUCCESS



Size Matters: Sales Force Effectiveness Increases with Annual Revenues

Despite any Lake Wobegon effect that may factor into the generally positive perception of middle market sales force performance, larger middle market companies consistently rank their sales forces better than smaller middle market businesses do. Nearly eight in 10 (79%) of core middle market firms (with revenues between \$50 million and \$100 million) and more than three-quarters (77%) of the largest middle market companies (with revenues between \$100 million and \$1 billion) describe their sales teams as very to extremely effective, compared to just 63% of smaller middle market businesses. Furthermore, the larger companies are more apt than their smaller peers to believe their sales staff is superior to that of their competitors'.



Knowledgeable, High-Quality Sales Teams Abound in the Middle Market

Looking at specific sales team performance criteria, the majority of companies across the middle market have a positive view of the knowledge, quality, and capabilities of their salespeople. Across the board, sales forces are really good when it comes to selling, however they are less effective at becoming real drivers and shapers of the business.

In general, they are strong on execution, but less adept at driving the business, using technology and building new markets, particularly among smaller middle market companies. However, the sales forces at larger middle market firms are more effective in these areas, which helps explain why larger firms give their sales staffs high marks for overall effectiveness.

SALES FORCE PERFORMANCE (% RATED EXCELLENT/VERY GOOD)				
	TOTAL MIDDLE MARKET	REVENUE SEGMENT		
		\$10M-<\$50M	\$50M-<\$100M	\$100M-<\$1B
Knowledgeable sales force	71%	76%	67%	67%
High quality sales force	65%	64%	64%	67%
Manageable turnover rate among sales force	61%	64%	57%	59%
Effective management of the sales force	59%	55%	65%	60%
Sale force's ability to drive the business	59%	54%	60%	63%
Effective utilization of technology by sales force	55%	51%	54%	60%
Sales force's ability to build new markets	53%	48%	46%	60%

Sales Force Best Practices:

Sales management “secrets” of high-growth middle market firms

Like larger middle market businesses, fast-growing firms—defined as companies with annual sales revenue growth of 10% or more—typically extol the effectiveness of their sales team. Eight out of 10 high-growth middle market firms describe their sales forces as very to extremely effective. These companies are more likely than their slower-growing counterparts to label their sales force as very to extremely effective in all areas of sales including prospecting and capturing customers, developing customers, and maintaining customers. Similarly, the majority of these firms rank their sales force as highly effective across the spectrum of sales force performance criteria. While nearly 40% of fast-growing firms believe their sales team is superior to the competition, just 17% of slower-growing companies feel the same.

These high-growth middle market firms often attribute their organization's overall success to the performance and effectiveness of their sales staff. While these high-growth businesses come from all segments and industries within the middle market, they share a number of features and business practices related to sales structure, hiring and training, compensation, and use of technology.

OVERALL SALES FORCE EFFECTIVENESS

	HIGH-GROWTH FIRMS	SLOWER-GROWING FIRMS
Extremely/very effective	81%	67%
Somewhat effective	17%	31%
Not very/at all effective	2%	2%

SALES FORCE EFFECTIVENESS ON CUSTOMER ACQUISITION PROCESS (% RATED EXCELLENT/VERY GOOD)

	HIGH-GROWTH FIRMS	SLOWER-GROWING FIRMS
Maintaining customers	85%	72%
Developing customers	81%	61%
Prospecting and capturing customers	72%	60%

SALES FORCE PERFORMANCE RATINGS (% RATED EXCELLENT/VERY GOOD)

	HIGH-GROWTH FIRMS	SLOWER-GROWING FIRMS
Knowledgeable sales force	80%	66%
High quality sales force	77%	60%
Sales force's ability to drive the business	73%	52%
Manageable turnover rate among the sales force	72%	55%
Effective management of the sales force	69%	55%
Effective utilization of technology by the sales force	65%	50%
Sales force's ability to build new markets	64%	47%

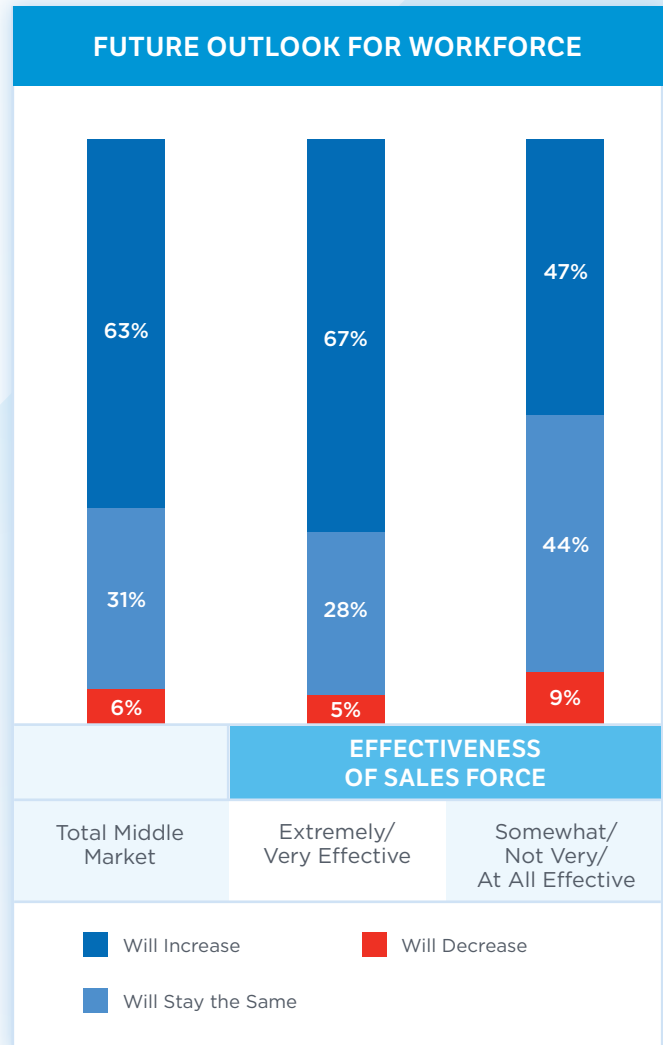
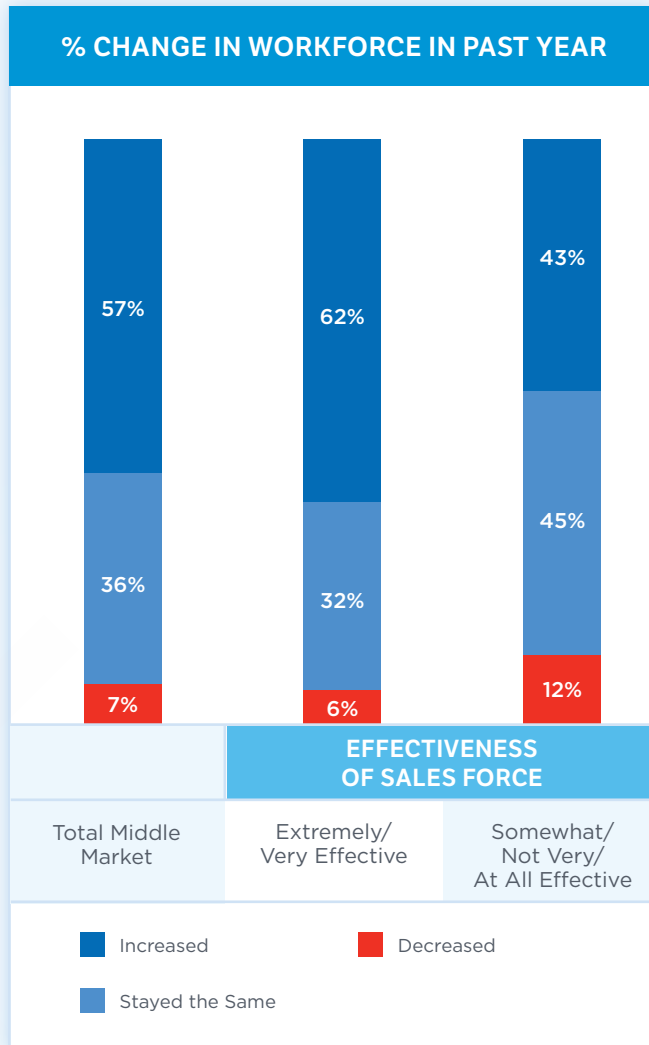
SALES FORCE EFFECTIVENESS RELATIVE TO OTHER FIRMS IN THE INDUSTRY

	HIGH-GROWTH FIRMS	SLOWER-GROWING FIRMS
Much/somewhat more effective	83%	63%
About the same	12%	35%
Somewhat/much less effective	5%	2%

Employment Growth and Sales Force Effectiveness

Sales force effectiveness appears to go hand-in-hand with employment growth. Companies that increased the size of their workforce over the past 12 months are more likely to describe their sales force as very to extremely effective

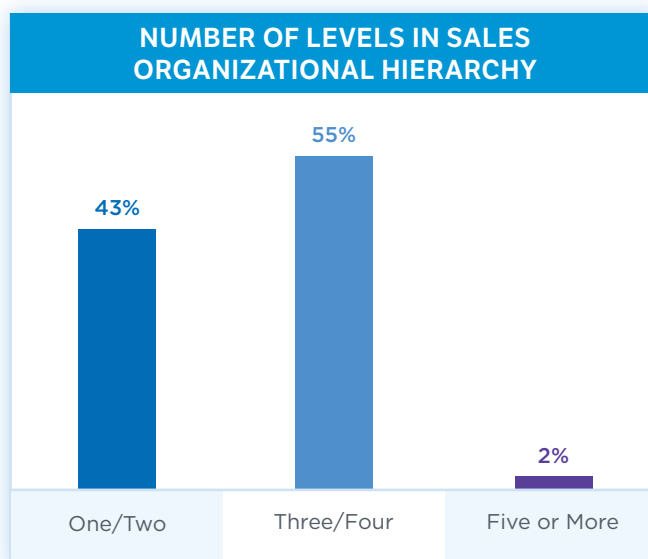
than as somewhat, not very, or not at all effective. The same holds true for companies with plans to grow their workforce in the coming year.



Sales Team Structure

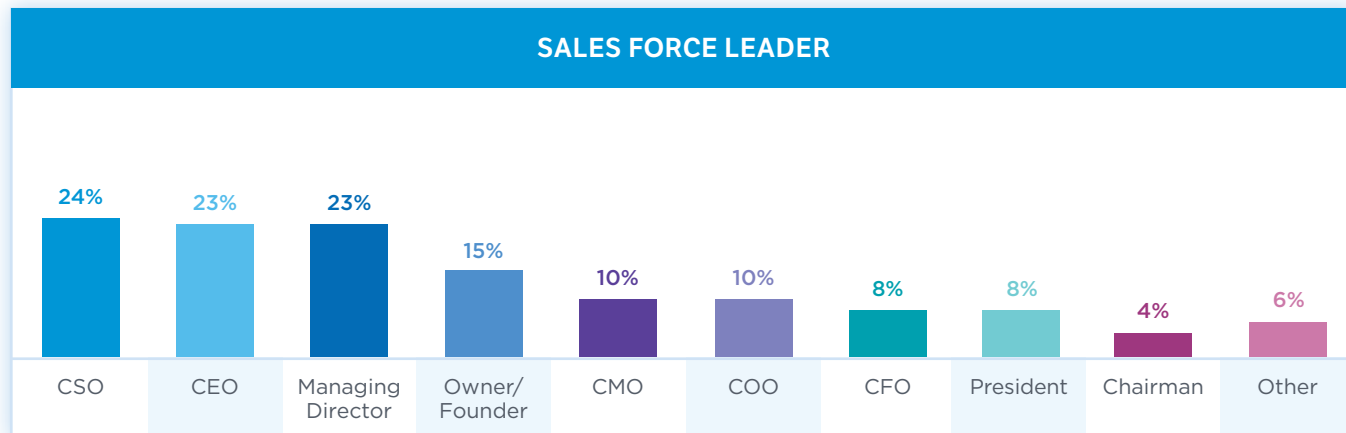
The majority (55%) of middle market companies maintain three to four levels in the sales organizational hierarchy with the Chief Sales Officer (CSO), Chief Executive Officer, (CEO), or Managing Director typically serving as the sales force lead. Fast-growing companies and large middle market businesses typically have more levels in the chain of command.

Across the middle market, sales teams are most often structured geographically. High-growth middle market companies in particular are structured in this fashion, with a majority (52%) of rapid growers organized by territory. Fast-growing firms also favor organizing their sales forces by type of selling, with a quarter of rapid-growers leveraging this approach.



ORGANIZATION OF SALES TEAM					
	TOTAL MIDDLE MARKET	\$10M-<\$50M	\$50M-<\$100M	\$100M-<\$1B	HIGH-GROWTH FIRMS
Geographically	44%	42%	48%	44%	52%
Key account	38%	33%	45%	41%	39%
By market	33%	29%	33%	37%	34%
Team selling	26%	21%	25%	31%	31%
By product	29%	22%	30%	35%	30%
Type of selling	19%	17%	21%	20%	25%
None of these	7%	9%	7%	5%	7%
Outsourced vs. in-house	9%	6%	7%	12%	3%

*Total is more than 100% because multiple selections were allowed.



Sales Roles

The majority (71%) of middle market companies employ salespeople who collect some base salary. A considerable percentage (44%) employ straight-commission salespeople, and high-growth firms do so more often than their slower-growing peers.

Across the middle market, approximately a quarter of businesses outsource the sales function. At 19% of middle market businesses, no separate sales force exists, and selling is the job of the executives or partners of the firm. Unsurprisingly, the smallest middle market companies are most likely to not have a dedicated sales team.

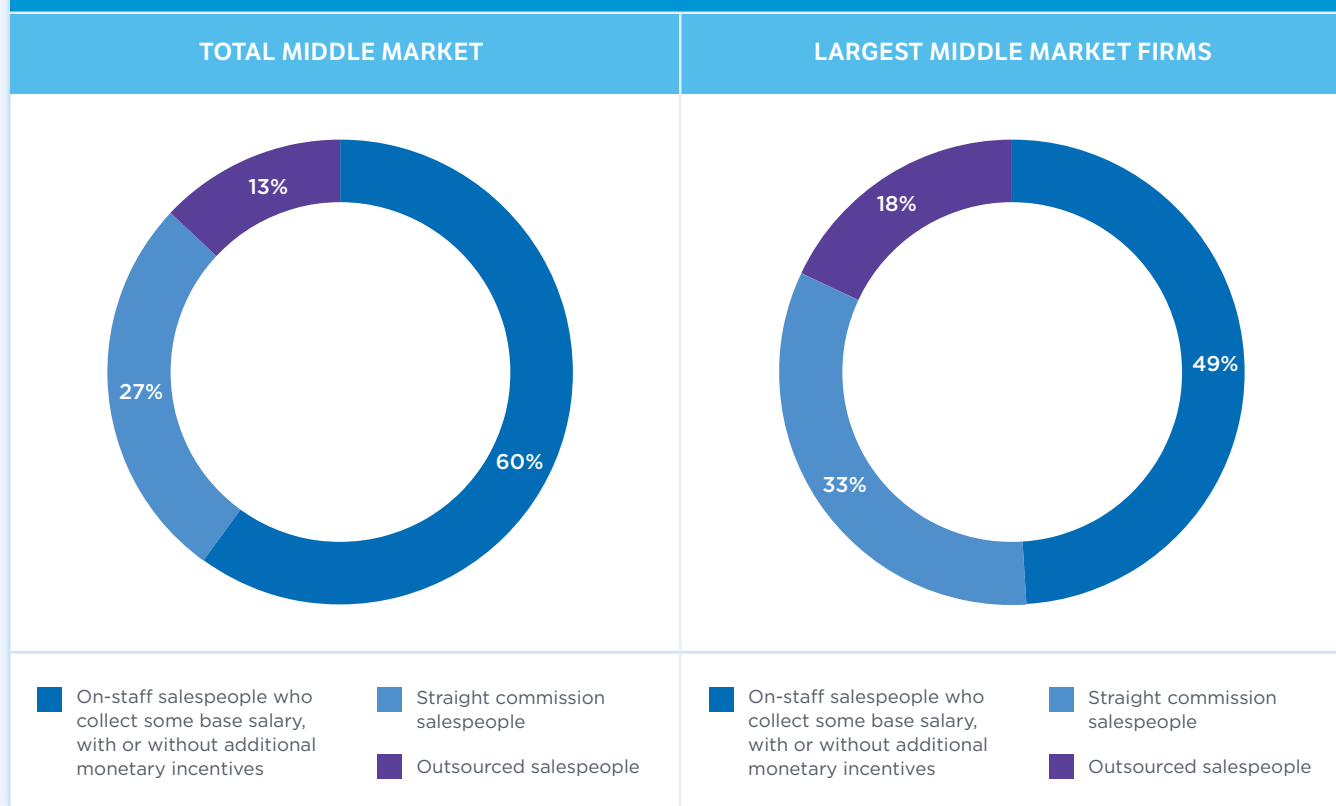
On-staff salespeople who earn base pay are not only the most prevalent type of salesperson in middle market businesses; they are also responsible for generating the majority of the sales revenue—approximately 60% for most middle market firms, including high-growth companies. For the largest middle market companies, straight-commission and outsourced salespeople generate a higher percentage of the firm's revenues than they do in smaller businesses.

TYPES OF SALES ROLES EMPLOYED BY MIDDLE MARKET FIRMS

	TOTAL MIDDLE MARKET	\$10M- <\$50M	\$50M- <\$100M	\$100M- <\$1B	HIGH-GROWTH FIRMS	SLOWER-GROWING FIRMS
On-staff salespeople who collect some base salary, with or without additional monetary incentives	71%	67%	76%	73%	72%	71%
Straight commission salespeople	44%	33%	44%	56%	50%	41%
Outsourced salespeople	28%	18%	30%	39%	29%	28%
We do not have a separate sales force; selling is part of the work of executives/partners	19%	23%	13%	16%	13%	21%

**Total is more than 100% because multiple selections were allowed.*

% OF FIRM'S TOTAL SALES REVENUE GENERATED THROUGH TYPE OF SALES ROLES



Hiring

When filling sales roles, middle market leaders look for dedicated professionals with industry experience coupled with a high level of credibility, ethics, and integrity. Organizations are seeking salespeople with the proven ability to develop relationships, and middle market businesses often value interpersonal skills above selling skills. Nine in 10 high-growth middle market firms rank interpersonal and executional skills as very or extremely important in potential candidates for a sales position.

To find the right salespeople for the jobs, middle market companies—especially smaller middle market organizations with revenues between \$10 million and \$50 million—primarily rely on referrals from their staff and other contacts. About a quarter of larger middle market organizations engage professional recruiters, and some bigger businesses tap into sales programs at colleges or universities.

MOST IMPORTANT FACTORS CONSIDERED WHEN MAKING THE DECISION TO HIRE A SALESPERSON

	TOTAL MIDDLE MARKET	HIGH- GROWTH FIRMS
Interpersonal skills	86%	92%
Executional skills	84%	90%
Selling skills	82%	89%
Organizational skills	77%	82%
Technical skills	72%	76%

**Total is more than 100% because multiple selections were allowed.*

SOURCES THROUGH WHICH NEW SALES POSITIONS ARE HIRED

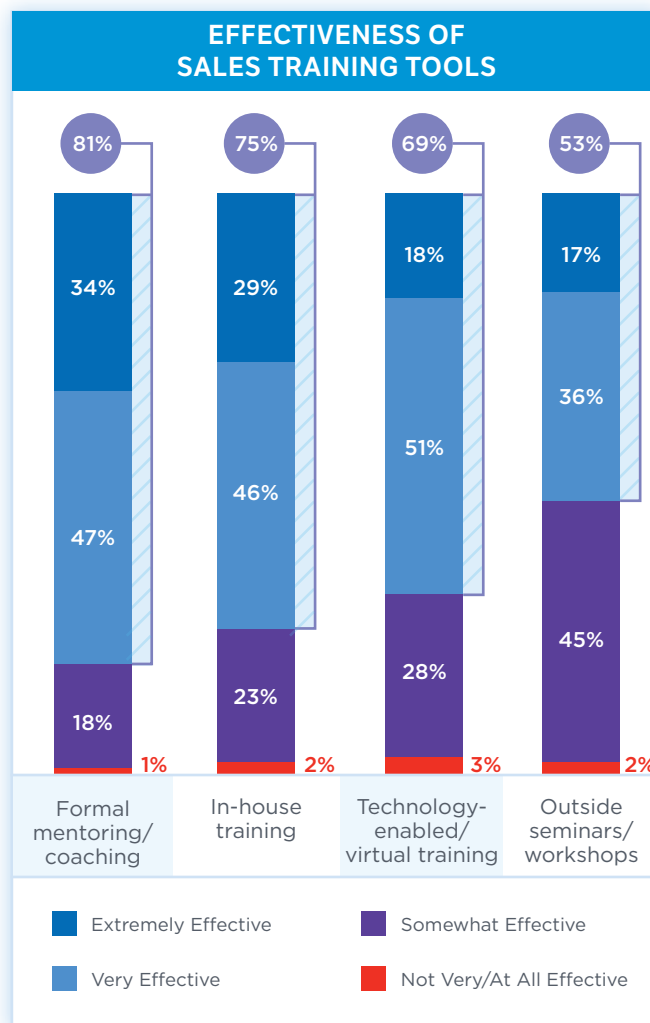
	TOTAL MIDDLE MARKET	\$10M-<\$50M	\$50M-<\$100M	\$100M-<\$1B
Referrals from people within or outside of the company	39%	47%	36%	32%
Professional recruiters	21%	18%	23%	24%
Online recruiting sources	21%	18%	23%	22%
Sales programs at colleges or universities	12%	10%	13%	15%
Other sources	7%	7%	5%	7%

Training and Development

To prepare and groom the sales staff, middle market firms frequently mentor new hires and provide opportunities to shadow experienced sales team members. In-house training is preferred across the spectrum of middle market companies, with 75% of firms using in-house techniques for new hires and 67% providing ongoing development opportunities in-house. Larger companies tend to leverage technology-enabled or virtual training as well as outside seminars and workshops. Overall, core middle market firms place greater emphasis on a variety of training types than their smaller and larger counterparts.

Formal mentoring and coaching programs play a critical role in the training process both for new hires and ongoing development. Approximately half of all middle market firms use this strategy. High-growth firms are particularly likely to engage new hires in formal mentoring or coaching activities, with 61% of the rapid growers utilizing some type of structured program. Regardless of growth rate, companies that describe their sales team as highly effective make greater use of formal programs for ongoing development of sales staff.

Formal mentoring and coaching methods are popular across the middle market for a good reason: they work. Eight in 10 middle market leaders say such training programs are very to extremely effective. Three-quarters of business leaders consider in-house training to be very useful, while just 53% rank outside seminars and workshops as highly effective.



Middle Market Sales Force Training Tools						
		Total Middle Market	Overall Effectiveness of Sales Force		Growth Rate	
			Extremely/Very	Somewhat/Not at All	High-Growth Firms	Slower-Growing Firms
For New Hires	In-house training	75%	78%	68%	76%	74%
	Formal mentoring/coaching	53%	54%	52%	61%	50%
	Technology-enabled/virtual training	40%	42%	34%	39%	40%
	Outside seminars/workshops	38%	40%	32%	35%	39%
	There is no formal training for new hires	7%	6%	10%	6%	7%
	Other training methods	1%	-	1%	1%	-
For Ongoing Development	In-house training	67%	68%	64%	67%	67%
	Formal mentoring/coaching	46%	49%	39%	51%	44%
	Technology-enabled/virtual training	40%	42%	34%	33%	43%
	Outside seminars/workshops	40%	42%	36%	43%	39%
	There is no formal training for new hires	8%	7%	11%	9%	7%
	Other training methods	1%	-	1%	1%	-

Head of Sales Tenure

Middle market firms—especially those that deem their sales forces highly effective—invest in training and developing their people. They promote senior sales positions from within their organizations. And they are rewarded with high-level sales executives and CSOs who, on average, have more than a decade of experience with their firms.

The average tenure of chief marketing officers appears to be considerably shorter. A 2014 Spencer Stuart study of 100 large advertisers (presumably not middle market companies) showed the tenure for CMOs at just four years.* In comparison, the staying power of middle market sales force leaders is impressive with tenures three times greater than their marketing department colleagues.

*<https://www.spencerstuart.com/who-we-are/media-center/chief-marketing-officer-tenure-climbs-to-48-months>

AVERAGE TENURE OF LEADER OF SALES ORGANIZATION

12.4 YEARS
OVERALL MIDDLE MARKET

13.3 YEARS
HIGH-GROWTH COMPANIES

13.1 YEARS
FIRMS WITH HIGHLY EFFECTIVE
SALES TEAMS

% OF SENIOR SALES MANAGEMENT PROMOTED INTERNALLY

59%
OVERALL MIDDLE MARKET

61.2%
HIGH-GROWTH COMPANIES

62.3%
FIRMS WITH HIGHLY EFFECTIVE
SALES TEAMS

Compensation

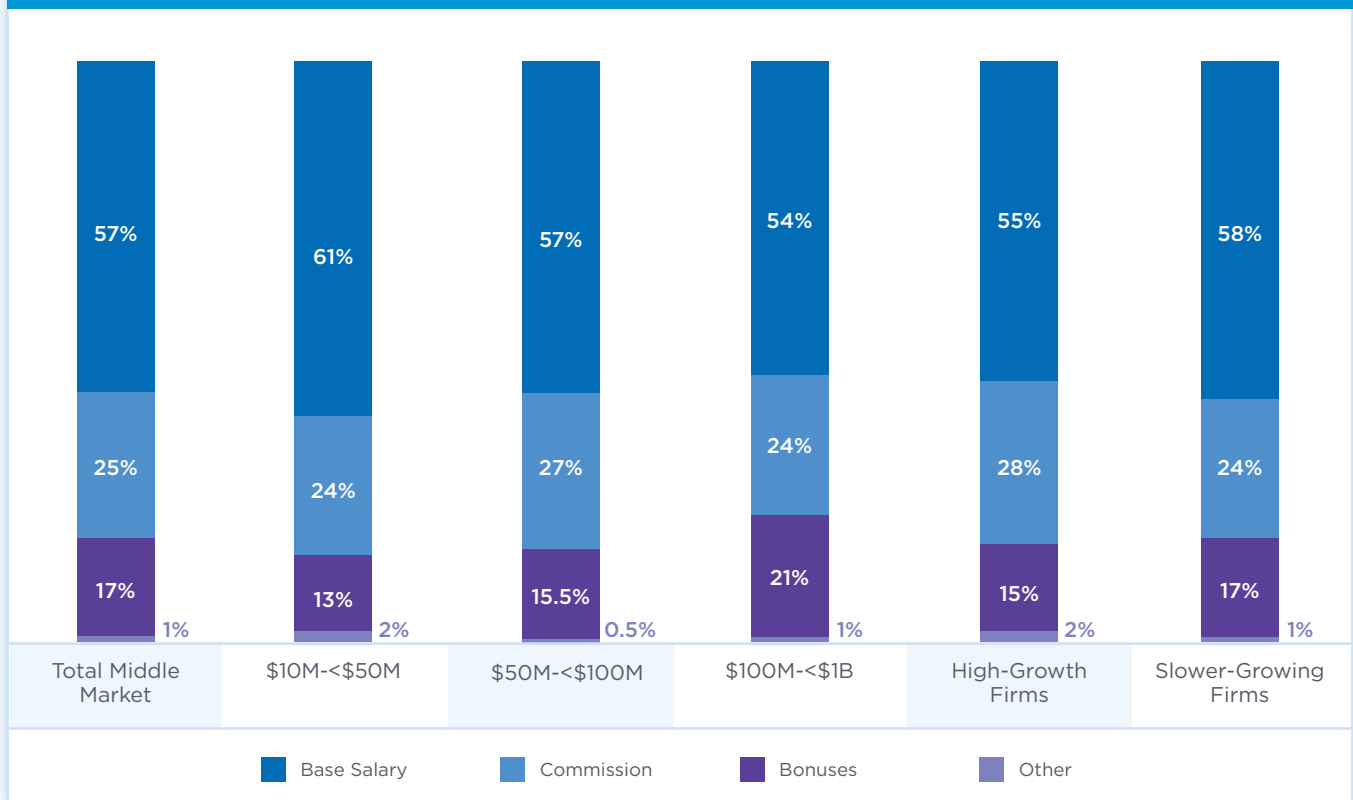
In the middle market, base salary makes up the biggest piece of the sales force compensation package, accounting for 57% of a salesperson's pay. A quarter of the pay package is based on commission and 17% is attributed to bonuses.

In high-growth firms, which are more likely to employ straight-commission salespeople, slightly more (28%) of the compensation package comes from commission. Regardless of growth rate, the largest middle market firms use bonuses to a greater extent. For middle market companies that rate their sales teams as highly effective, both commission and bonuses make up a higher percentage of total pay.

Benefits are another important part of the compensation package for middle market salespeople. Employees enjoy medical and retirement benefits as well as a flexible work environment. About a third of middle market salespeople have a company car. In general, the larger the firm, the more diverse the benefits package.

ADDITIONAL BENEFITS OFFERED TO SALESPeOPLE				
	TOTAL MIDDLE MARKET	\$10M-<\$50M	\$50M-<\$100M	\$100M-<\$1B
Medical	80%	85%	85%	73%
Retirement	75%	80%	75%	69%
Flexible work environment	57%	50%	65%	59%
Home office/technology	48%	39%	52%	56%
Company car	36%	33%	33%	40%
Other benefits	6%	6%	11%	4%
None of these	3%	2%	1%	4%

% OF MONETARY COMPENSATION IN SALESPERSON'S COMPENSATION PACKAGE



Quotas

In the middle market, sales quotas are a key characteristic of effective sales management. In general, about half (48%) of middle market firms set specific sales quotas. However, the fastest-growing businesses use quotas to a greater extent than their slower-growing peers.

Middle market organizations base their sales quotas heavily on revenue generated. Profit and activities performed are additional considerations. Most often, sales managers set the sales quotas, though in many middle market companies, the responsibility falls to the CEO or CSO.

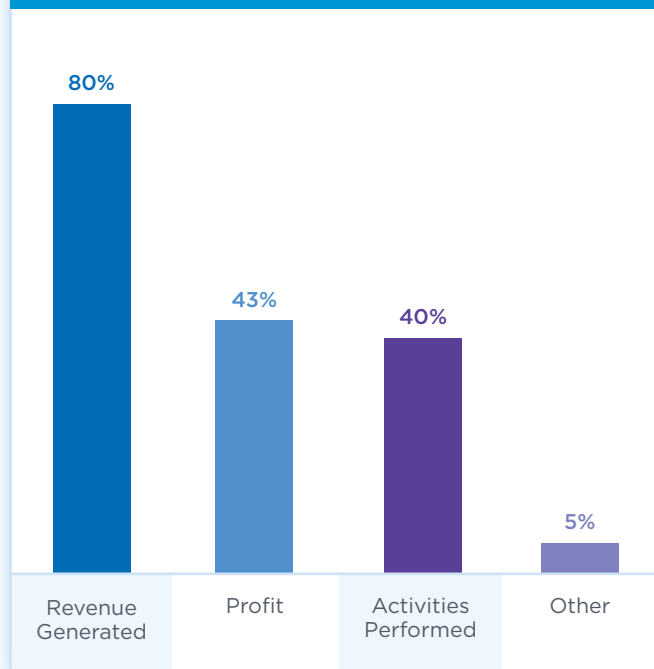
SALES QUOTAS USED

48%
TOTAL MIDDLE MARKET

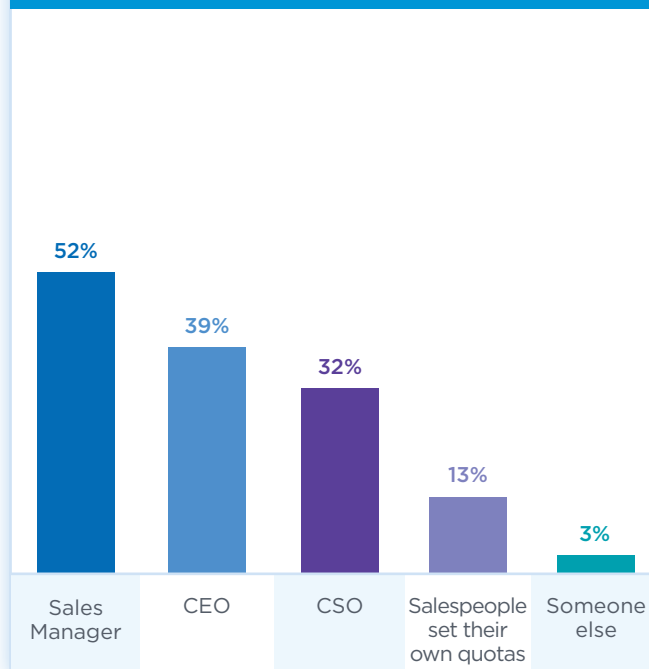
54%
HIGH-GROWTH FIRMS

44%
SLOWER-GROWING FIRMS

FACTORS IMPACTING SALESPERSON QUOTAS



PERSON IN CHARGE OF SETTING SALES QUOTAS



Technology Deployment

Despite the fact that use of technologies, such as a CRM system, can make businesses more effective, only about half of middle market companies leverage technology to help fuel the sales process, including firms with the fastest-growing revenues.

CRM SYSTEM USE

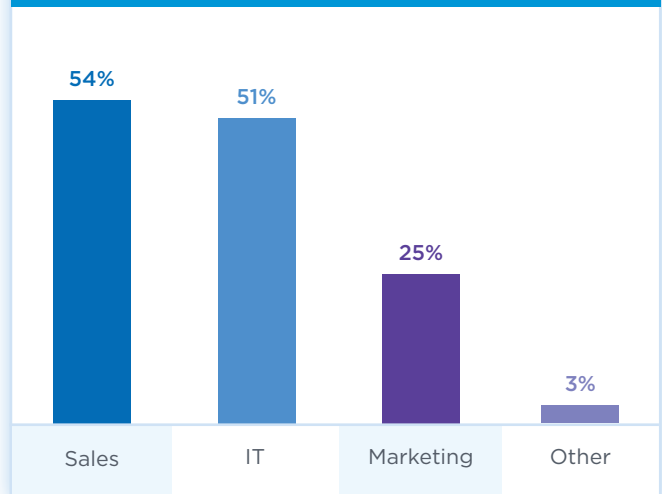
Fifty percent of all middle market organizations, and 54% of high-growth businesses, use a CRM system. Larger companies use a CRM more often than their smaller counterparts.

Regardless of company size or growth rate, CRM system users consider their sales teams more capable, particularly in their ability to drive the business. Companies that use CRM systems tend to deploy technology in other areas of the business, such as sales force training.

CRM SYSTEM USERS VS NON-SYSTEM USERS

	USER	NON-USER
Much/somewhat more effective than other sales forces in the industry	75%	64%
Use technology-enabled/virtual training to train new sales hires	53%	26%
Sales force's ability to drive the business is excellent	23%	15%

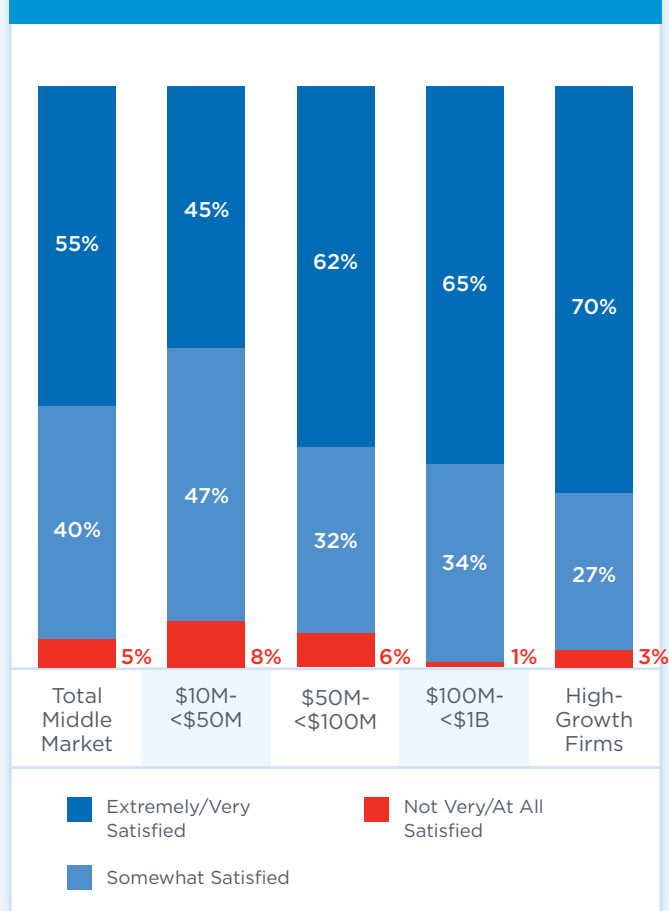
GROUP THAT HAS PRIMARY RESPONSIBILITY FOR CRM SYSTEM



Among companies that do use a CRM system, ownership for the system is over two times as likely to reside with the sales force as with the marketing team. Not surprisingly, however, the marketing department's involvement with CRM systems increases with firm size: In 63% of middle market companies with more than \$100 million in annual revenues, the marketing department takes the lead on the CRM system. Whether the system is "owned" by sales or marketing, IT often shares responsibility for it.

On average, companies have been using their CRM systems for about six years. No matter the type of system in use, a solid majority of companies are highly satisfied with the technology. System satisfaction is highest among the largest middle market companies: more than six in 10 businesses with \$100 million or more in annual revenues say they are very to extremely satisfied with their CRM system.

OVERALL SATISFACTION WITH CRM SYSTEM



WEBSITES AND SOCIAL MEDIA

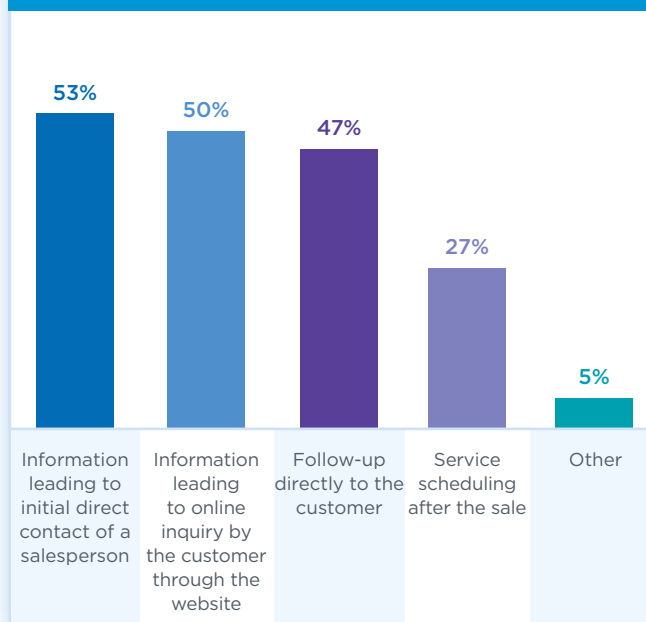
As with CRM system use, about half of middle market businesses use their websites to augment or support the sales force. Websites primarily serve to generate leads and drive contact with the sales teams, either directly or online. To a lesser extent, websites serve as a tool for following up with customers.

About four in 10 middle market companies make sales online either via their own websites or third-party vendor sites. More high-growth businesses make online sales than their slower-growing counterparts, and large companies sell online to a greater extent than smaller organizations.

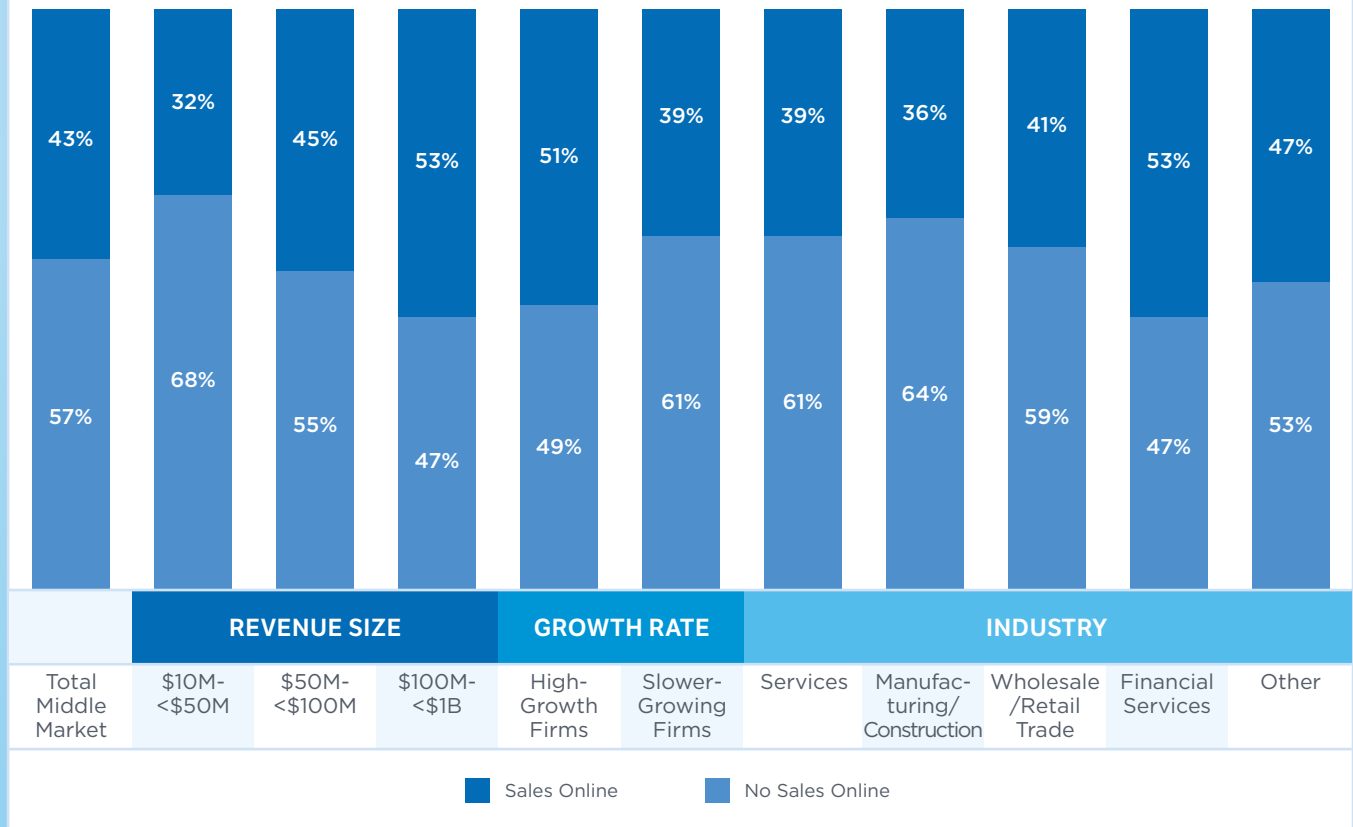
Not surprisingly, more businesses in the financial services sector sell online than construction, manufacturing, or service sector companies. A slight majority (53%) of these financial firms make Internet sales. On the flip side, more than six in 10 businesses in construction, manufacturing, and service do not make online sales.

Most middle market businesses maintain a presence on social media and may use Facebook and LinkedIn to communicate with customers, identify relationships, and gauge customer satisfaction.

WAYS COMPANY'S WEBSITE AUGMENTS OR SUPPORTS THE SALES FORCE



% OF SALES MADE ONLINE



OTHER TECHNOLOGIES

Only about one in 10 middle market companies leverages other technologies, such as cloud technology and business analytics, as part of sales management.

Synergy Between Sales and Marketing

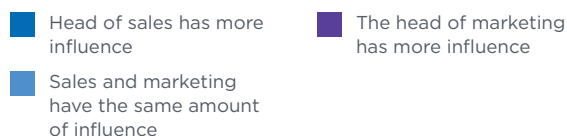
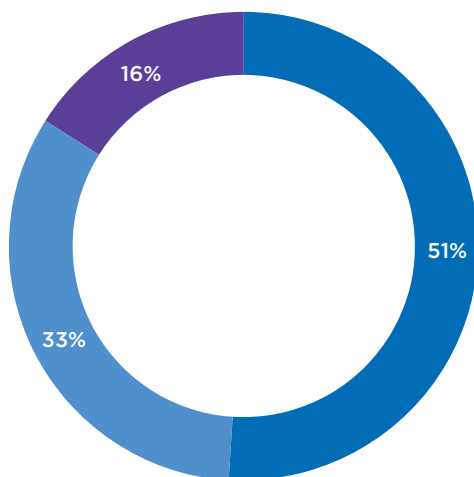
In middle market organizations, the head of sales typically has greater influence than the head of marketing. Sales is the dominant player in lead generation. However, the two departments are generally collaborative.

A solid majority (67%) of all middle market businesses and more than three-quarters (76%) of high-growth firms describe the working relationship between the two departments as highly effective, and the tension between the two areas is generally constructive. The vast majority (84%) of middle market business leaders, and nearly all leaders at the fastest-growing firms (94%), believe it is important for sales and marketing to be part of the same organization.

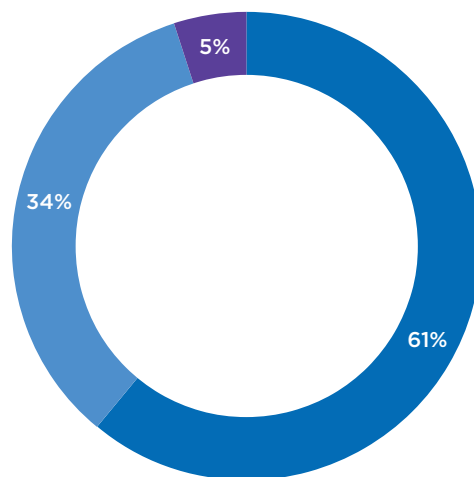
In most cases, the same person heads up both sales and marketing at middle market firms, or the two positions are staffed by peers who report to the same leader. The majority of businesses believe the current reporting structure is effective.

Given the classic battle between sales and marketing waged at many firms, it is somewhat surprising that it appears to be a non-issue for the majority of the middle market. However, the larger the company gets, the less likely it is to describe the marketing/sales working relationship as highly effective: It may be that inter-functional conflict increases in parallel with the size of the functions.

**DEGREE OF INFLUENCE
ON THE ORGANIZATION**



LEAD GENERATION SOURCES



EFFECTIVENESS OF SALES AND MARKETING WORK RELATIONSHIP

	TOTAL MIDDLE MARKET	\$10M-<\$50M	\$50M-<\$100M	\$100M-<\$1B	HIGH-GROWTH FIRMS
Extremely/very effective	67%	66%	72%	63%	77%
Extremely effective	24%	26%	29%	18%	31%
Very effective	43%	40%	43%	45%	46%
Somewhat effective	25%	22%	26%	30%	18%
Not very/at all effective	8%	12%	2%	7%	5%

IMPORTANCE OF SALES AND MARKETING BEING A PART OF THE SAME ORGANIZATION

	TOTAL MIDDLE MARKET	HIGH-GROWTH FIRMS
Extremely/very important	84%	94%
Extremely important	45%	55%
Very important	39%	39%
Somewhat important	11%	3%
Not very/at all important	5%	3%

HEAD OF SALES AND HEAD OF MARKETING RELATIONSHIP STRUCTURE

31%
SAY "THE SAME PERSON MANAGES BOTH ROLES"

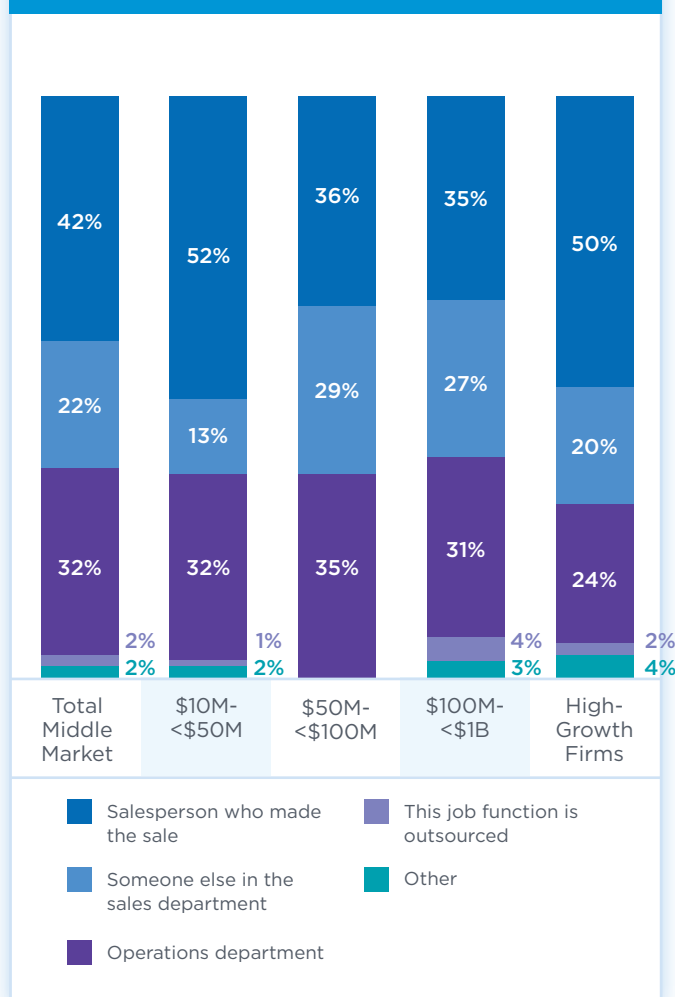
27%
SAY "THEY ARE PEERS REPORTING TO THE SAME LEADER"

Synergy Between Sales and After-Sale Service

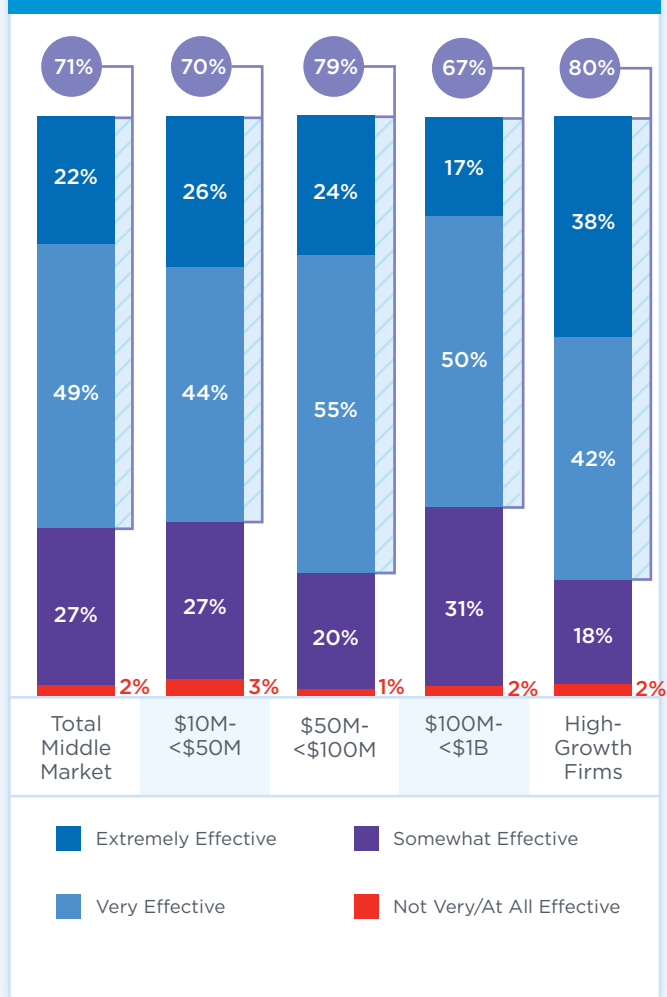
At four in 10 middle market businesses, the salesperson who made the sale handles after-sale service. Perhaps because they have more people on staff, larger middle market companies hand off the service function to another person or department to a greater extent than smaller companies do. However, regardless of size, high-growth firms generally tend to have the same person make the sale and provide the post-sale service.

Across the middle market, the relationship between sales and after-sale service is healthy. It is particularly strong at fast-growing firms, where 80% of middle market leaders say the relationship is very to extremely effective. At more than 90% of middle market companies, sales and after-sale service are either part of the same organization or working in close collaboration with each other.

WHO HANDLES AFTER-SALE SERVICE?



SALES AND AFTER-SALE RELATIONSHIP



Sales Practices at Larger Middle Market Firms

Like high-growth firms, large companies (\$100 million plus in annual revenues) typically rate their sales teams as highly effective. As firms get larger, clear differences emerge in how they approach and structure the sales function.

TEAM PERFORMANCE TAKES ON GREATER IMPORTANCE

Larger middle market firms may consistently deal with larger customers that have complex buying centers. This may necessitate the deployment of cross-functional selling teams. As companies adopt a collaborative approach to selling, team and company performance become important factors in evaluating a salesperson in addition to individual achievement.

STRAIGHT-COMMISSION AND OUTSOURCING ARE MORE PREVALENT

The largest middle market firms outsource some or all of the company's sales force more often than smaller businesses do. More large companies than small firms employ straight-commission salespeople. Larger organizations are also more apt to go outside the firm when hiring senior sales associates.

GREATER SEPARATION EXISTS BETWEEN SALES, MARKETING, AND SERVICE

As companies grow, they functionalize and specialize. As a result, separate sales, marketing, and service teams emerge, leading to greater potential for internal conflict and sub-optimization of the overall customer experience. Fewer large middle market businesses than smaller organizations say that the relationships between sales and service and between sales and marketing are extremely effective.

Key Selling Challenges:

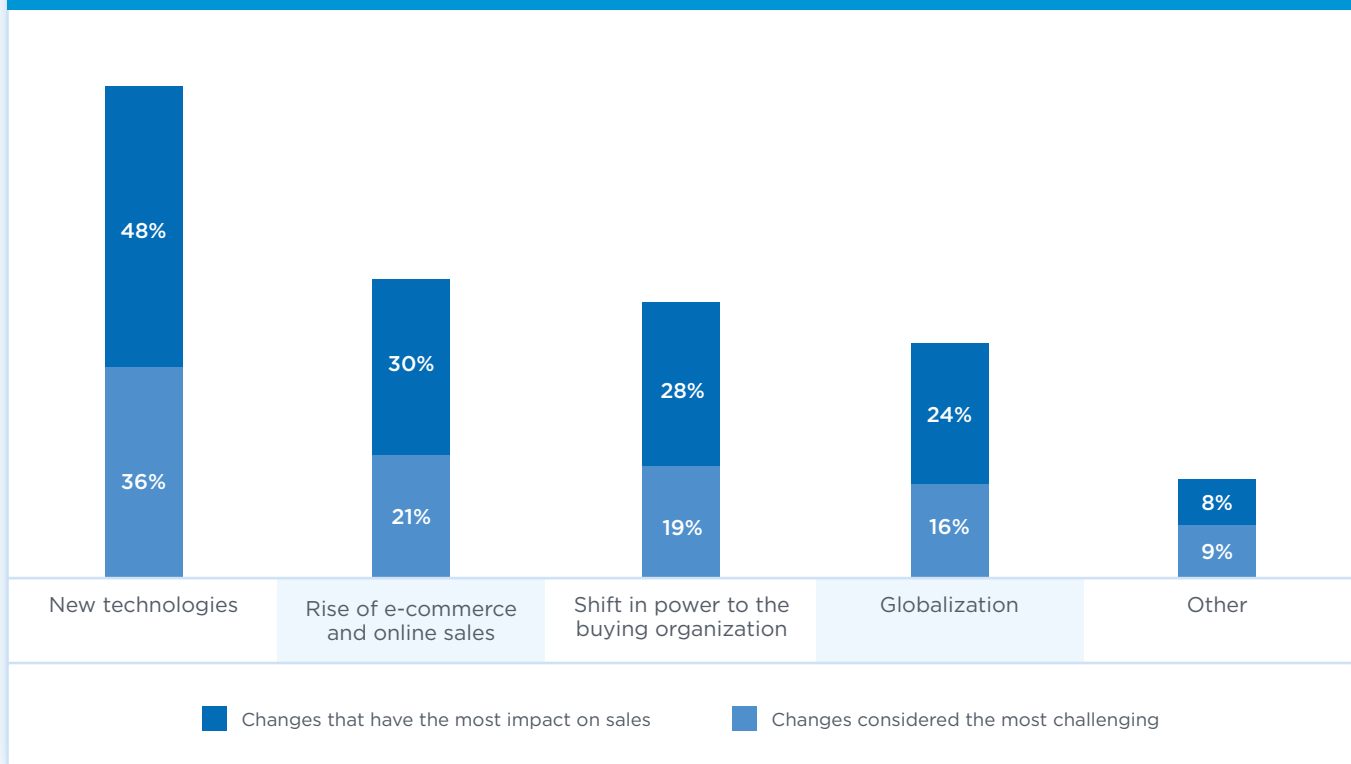
New technologies and more effective prospecting present the greatest challenges

Keeping Up with Technology

Across the middle market, just 18% of organizations rate themselves excellent when it comes to effective utilization of technology by the sales force. Furthermore, only about half of firms are actively deploying key technologies, such as CRM systems, and fewer than half are currently selling online.

While larger business and high-growth firms do better with technology, the middle market as a whole ranks new technologies as the most challenging change in the selling environment, followed by the rise of e-commerce and online sales. Nearly half of companies (48%) say that new technologies in the selling environment have the greatest impact on the sales force.

CHANGES IN THE SELLING ENVIRONMENT



Prospecting and Capturing Customers

While three-quarters (76%) of middle market organizations say they are very to extremely effective at maintaining their customers, just 67% believe they are as effective at developing customers. The number drops to 64% when it comes to prospecting and capturing customers. In other words, more than a third of middle market businesses believe they are only somewhat (or less) effective at finding new opportunities. Furthermore, only about half (53%) of middle market businesses rank their sales force's ability to build new markets as very good or excellent.

It is possible that the work of selling to and servicing current customers has many middle market sales teams maxed out. Consequently, these businesses have insufficient time to devote to the process of finding and developing new leads. Organizations that want to improve their prospecting capabilities, however, may benefit from refocusing the sales force's efforts or hiring new staff to fill this role. Additional research to produce more targeted proposals and to better qualify leads may also improve prospecting outcomes.

Putting Best Practices into Action

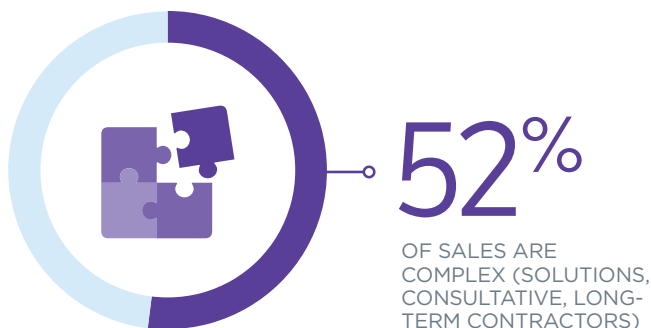
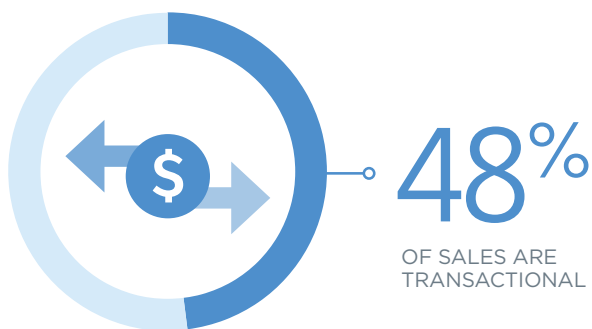
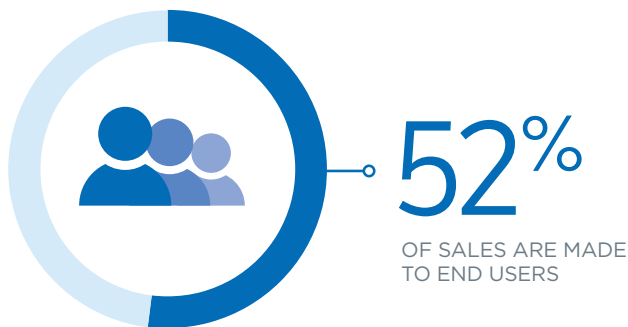
At the bottom line, the key learning takeaways from the data relate to increasing sales force effectiveness, emulating sales force best practices, and reacting to key selling challenges, providing a solid platform for action. Middle market firms can, with confidence, use the insights here to begin an important dialogue among organizational leadership on how to best invest in the sales force and selling function for maximum performance advantage.

It is clear better mentoring and training are associated with more effective selling and stronger growth, for example. In today's marketplace, an effective and high performing sales force represents a broadly important source of competitive advantage—one which unenlightened firms cannot easily match. It is also clear that the sales force in many middle market companies, while it does a powerful job of moving goods and services into the market, could be more effective at developing new markets and customers, shaping the business of the future as well as delivering results for the business of today.

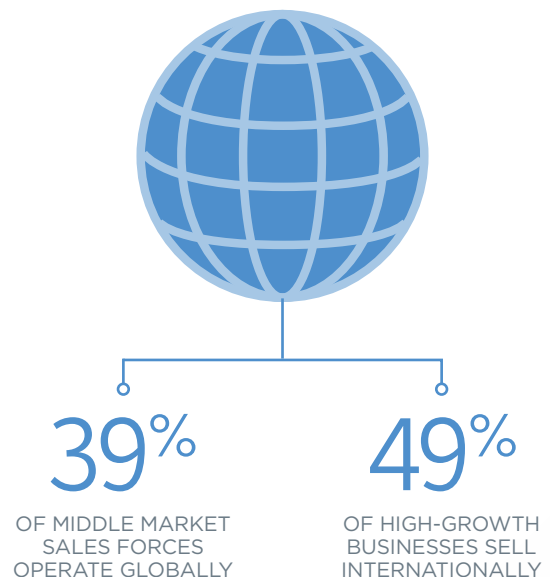
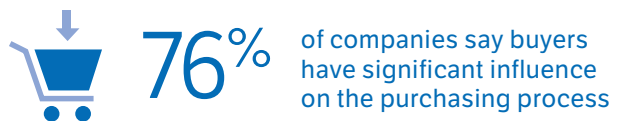


Middle Market Sales Profile

What the Typical Sale Looks Like for a Mid-Sized Firm



51% OF THE FASTEST-GROWING FIRMS SELL ONLINE



17% OF MIDDLE MARKET SALESPEOPLE HAVE SIGNIFICANT FLEXIBILITY FOR NEGOTIATING





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