The Truth About the Field Sales to Inside Sales Migration Trend

Sales Organization Structure Study Based upon Interviews and Surveys with Vice Presidents of Sales at Top Technology Companies

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Researched and Written by Steve W. Martin

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Forty-Six Percent of Participants Reported a Shift from a Field Sales Model to an Inside Sales Model.

The answer to this question is exactly what Steve W. Martin, a well-known sales author and sales organization researcher set out to find. To do so, Martin conducted in-depth interviews and extensive surveys with over one-hundred top sales leaders at leading high technology companies and business services providers. The resulting research, *The Truth About the Field Sales to Inside Sales Migration Trend*, provides detailed insights about the evolitional nature of sales organizations along with key sales performance metrics.

Over the past two years, more than twice as many study participants reported moving to an inside sales model as shown in the figure below. For thirty-four percent, the shift was slight, but twelve percent of study participants reported a significant shift from a field sales model to an inside sales model. Conversely, twenty-one percent reported a shift from inside sales to a field sales model including thirteen percent who reported a significant shift and eight percent who reported a slight shift.
There are three key factors that determine when a sales organization will utilize a field or inside sales model. They are the sales organization’s stage of development, the complexity of the products that are sold, and to a lesser extent, the sales leader’s perception of inside and outside sales model effectiveness. Overall, the positive perception of the inside sales model has increased due to many societal shifts, including the technical sophistication of today’s buyer and the nature by which they research and make buying decisions online. The decision process to implement a field or inside sales model can be represented by the following formula:

![Decision to Implement Field or Inside Sales Model](image)

**Sales Organization Development Stage**

Every sales organization can be classified into a “Build,” “Compete,” “Maintain,” “Extend,” or “Cull” stage based upon its development. The Build stage is when the sales organization is first establishing itself. If successful, it will proceed to a high-growth Compete stage and then to a Maintain stage that is contingent upon predictable success. As the sales organization ages, it will enter either the Extend stage and enjoy longevity or the Cull stage, where it declines and is forced to reduce its size. The ratio of outside or inside salespeople changes as the organization moves from the Build to Compete to Maintain development stages.

**Sales Organization Stages and Challenges**

<table>
<thead>
<tr>
<th>BUILD</th>
<th>COMPETE</th>
<th>MAINTAIN</th>
<th>EXTEND</th>
<th>CULL</th>
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<tr>
<td>Coverage</td>
<td>Scale</td>
<td>Productivity</td>
<td>Widespread Adoption</td>
<td>Competitive Leapfrog</td>
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<td>Critical Mass</td>
<td>Repeatability Organization-thrashing</td>
<td>Predictability Specialization</td>
<td>Relationship Justification</td>
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<td>Sales Model</td>
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<td>Customer Intimacy</td>
<td>Revenue Care</td>
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The challenges sales organizations face is dependent upon the stage of their development. The top sales challenge in the Build stage is creating sufficient sales coverage to push the product into the market. The Compete stage challenge revolves around quickly scaling the sales organization so it can compete effectively against larger established competitors. The focus shifts to maximizing sales productivity by lowering the cost of sale and increasing the average sales price in the Maintain stage. The Extend stage challenge is to attain widespread customer adoption so their solution becomes the de facto standard. The Cull stage challenge is to revitalize a demoralized and marginalized sales force. These challenges directly influence the sales organization’s structure and whether a field, inside, or hybrid sales model will be deployed. See the Top Organizational Sales Challenges section of this study for complete sales model deployment analysis.
Sales Cycle Complexity

The complexity of the sales cycle determines the evolution of the sales organization and at what point outside field or inside-based sales models will be implemented. Sales cycle types can be classified by level of complexity as Enterprise, Platform Cloud-based or Point-specific. The complexity of each sales cycle varies depending upon the number of individuals and departments involved in the selection process, the size of purchase, and sophisticated nature of the solution offered.

Enterprise Sales

Platform Cloud-based Sales

Point-specific Sales

<table>
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<th>Lower Complexity</th>
<th>Higher Complexity</th>
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<tr>
<td>Solution sold to specific individuals within a single department of the organization.</td>
<td>Solution sold to many individuals at all levels and across many departments of the organization.</td>
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Enterprise sales typically are large capital expenditure purchases that involve long sales cycles. Multiple departments of a company and all levels of the organization (C-level executive, mid-level management, and lower-level personnel) are needed to approve the solution's functionality and its purchase. The Platform Cloud-based sale provides a turnkey business solution for the customer over the internet and is sold directly to the business users of an organization. There is a preferential field and inside sales model strategy for each of the sales cycle types. A point-specific sales cycle is usually targeted to solve the business problems of a single department within an organization and the purchase decision is usually made by a small number of decision-makers, usually at the lower-level of the organization. See the Sales Organization Trends by Sales Cycle Complexity section of this study for detailed review of sales model deployment strategies.
Significantly Different: 53%
Somewhat Different: 45%
No Difference: 2%

Sales Leaders’ Perception of Field and Inside Sales Models

While the goal of this study was to gather quantifiable metrics based on surveys and interviews with sales leaders, there is another aspect of sales model decision making that cannot be ignored. Ninety-eight percent of study participants responded that the characteristics between inside and outside salespeople are different. Most sales leaders believe that outside salespeople have superior sales skills and the most accomplished sales professionals are in the field as evidenced by the sales leader comments below. This in turn can influence their decision on whether they implement a field or inside sales model.

“Field Sales is more strategic, meeting with C-level executives and developing strategic business innovation to help them grow their business, versus inside, which is higher volume and not as in depth the majority of the time.”

“Inside Sales is a transactional engagement and the focus is on opening opportunities. Outside teams are solution and relationship based.”

“Outside sales requires far more emotional intelligence, situational awareness and planning. Our inside sales, while equally demanding, requires persistence, research, and back-end work.”

“Process capability—inside people have to be disciplined, make cold calls, follow up, get volume, and close the deals quickly. Outside people have to develop longer-term relationships as most transactions are larger and require more sales skills and knowledge of the long-term wants, needs, and expectations of the customer.”
Furthermore, many sales leaders have a personal bias toward deploying outside salespeople over inside salespeople. In some cases, this inclination is based on their own experience from many years ago when they were in field sales. However, this historical disposition is being offset by the changing nature of how customers buy today. Customers are smarter and information is not only easier to find, but available in greater detail than ever before. In addition, technology has become a way of life and has completely disrupted the traditional buying process. Via the Internet, customers can research products, prices, and opinions. Further compounding this situation is ever increasing pressure on business performance as measured by profitability. This situation is driving more sales leaders to consider and then deploy an inside sales model. For example, study participants rated the following topics as influential contributors for the migration from field to inside sales below.

Today, there is a changing perception among sales leaders about the strategic role inside sales performs. This change is due in part to the benefits sales leaders believe the inside sales model provides in terms of scaling activity, growing the organization, and attacking specific markets. Study participants cited the following advantages of an inside sales model compared to field sales model below.
Study Methodology

Top senior-level sales leaders from over one-hundred leading high technology and business services companies participated in this study. These senior executive sales leaders manage the sales organizations of computer software, computer hardware, Cloud-based/SaaS, telecommunications, and business services companies. Study participants by business type included:

- Software Companies (On-premise) - 22%
- Cloud-based Software or SaaS Companies - 17%
- Business Services Providers - 14%
- Computer Hardware Companies - 16%
- Telecommunication Companies - 12%
- Other – Electronics, Semiconductors, IT Related - 19%

The research included in-depth interviews and extensive surveying of the participants. The average interview lasted forty-two minutes and the survey required eighty-two separate responses. The goal was to gather qualitative information, including trends and future predictions along with quantifiable sales organization metrics. Participants were also asked to share their top sales challenges and future sales strategies. They candidly shared their experiences, opinions, and advice. In exchange for their candor, it was agreed that their names and organizations would remain anonymous. Sample questions participants were asked included:

- What are your organization’s top sales challenges inhibiting growth?
- How have your sales strategies changed over the past two years?
- How are you planning to change your sales organization to achieve your short and long-term revenue targets?
- What is the distribution of field sales, inside sales, and channel sales personnel and how is it changing?
While the goal of this study was to understand the migration trends between the field and inside sales models, fifteen additional key findings and their associated metrics were identified as a result of the research. They include average annual quota, quota attainment, sales force verticalization, and average sales cycle length.

In addition, the interpretation of study results was augmented by Steve W. Martin’s personal experience working with and studying hundreds of technology sales organizations. The services he provided these companies included sales force effectiveness consulting, comprehensive win-loss analysis studies based upon extensive customer interviewing, and advanced sales strategy training.

Finally, a special thank you to Velocify for sponsoring this research project. Velocify is a market-leading provider of cloud-based intelligent sales software, designed for high-velocity sales environments. Please visit their web site for additional information www.velocify.com.
Classifying Sales Organization Stages

The company lifecycle starts as an entrepreneurial ideal that becomes a reality during the adolescence stage. As the company continues to grow, it enters the adult stage, where the business has established the organizational infrastructure to achieve a measurable market presence and significant revenue growth. The company exits the adult phase and enters the stability of the Middle-Age stage, where it enjoys sustainable growth balanced with organizational control. As the company continues to age, it enters a Seniority stage where the goal is to stay relevant and avoid decline.

Sales organizations can also be classified according to their maturity. Every sales organization can be classified based upon whether it is in a “Build,” “Compete,” “Maintain,” “Extend,” or “Cull” stage. The Build stage is when the sales organization is first establishing itself. If successful, it will proceed to a high-growth Compete stage and then to Maintain stage that is contingent upon stable, predictable success. As the sales organization ages, it will either Extend its prior success and enjoy longevity or suffer decline and be forced into the Cull stage where it must reduce its size. The figure below shows the interrelationship between the sales organization stage and the company lifecycle.

Adolescence
In the Build stage, the organization is establishing its presence and the foundational infrastructure. The sales engagement model is created and continually refined through the iterative process of meeting with early customers. This is a key learning period based upon trial and error, ranging from what type of salespeople should be hired to determining the specific messaging that appeals to prospective customers.

Adult
As the sales organization grows it enters the Compete stage and early adulthood. In this stage, the sales organization is engaged with head-to-head competitors, most of whom are well-established and typically larger in size. The sales organization continues to scale rapidly with a large injection of new sales team members. Similarly, engineering is extending product functionality and adding ancillary products to complete the vision of the product road map.
Seniority
As the organization continues to age it enters the Seniority stage. Here the sales organization’s goal is to extend the company’s market position by increasing the vendor’s strategic importance at existing accounts and to remain competitive so new prospective customers can be won. Conversely, when the sales organization passes the tipping point of effectiveness, it enters the Cull stage and is forced to downsize itself in conjunction with its diminished market presence. Below, the positions of some well-known technology companies are plotted on company lifecycle.
The following figure shows a breakdown of study participants categorized by company sales cycle stage. Seven percent of participants are in the Build stage, thirty-four percent of participants in the Compete stage, forty percent in the Maintain stage, and nineteen percent are in the Extend or Cull Stage.
Top Organizational Sales Challenges

Obviously, the top sales challenge always is exceeding the monthly, quarterly, or yearly revenue target. However, the sales challenges that inhibit a company from achieving revenue growth vary based on the sales organization stage. This is due to the “push” versus “pull” market characteristics of each stage. For example, in the Build stage a small group of salespeople must push themselves into new accounts and introduce their solution and its benefits. Conversely, a well-known company in the Maintain stage is pulled into new sales opportunities because of its market position. The figure below highlights the different sales organization challenges in the Build, Compete, Maintain, Extend and Cull stages.

Build Stage

The top sales challenge in the Build stage is creating sufficient sales coverage to push the product into the market. It takes time to hire, train, and build a critical mass of capable salespeople who can penetrate new accounts. It is during this stage that the sales model is first established, whether the sales organization will sell directly via outside field salespeople, over the phone with inside salespeople, or through channel partners.

Excerpts from Interviews with Build Stage Sales Leaders

“There is a big difference in focus between a small, medium, and large company. Let’s assume the markets are equal and each can sell their solution to 20,000 prospects. Mature markets and big companies will tend to verticalize across all industries. For the small player it is a catch-22. If you go after all these markets, you are in trouble. What investment does it take to accomplish this? Do I have the resources to accomplish this?”

“We are in a hyper competitive market competing with very large competitors. It’s David versus Goliath.”

“We are continually learning from every sales cycle and adapting our message to be more effective when we are in front of customers. We are trying to create a repeatable sales process but our product focus is changing as much as our sales model.”
**Maintain Stage**

The sales challenge changes radically during the late Compete stage and into the Maintain stage. The focus shifts from scaling the organization to maximizing sales productivity by lowering the cost of sale and increasing the average sales price. This may result in moving business from outside sales to inside sales or less expensive partner and distributor channels. Another challenge revolves around the predictability of revenue and the size of the sales organization. Since the sales organization is fully staffed and the territory coverage model is complete, the challenge is where to find the additional revenue to meet the growing annual target. Since territories have been split numerous times, the answer revolves around specialization. The sales force is segmented by size of company to be called upon, national accounts are segregated, and industry vertical sales specialists covering finance, government, retail, distribution, healthcare, etc., are created.

**Excerpts from Interviews with Maintain Stage Sales Leaders**

“We need to transition the business to a lower cost model and get my people selling to a different place where we can get the average deal size up considerably.”

“I have to balance capacity with productivity. What this means is how do we get more leverage from the sales model? When you start a company, it is about going as fast as you can to separate yourself from the pack. Now we have to take the next step as a company and say, “What are the sales per employee? What’s the cost per rep? What commissionable costs are we paying? All of these things become relevant. The only way you can have an impact on those is to increase productivity and lower cost.”

“In the past we would lose a deal that had nothing to do with product. Our company wasn’t well known and a larger competitor would throw some FUD (Fear, Uncertainty and Doubt) into the account and we would lose. Those things have gone away now that we are well-known.”

“There is a massive number of transactions under $50,000 and we are changing our pricing methodology under this level to be non-negotiable. We want those deals to be low-touch as we move into distribution and have our channel engaged on that business as opposed to our own people.”

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**Compete Stage**

The Compete stage challenge revolves around quickly scaling the sales organization so that it can compete effectively against more established competitors in existing markets or grab as much marketshare as possible in new greenfield markets. In this stage the sales organization begins to develop its collective intuition of where it can win new business and where it is likely to lose. If these attributes are not instilled into the new salespeople, “organization-thrashing” occurs. The newer salespeople will chase business they cannot win and precious pre-sales resources will be wasted. They won’t make quota and are likely to either be let go or leave on their own merit because they lack a sufficient pipeline of business to make commission. In this situation, there is organization-thrashing because of the continual replenishment of new and under-performing salespeople.

**Excerpts from Interviews with Compete Stage Sales Leaders**

“One of the challenges we’ve had is that we’ve been growing so fast that there has been a lot of territory realignment with the addition of new people. Unfortunately, we aren’t upstream on deals and most of the early deal influence is through our marketing activity. In a perfect world, our salesperson has enough time in the territory to build those relationships over time. There is huge value when you get in before the sales cycle starts. I’d say the influence is maybe thirty-five percent before you get into an actual engagement. We walk into a deal and can tell there is a bias. But, if we have a really effective first engagement and understand their needs we can position our company advantages.”

“We are in a transition phase with our inside sales organization. Today, inside sales mainly performs lead generation and lead qualification. They take the leads generated by marketing and they turn them into meetings on the calendars of field salespeople. We have been in a land grab and now we are approaching the next phase of our existence, which is lowering the cost of sales. For example, a $40,000 transaction takes as much time as a $300,000 transaction for one of my field sales guys. We understand what the capacity is for a field rep and the limitation on the number of transactions they can manage on a quarterly basis.”

“I may be perceived only as a niche player serving one vertical today but I quickly have to reposition the solution as a platform, whether it be through adding new products or changing the vocabulary we use with customers.”

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Extend Stage
Sales organizations in the Extend stage seek to deflect the attacks from Compete and Maintain stage competitors by extending their presence within existing customer installations. The challenge is to attain such widespread customer adoption that their solution becomes the de facto standard. From an account management perspective, the challenge is to build irreplaceable customer intimacy by understanding the customer’s business issues and goals. Even though there might be superior products available from competitors, through the building of strong personal relationships and the sharing of best industry practices, the customer feels justified to continue on with the relationship as opposed to ending it.

Excerpts from Interviews with Extend Stage Sales Leaders

“We are in a fairly mature market where we see the same competitors in every deal. There aren’t any deals where only one vendor is working it on their own. However, once customers select the solution, they are locked in for quite a while because it is major surgery to replace. So the post-sale upsell opportunity is quite good.”

“Our sales organization is in the process of changing from a regional account management to a global account structure as we mature as an organization. We want to make it simple for someone to have a global relationship with us. It has been a problem for our larger customers because they have to execute different contracts that have to be signed locally and deal with different price lists around the world. We believe we can capitalize on our existing presence and dramatically increase revenues at these accounts.”

“Our number one challenge is operational. Our industry is aging. As a result value drivers versus growth drivers become more important. So, where it was just grow your sales organization in double digits on an annual basis, now it’s how do you grow your business faster than your competitors but do so with an ever decreasing cost of sales. The sales leader’s role becomes more operational than the traditional spending seventy percent of your time in front of salespeople and customers.”

Cull Stage
In the Cull stage the company has been leapfrogged by competitors who provide superior offerings. How does a demoralized and marginalized sales force revitalize itself? The Darwinian answer is to cull the herd and remove the bottom performers and those with disenfranchised attitudes. The attitude of entitlement must be eliminated for the spark of the competitive spirit to be reignited. Equally important, key existing accounts whose run rate revenue is central to the survival of the company are separated out and placed in “Revenue Care” programs where they receive dedicated account management, customer support, and executive level access.

Excerpts from Interviews with Cull Stage Sales Leaders

“Our industry is way overdue for the next generation of salespeople and sales leaders. It has to better reflect the face of our customer, which is a younger generation, increasingly from Asia Pacific and more female.”

“We eliminated over forty quota-carrying field salespeople and contrary to what you might expect, our revenues actually went up significantly last quarter.”

“The other shift we are making is getting some of our more experienced and seasoned salespeople who really know the industry and solutions well, to be a little bit more provocative in their approaches. We want them to add more value to the sales cycle. We have a successful older sales team that is kind of set in its ways. The business and times dictate that we shake this model up.”

“We are trying to leverage technology to decrease sales costs. Instead of bringing technical specialists with the rep to the meeting, we’ll conduct a webinar or use Skype, so we bring the specialists into the meeting without physically being there. From a customer standpoint, certain industries like high tech are comfortable with this and most definitely the younger generation is. Back in the 80’s, if you didn’t show up on site, you didn’t display your value and you wouldn’t even be considered.”
Sales Management Challenges
Study participants were also asked to describe the high level sales challenges they were personally facing along with those they felt were common across all of their sales teams. Study participants most frequently mentioned the following issues:

- Difficulty differentiating yourself from competitors: 30%
- Generating enough leads: 72%
- Hiring and retaining sales talent: 71%
- Sales cycles are too long: 67%
- Difficulty meeting senior level decisionmakers: 61%
- Long ramp up time before new reps become effective: 79%

Excerpts from Interviews with Sales Leaders

“We probably subconsciously hire differently today. On one hand, we attract more people today because we are larger and better known. On the other hand, you do have these kind of Big Game hunter type salespeople that are attracted to the company. They believe the technology is right and the market is coming to them. They are probably coming from a competitor around our size or bigger and not a start-up. In the right environment, these mercenary salespeople can be really good. But we rarely hire from really big companies like IBM or HP.”

“The two challenges are typically execution and competition. I can’t control economic conditions but they are my reality. We focus day in and day out on execution. From a sales management perspective, number one is talent acquisition. If you have to have the best athletes on the field, you have a better chance of winning the game. Next, you have to have a good coaching staff, which is my management team, and you build a playbook of execution, which you practice with the team. There’s a ton of detail in our playbook. We are one of the fastest growing technology companies and we have a model for planning and execution. The way we’re going to market and managing the execution is really working.”

“My biggest challenges relate to scale and growth. We’ve been hiring so many people so quickly that we are challenged to recruit the right people, get them up to speed quickly, and retain them. If we don’t get them up to speed quickly, we will likely not retain them.”

“Our inside sales group manages 1.3 million customers globally. The inside sales role is growing at a very fast pace and changing in terms of its level of sophistication. The lack of an inside sales orientation in many sales tools in the B2B environment where you are managing a large client base and complex sales is a problem. For example, prioritizing outbound calls based on business decisions to execute a sales strategy. Another challenge is the integration between the web and our telesales channels and keeping offers and messages in-synch. The customer has an expectation of a completely seamless integration between the web and the telephone.”
The study results also indicate that the complexity of the solution sold is directly related to the evolution of the sales organization. Sales cycle types can be classified by complexity as Enterprise, Platform Cloud-based, and Point-specific. Each of these sales cycles vary in complexity depending upon the number of individuals and departments involved in the selection process, the size of purchase, and sophisticated nature (implementation requirements, daily operation, and underlying technology) of the solution offered.

**Enterprise Sales Cycle Trends**

Enterprise sales typically involve large capital expenditure purchases that require long sales cycles. Multiple departments of a company and all levels of the organization (C-level executive, mid-level management, and lower-level personnel) are needed to approve the solution’s functionality and its purchase. An Enterprise Resource Planning (ERP) system is an example of an enterprise sale. The following figure illustrates the organizational involvement by the prospective customer to complete an enterprise sales cycle.

According to study participants, the enterprise sales cycles required the establishment of an outside field sales force in the Build stage, where each field salesperson is initially responsible for a geographic territory. As the organization moves to the Compete stage, the territories are split according to company size, measured in terms of annual revenue or number of employees. The field salespeople are segmented into large account field reps and geography (or “geo”) field reps.
During the late Adult stage or early Middle-Age stage, the territories are split further with the addition of vertical outside field salespeople calling on specific industries such as finance, government, retail, technology, etc. At this time new products may be launched to penetrate mid-market accounts. Depending upon the complexity of the solution, the sales force selected to address the mid-market will either be a field-based group located in remote geographies or a centralized inside sales group that demonstrates and closes business over the phone. The figure below shows the progression of the Enterprise sales organization structure.

Excerpts from Interviews with Enterprise Sales Cycle Sales Leaders

“We have geographically distributed enterprise reps that call on large companies and carry $1.5M quotas. Their average deal size is $250k to $300k. Million dollar deals are not uncommon, so they can make their quota in a deal or two. What we’ve found is that our competitors are out there selling face-to-face, and it’s a complex enough sale that if we aren’t on-site during the sales cycle, we won’t win the business.”

“The enterprise buyer is expecting you to be on-site showing that you understand their business and want their business. In the mid-market, there is more openness to being sold over the Internet, but we are still going on-site at least once. I think there is a lot more involvement over the Internet, via WebEx or GoToMeeting, and over the phone. The mid-market deals are smaller so you need more activity. When you have so many accounts, you can’t afford to spend time on planes and traveling.”

“We are in a hypercompetitive market and the sales cycles are long. As a result, we use an outside sales model.”

“We don’t have inside sales for our on-premise software business. Rather, we have telemarketing that provides leads to the field. Our cloud business is different. We have inside reps that target accounts and drive the business to close.”

“We sell complex, sophisticated technology with an average transaction size of around $150,000, and this will change the go-to-market strategy to direct sales and vertical sales.”
Platform Cloud-based Sales Cycle Trends

The Platform Cloud-based sale includes a full line of product functionality (or complete stack of technology) that provides a turnkey business solution for the customer over the Internet. Since it is a user-friendly solution designed for the everyday user and average technology consumer it is sold directly to the business as opposed to IT. A Platform Cloud-based sale cycle might be instigated by the business users within a department and purchased with the blessing of other interested departments. For example, a Sales Automation SaaS solution may be evaluated by the sales department and purchased with the approval of the information technology department.

The Platform Cloud-based sales cycle shares many of the same characteristics as the Enterprise sales cycle. There can be different departments and all levels of the organization involved. The sales cycles are long and there are significant solution costs. However, the sales organization structure may be different depending upon how the solution evolved. At companies where the solution evolved from a Point-Specific solution in the Build stage to a full product platform in the Compete stage, it will be sold primarily over the phone/internet. As the organization grows and the company tries to penetrate larger accounts, outside field salespeople are added.
At companies where the complete solution is available in its entirety during the build stage, it will typically be sold via field salespeople. When the company later offers a pared-down functional solution to address the mid-market and SMB market, the sales execution will be through inside sales. However, these reps may make field sales calls dependent upon the situation. The following figure shows the Cloud-based Platform sales cycle at the Adult stage of sales organization development.

**Platform Cloud-based Sales Cycle at the Adult Sales Organization Stage**

There is another difference between the Enterprise sales cycle and Platform Cloud-based sales cycle. The Enterprise sales cycle is predicated on face-to-face customer interactions, whereas the majority of interactions during Platform Cloud-based sales cycle take place over the phone and internet. The figure to the right shows the breakdown of the key interactions between phone/internet and in-person meetings for Enterprise and Platform Cloud-based sales cycles. The percentages are based upon the overall averages provided by study participants.

**Breakdown of Key Customer Interactions During Sales Cycle**

Enterprise Sales Cycle

- 15% Phone/Internet Customer Interactions During Sales Cycle
- 85% Face-to-Face Customer Interactions During Sales Cycle

Platform Cloud-based Sales Cycle

- 60% Phone/Internet Customer Interactions During Sales Cycle
- 40% Face-to-Face Customer Interactions During Sales Cycle
Excerpts from Interviews with Platform Cloud-based Sales Cycle Sales Leaders

“Cloud is a volume game. It is perceived to be easier and quicker than on-premise solutions, so there is natural inclination to use an inside sales based model.”

“The sales cycle is different for cloud and on-premise software. The cloud buyer is a business buyer rather than an IT buyer. What you are really selling with the cloud is a solution with a SLA attached to the solution. With cloud, we have to deliver 99.9% uptime or we are giving money back to the customer. The Cloud sales cycle is typically a little shorter and you are focusing on things like security and service level rather than selling the technology that is underneath the solution.”

“We have two cloud sales teams. One team is selling to mid-market accounts, where deal size is twenty or thirty seats. They sell entirely over the phone. The other team is going after large accounts and their model looks more like a commercial software sales model. They have named account sales reps calling on accounts in-person.”

“Thirty percent of RFPs ask for Cloud options, in addition to on-premise options. Not too long ago, it was less than five percent.”

Point-specific Sales Cycle Trends
A point-specific sales cycle involves a single solution (or a set of finite complementary functionality offerings) usually targeted to solve the business problems of a single department within an organization. The purchase decision is usually made by a small number of decision-makers, usually at the lower-level of the organization, with decision approval from mid-level management. For example, a resume tracking system is a point-specific solution sold to the human resources department.

Point-specific sale can be classified as Freeware, Simple or Complex. The Freeware Point-specific sale refers to the initial product that is available to the user without any cost. Customers serve themselves and download the free product from the company website. This is a limited use version of the commercially available product and is part of a “land and expand” strategy to establish initial product use then convert users into paying customers later using inside or outside sales.

The Simple Point-specific sale tends to be complementary to the customer’s existing environment. It is sold as an ancillary addition to the way business is being conducted today. The Simple Point-specific sales primarily utilizes an inside sales model based on a geography which is later verticalized and segmented by company size with the addition of outside sales field reps calling on large accounts.
The Complex Point-specific sale typically requires the customer to break a pre-established relationship with an existing vendor. This entails a “rip and replace” strategy where the existing vendor’s products are completely replaced by newer technology or an entirely different way of doing business. This sales effort requires an outside salesperson and expands over time to include named large accounts and vertical overlay salespeople. Later, mid-market outside or inside sales reps may be added depending upon the complexity of the product. The figure below shows the sales organization’s evolution and the three Point-specific sales cycle types.

Excerpts from Interviews with Point-specific Sales Cycle Sales Leaders

“We have been a highly transactional commercial sales force, focusing on transactions mainly under $100,000. We are building additional products that will lead us into the enterprise level, which is where we need to go, because your field sales reps’ territories cannot be continually cut. So, what we’ll do is create alternative routes to market, such as an enterprise group calling on a subset of accounts, a commercial group calling on segments like healthcare, local government, etc., and a Cloud-based group that sells to service providers.”

“We feel like we figured out the model. Two years ago we really didn’t have an inside sales team and now it’s the area that’s growing most. We have scaled back on the enterprise side. Now we have this formula figured out and we add people to both teams in equal percentages at this point.”

“Many players are now faced with trying to convert their freeware users to a paid premium model. So now, they need that enterprise type of field sales presence at accounts to build the value and the revenue stream in conjunction with additions to their applications. Being on-site is part of the process of building value to the organization.”

“For non-enterprise deals of $100k or smaller, they all ultimately move to a phone-based selling strategy. With inside sales, you can drive more head count, onboard them faster, enable them to become more productive quickly, manage them more easily, and do it in more of a call center fashion. After $100k number, the deal requirements change. Also, some verticals require more face to face meetings, such as healthcare, aerospace, defense, and federal government because of regulatory and compliance types of issues. Other verticals are primed for a telesales model. What I have seen lately is a shift from field sales to inside sales.”
Fifteen Key Study Findings and Associated Metrics

While the goal of this study was to identify the migration trends between the field and inside sales models, fifteen additional key findings and their associated metrics were identified as a result of the research.

1. Percent of organization achieving quota
2. Quota attainment average
3. Average annual quota
4. Average on-target earnings
5. Average new deal size
6. Sales force composition
7. Inside sales centralization
8. Vertical sales adoption
9. SMB specialization
10. Sales preparedness
11. Inside sales roles
12. Outsourced sales functions
13. Sales cycle length
14. Annual revenue growth
15. Field sales revenue trends

1. Percent of Organization Achieving Quota

The overall average for percentage of salespeople that achieved one hundred percent of quota last year was sixty percent. However, the number of salespeople who achieved one hundred percent of quota varied greatly by sales organization. Twenty-six percent of sales leaders reported that seventy percent or more of their salespeople made quota. Fifty-four percent of sales leaders reported that between fifty to sixty-nine percent of their salespeople made quota. Twenty percent of sales leaders report that less than half of their salespeople made quota.

Sales leaders reporting what percentage of their salespeople achieved 100% of annual quota last year

- Over 70% of salespeople made quota: 26%
- Between 50% to 69% made quota: 54%
- Under 50% of salespeople made quota: 20%

Excerpts from Interviews with Sales Leaders

“If your investors, analysts or the financial market have you pegged at a revenue number, you will add a buffer onto the overall quota being assigned because you don’t want to be flying skinny. So, your internal operating plan will always be higher than the street’s expectations. The plan never assumes that you will have quota attainment by the reps across the board. Quota attainment has navigated between forty to sixty percent for us. Ideally, you want sixty percent of the team reaching their goal. The buffer will vary based upon the stage of the company and size. In the early day, you want a real big buffer, but at the larger, publicly held company, it might be lower, at eighteen percent or so."

“We have hired a lot more salespeople and the number of reps making quota has gone down. Territories are a bit smaller now. In the past, when we were more like a startup a salesperson had more power to select what they worked on and there was more opportunity in general. I think their job is different now that we are bigger. It’s gotten easier and harder. Many of the early sales reps have left.”
2. Quota Attainment Average

The average percentage of salespeople that achieved one hundred percent of quota last year varied by type of industry.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Software</td>
<td>52%</td>
</tr>
<tr>
<td>Cloud-based and SaaS</td>
<td>61%</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>60%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>66%</td>
</tr>
</tbody>
</table>

3. Average Annual Quota

The overall average annual quota for an outside field salesperson was $2.7 million and $985,000 for an inside salesperson. Industry averages are shown below.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Outside Sales</th>
<th>Inside Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Software</td>
<td>$3.2m</td>
<td>$1,220,000</td>
</tr>
<tr>
<td>Cloud-based and SaaS</td>
<td>$1.6m</td>
<td>$795,000</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>$4.2m</td>
<td>$1,350,000</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$3.3m</td>
<td>$730,000</td>
</tr>
</tbody>
</table>

4. Average On-Target Earnings

The average annual on target earnings including salary, commission, and bonuses for field and inside salespeople at one hundred percent of quota are shown by industry below.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Outside Sales</th>
<th>Inside Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer Software</td>
<td>$240,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>Cloud-based and SaaS</td>
<td>$210,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>$180,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$150,000</td>
<td>$85,000</td>
</tr>
</tbody>
</table>

5. Average New Deal Size

The average new deal size reported for field sales was $166,000 and new deal size for inside sales was $19,000.
6. Sales Force Composition
The average overall sales force composition was sixty-five percent outside field sales, twenty-five percent inside sales, and ten percent channel sales. Below, are the functional roles broken down by industry.

7. Inside Sales Centralization
Seventy percent of study participants indicated their North American inside sales teams are primarily centralized (in one to three locations), thirteen percent are decentralized (four or more locations), and seventeen percent use a home-based model.
8. Vertical Sales Adoption
Sixty-four percent of study participants have vertical sales specialists on their sales force (calling on verticals such as public sector, finance, healthcare, manufacturing, etc.)

Excerpts from Interviews with Sales Leaders

“You have to verticalize certain industries like government because you need salespeople who understand how to navigate their processes, which are different than those of commercial organizations. It makes a lot of sense to verticalize around industries like healthcare, telco, and financial services.”

“My philosophy is that sales organizations should be divided by customers not products.”

“We can’t afford a sales model that is completely based on verticals. It would take too many people. What we do is that a salesperson will have one major vertical and one minor vertical. The salesperson’s accounts are made up from companies in those verticals. So we make sure the salesperson is trained in detail and knowledgeable on their major vertical, to a lesser degree about their minor vertical, and then on an as-needed basis for everything else.”
9. SMB Specialization
Sixty-three percent responded that they have specialized inside salespeople that are dedicated to SMB (small to medium business) or mid-market sales. Less than one-half of these inside sales reps are allowed to make field sales calls when necessary.

Excerpt from Interviews with Sales Leaders

“As we grew, we used a sales force matrix strategy by size and type of the company to add more salespeople in the field. For example, might segment at the $100 million revenue mark and have one sales group calling on accounts over $100M and the other calling on accounts under $100M in revenue. The second overlay might be geographic region and the third overlay would be the specific industry verticals we were targeting, such as manufacturing, financial services, and service industries. From that point, you can add micro verticals such as automotive, aerospace, and medical to the manufacturing vertical. The inside sales team is aligned to salespeople in the field and performs business development, which mainly consists of lead generation activities. In some verticals, there might be a one-to-one alignment of an outside sales rep with an inside business development person. In other verticals, there might be several field salespeople who share a single inside salesperson.”
10. Sales Preparedness
Eighty-three percent of participants thought their outside field sales teams were equipped with the Sales Strategies, Tools, and Skills to exceed their numbers, compared to fifty-seven percent for inside sales and forty percent for channel sales.

Do you believe your sales teams are equipped with the sales strategies, tools and skills needed to achieve and exceed their numbers?

- Field Sales: 83%
- Inside Sales: 57%
- Channel Sales: 40%

11. Inside Sales Roles
Sixty-two percent of participants reported their outside field salespeople are assigned an inside salesperson where the inside salesperson performs the following functions.

- Inside salesperson performs lead generation and telemarketing: 70%
- Inside salesperson carries a quota: 70%
- Revenue generated by the inside salesperson is applied to outside salesperson’s quota: 55%
- Inside salesperson schedules meetings for the outside salesperson: 40%
12. Outsourced Sales Functions
Seventy-three percent of respondents do not outsource any sales functions.

13. Sales Cycle Length
Seventy percent reported an average sales cycle length of sixty days or less for inside sales while fifty-four percent reported an average sales cycle length of ninety days or more for outside sales.
14. Annual Revenue Growth
Thirty-seven percent reported their company revenues had increased at an average rate over twenty percent over the past two years.

15. Field Sales Revenue Trends
Trends for 2013 and 2015 projected annual revenue attributed to field sales as opposed to inside sales varied by industry. The overall trend is for the number of companies that derive more than ninety percent of their revenues from field-related sales to decrease dramatically. For example, twenty-eight percent of software companies will derive more than ninety-percent of their revenues from field sales in 2013 and this number is expected to decrease to zero in 2015. The number of hardware, Cloud and telecom companies with more than ninety percent of their revenues from field sales will also drop by half.

Percentage of Companies Deriving Over 90% of Revenues From Field Sales
About Steve W. Martin

Steve W. Martin is an expert on the complex human nature of business-to-business sales. His “Heavy Hitter” series of books for senior salespeople has helped over 100,000 salespeople become top revenue producers. Steve is a regular contributor to the Harvard Business Review and teaches at the University of Southern California Marshall Business School MBA Program. You can learn more about Steve at www.stevewmartin.com.

About Velocify

Velocify is a market-leading provider of cloud-based intelligent sales software, designed for high-velocity sales environments. Velocify helps sales teams keep pace with the speed of opportunity and improve conversion rates by driving rapid lead response, increased selling discipline, improved productivity, and actionable selling insights. Velocify has helped more than 1,500 companies across a variety of industries improve customer acquisition practices and sales performance. Learn more at www.velocify.com.