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The Mismatch between Call Frequency and Account Potential: Where the Money is

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ABSTRACT

Purpose: The purpose of this study is to examine the relationship between salesperson call frequency and account potential. In sharp contrast to conventional wisdom, in two case studies, we show that there is no relationship between call frequency and account potential. We conclude with a discussion of reasons why this may be the case.

Design/Methodology/Approach: We provide results from two case studies. Using internal data from the firm and survey data, study 1 focused over 150 nurses in the United Kingdom who used a specific medical device with their patients. Here we asked the nurses a battery of approximately 40 questions. We combined this data with National Health Service on procedures performed at each hospital (a measure of account potential). Study two involves a different medical device maker. Here we examine monthly contact and compare it to account potential.

Findings: Study 1 finds that contact frequency at the the lowest account potential quartile was statistically lower than each of the remaining quartiles. However, the second lowest quartile of had the exact same monthly contact frequency as the highest quartile of accounts even though the underlying potential of former is approximately one-third (36%) that of the highest quartile of hospitals. Study 2 finds a similar pattern. In particular, when we looked at monthly contact frequency for companies in account potential quartiles 1-2-3 and compared it to the highest account potential quartile, we again found no statistical difference between the two groups.

Practical Implications: Sales reps in these two studies were not visiting the accounts with the highest potential. When sales reps are "re-allocated" to the highest potential accounts – sales increase dramatically.

Originality/Value: Simple reallocation of the sales rep's time can have significant implications for revenue growth. We provide some logic – that can be tested – on why sales reps may engage in this sub-optimal behavior.

KEYWORDS

Time allocation of sales force; account potential; contact intensity; call frequency

"If you want to make good use of your time, you've got to know what's most important and then give it all you've got." *Lee Iacocca*

"It's not enough to be busy, so are the ants. The question is, what are we busy about?" – Henry *David Thoreau*

"Because that's where the money is."

—*Willy Sutton*, on why he robs banks

Introduction

In business-to-business markets, the most important marketing mix element is the salesforce (Spiro and Perrault 1978). Business-to-business markets often have a complex set of services, solutions, and bundles that are best introduced, negotiated, and sold in face-to-face interactions (Homburg and Stock 2004). As such, for most B2B markets, the salesperson is the primary point of contact between the firm and the client (Homburg and Stock 2004).

While research on call frequency is rather scant, a notable longitudinal study examined the relationship between call frequency and buyer–seller relationships (Roman and Martin 2008). The study found that an increase in call frequency has a positive impact on sales volume, perceived service quality, perceived value for the money, and overall customer satisfaction (Roman and Martin 2008). Previous work has also shown that call frequency can impact perceived quality of the relationship (Barnes 1997; Boles et al. 2000; Crosby, Evans, and Cowles 1990) and buyer-seller cooperation (Heide and Miner 1992).

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Curiously, there is almost no work that has examined relationship between sales call frequency and account potential (with exception of Parasuraman 1982 conceptual framework). In a well-run firm, one would expect to find account managers spending significantly more time calling on their higher-potential accounts than on those with less upside potential. The relationship between account potential and call frequency *should* be direct and positive, yet as illustrated in two case studies below, there is no statistical relationship between the two.

This counterproductive behavior was first apparent in a research study for a highly respected medical device client, the market share leader in their category. Since then we have replicated this analysis for five other companies (each highly respected and the leader in their category) in the U.S. and the U.K. At only one of these companies was there positive statistically significant relationship between contact activity and account potential. In every other case the relationship between contact frequency and account potential can best be described as a random walk.

In what follows, two case studies that illustrate this theme of the random nature of sales call behavior. The term case study is used to refer to a firm-specific (as compared to cross-firm or inter-firm) level of analysis. We employed the case study approach to control for other variation that could impact call frequency (e.g., product offering, industry practice and so on). After reviewing the findings, discussion turns to some reasons for this behavior based on interviews conducted with the sales managers at these companies. The paper concludes with the positive results that a company can achieve when it can align account manager contact frequency with account potential.

Case study 1: understanding the problem

In 2016 interviews were conducted with over 150 nurses in the United Kingdom who used a specific medical device with their patients. Responses were received for over 40 different questions, two of which were:

1. In a typical month, how often are you contacted by your account manager?
2. In the last year have you received a visit from senior management at this company?

The product this company manufactured was used in a specific surgical procedure performed in hospitals. The National Health Service in the UK published data for each hospital listing the number of these procedures that they had performed in the prior year. The correlation between the number of procedures each hospital performed and the firm's sales to those hospitals was positive and statistically significant at the 99+% level of confidence. Accordingly, procedures performed at each hospital was used as a measure of account potential.

Hospitals were then ranked from highest to lowest based on procedures performed and divided into quartiles, with Q1 being the lowest 25% of hospitals (in terms of procedures performed) and Q4 being the highest quartile. Quartiles were then indexed relative to Q4. Exhibit 1 below lists the relative sales potential of each of these four quartiles.

So, for example, Q3 at 51.7 represents approximately half the sales potential of Q4. In a similar fashion, Q1 at 23.3 represents about a quarter of the potential of Q4.

The analysis began with an assessment as to whether the sales force had some "intuitive" idea of the potential of each of their accounts. Here the percentage of respondents in each quartile who said they had been visited by a member of senior management in the last year was examined. The logic is that salespeople want to bring their senior managers (e.g., regional sales director, vice president of sales) to visit their largest accounts.

Exhibit 2 below presents our findings. Hospitals in the top procedures quartile were nearly twice as likely to receive a visit from senior management as the Q1 accounts. This result indicates that on some intuitive level the sales force recognizes "who the big guys are."

Yet, mapping the sales force monthly contact frequency (as taken from our survey responses) to account for potential resulted in a completely different picture. As can be seen in the Exhibit 3, the firm's sales force clearly recognized who the small fish were. Contact frequency at the Q1 accounts was statistically lower than each of the remaining quartiles. After that, though, monthly contact frequency becomes a random walk. Q2 accounts had the exact same monthly contact frequency as the Q4 accounts even though the underlying potential

of former is approximately one-third (36%) that of the Q4 hospitals.

The foregoing indicates that a refocusing of the sales force to focus on their highest potential accounts is likely to result in a significant increase in sales. To see how significant this can be let us turn to a second case study.

Case study 2: assessing the upside potential

The financial impact of the misalignment between account potential and contact frequency can be substantial. Exhibit 4 below is taken from a second firm that is also in the medical device space. In constructing this exhibit, an approach similar to case study one was followed. In this case study, the company's own measure of account potential was validated by correlating it with their annual unit sales, it was positive and statistically significant at the 98.6% level of confidence. This time, however, customers were divided into two subgroups based on their account potential: the bottom three quartiles and the top quartile. Exhibit 4 below indicates that the potential in the Q4 accounts was more than twice the combined potential of the Q1 through Q3 accounts.

As can be seen in Exhibit 5 below, when we looked at monthly contact frequency for companies in Q1 through Q3 and compared it to Q4 we again found no statistical difference between the two groups.

The yield for each group was calculated by dividing actual sales by potential sales. As can be seen in Table 1 , the yield in the bottom three quartiles was more than two and a half times that of the top quartile

As can be seen from Table 1, increasing yield at Q4 accounts represented a significant growth opportunity for this company. For example, suppose that they were to increase the size of their sales force and focus these new account managers strictly on their Q4 accounts, and that as a result yield among these accounts increased 10 points. Table 2 shows the impact on total sales under this scenario.

Total sales under this scenario would increase by 21.5%, from 881,900 units to 1,071,500 units.

Even if management were to simply redeploy its existing sales force toward its Q4 accounts at the expense of those in Q1 through Q3 the increase in overall sales would be sizable. For example, if yield at Q4 accounts were to increase by 10 points while yield at Q1 through Q3 accounts were to decline by 10 total sales would rise by slightly more than 11% (see Table 3).

Table 1. Yield rate comparisons.

Quartile	Actual Sales (000 units)	Estimated Potential (000 units)	Yield
Q1 through Q3	484.9	906.5	53.5%
Q4	397.0	1,895.9	20.9%
Total	**881.9**	**2,802.4**	**31.5%**

Table 2. Estimated yield impact of focusing on Q4 accounts.

Quartile	Actual Sales (000 units)	Estimated Potential (000 units)	Yield
Q1 through Q3	484.9	906.5	53.5%
Q4	586.6	1,895.9	30.9%
Total	**1,071.5**	**2,802.4**	**38.2%**

Discussion: what causes this behavior?

So why is this type of resource allocation not happening? If ever there were a group within the organization that should be highly incented to go "where the money is" it would be the company's sales force. Yet even among this highly incentivized group, we see an inability to follow Willy Sutton's sage advice.

Several factors that cause a company's highest potential accounts to be under-served.

1. First is the lack of solid, accurate data on account potential. You have to know who the "big guys" are before you can focus on them. Remember, data on this metric do not have to be accurate to the 5th decimal point. A simple relative index will suffice.
2. Even when account managers have an approximate understanding of who the "big guys" are, all too often they do not realize how much bigger than everyone else the big guys really are.[1] So, for example,

Table 3. Impact of redeploying sales force to higher account potentials.

Quartile	Actual Sales (000 units)	Estimated Potential (000 units)	Yield
Q1 through Q3	394.3	906.5	43.5%
Q4	586.6	1,895.9	30.9%
Total	**980.9**	**2,802.4**	**35.0%**

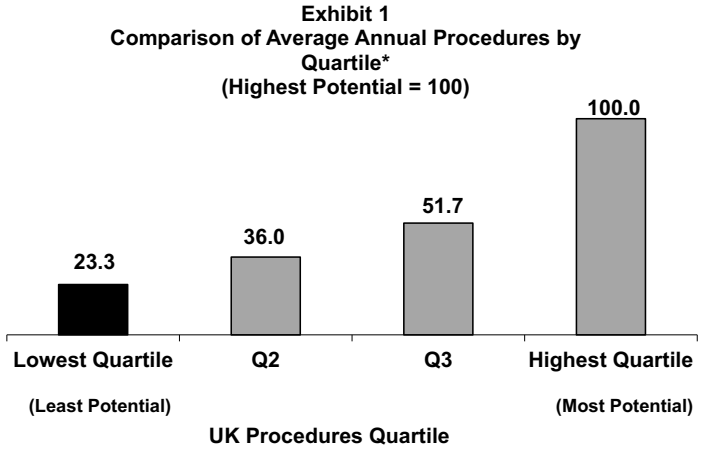

Exhibit 1. Comparison of average annual procedures by quartile* (Highest potential = 100). * All differences are statistically significant.

they may see that their actual sales to Company A are 30% higher than their sales at company B. Too often they draw the wrong conclusion from this observation and think there is nothing to be gained by an extra sales call or two to Company A. Indeed, in our second case study, the sales potential at their top quartile accounts was two and a half times greater than the *combined sales* in the Q1 through Q3 accounts. Surely that would merit an additional visit to their Q4 accounts every now and then.

3. In many cases, smaller accounts have simpler and quicker decision-making processes than do larger accounts. An account manager in need of an additional sale to hit his or her monthly quota is likely to opt for a "short and sweet" sale at a smaller account.
4. Account managers sometimes fear that spending more time with their largest customers makes them more dependent on these companies and increases the overall risk of their account portfolio.[2] These sales reps opt for safety in numbers at the expense of full account penetration.
5. There is a slight variation on this theme. Across broad samples the only way that one can spend more time with Account A is to spend less time with some other company, say Account B. In many cases, sales can increase when account managers are willing to either "fire" or de-emphasize certain accounts. Yet most sales reps with whom we

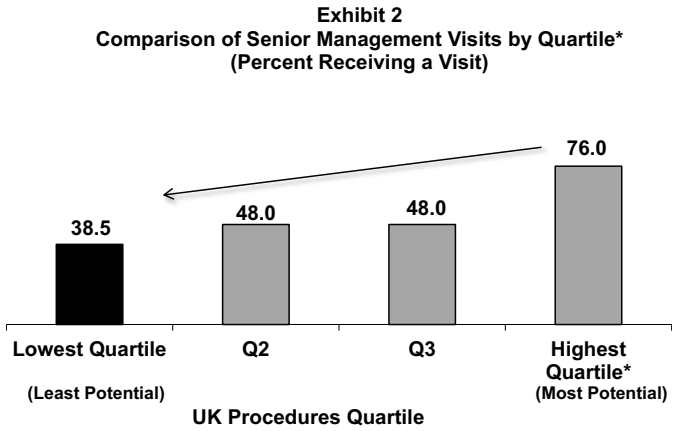

Exhibit 2. Comparison of senior management visits by quartile* (Percent receiving a visit). * Statistical higher than remaining three quartiles.

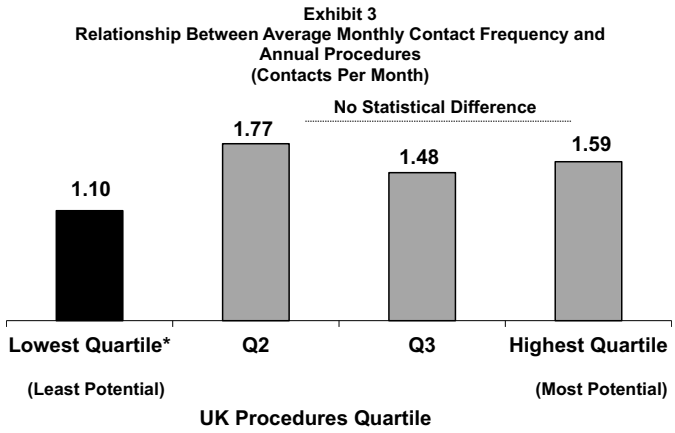

Exhibit 3. Relationship between average monthly contact frequency and annual procedures (Contacts per month). * Statistically below remaining three quartiles.

have spoken are reluctant to do this. It is worthwhile to remember that you will never have a clear idea of what you are doing until you have a clear idea to whom you are going to say "No."

6. In selected cases, the company may place an undue emphasis on prospecting for new accounts. This can come in the form of bonuses and extra incentives paid to account managers when they bring in a new account. In our experience we have found that companies that "Go Deep" (i.e., sell more to existing accounts) substantially outperform those that "Go Broad." (i.e., give new customer acquisition greater weight than account penetration). We have observed two firms with very innovative products that were each "new entrants" in their respective industries. One emphasized the "Go Deep" approach while the other adopted a "Go Broad" strategy. Both were very successful in achieving their initial objectives. Two years later the "Go Deep" company has prospered with a market capitalization of over a billion dollars. Over the same time period, despite its initial success, the "Go Broad" client has lost more than half of the accounts they initially acquired.

Epilogue – taking corrective action

The above six points are really symptoms of a larger issue – ineffective sales force management. Regional directors of sales and vice presidents of sales lack accurate, quantifiable measures of account potential. To provide accurate direction to the sales force these managers need to know "how big is big." Then, they need to sit down with their sales reps to map out a game plan to improve contact frequency for their highest potential accounts.[3] As a last step, they need to meet with each of their reps on a monthly basis to review contact frequency among these high potential Customers.

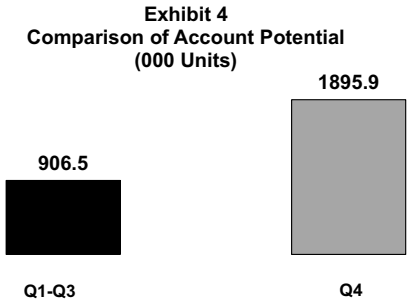

Exhibit 4. Comparison of account potential (000 Units).

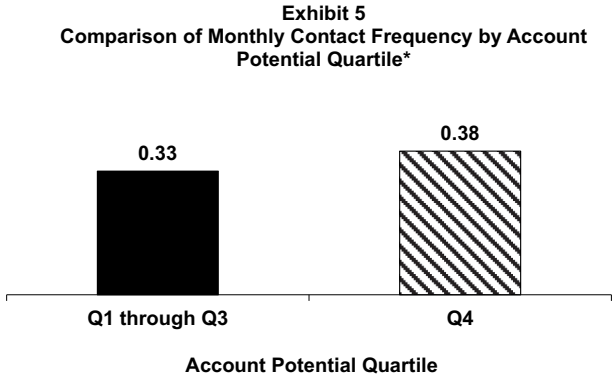

Exhibit 5. Comparison of monthly contact frequency by account potential quartile*. * Difference is not statistically significant.

Simply reviewing contact reports in a contact measurement system such as salesforce.com provides an extremely inaccurate perspective on actual contact frequency. When we relate information on contact frequency from one of these contact measurement systems and compare it with the responses we get for contact frequency from the Customers we survey we find no significant correlation between the two.

To see how this works in practice let us go back to the second case study. You will recall that this case study described a company that was not devoting sufficient time to its highest volume accounts even though they had very accurate account potential data for each company they served. Once they understood this they took corrective action:

1. They impressed upon their account managers the importance of penetrating their Q4 accounts, especially those with current yields below 30% (65.5% of all Q4 accounts).
2. They mandated that their account managers spend 75% of their time on these accounts and held their reps accountable for attaining that goal.
3. The remaining 25% of account manager time should be spent focusing on lower potential accounts that were being actively targeted by competitors (15% of their time) and new business development (10% of their time).

In less than a year on this program their sales are up 10% relative to the prior year and they are significantly ahead of their current sales and profit plan.

* * *

One of the underlying assumptions of Peter Drucker's work on effective practice is that workers have access to information that enables them to implement "self-management and control." Absent this necessary information, the sales force often finds itself "shooting in the dark," so to speak. Few companies have truly accurate information in two key areas:

1. The underlying sales potential of each of their accounts
2. The impact that monthly contact frequency can have on increasing share of wallet at an account while simultaneously reducing the likelihood that the account will be lured away by a competitor

The approach followed by the company in the second case study clearly acknowledged the limits of the limited information. They provided their account managers with accurate data on Customer sales potential and schooled them (using actual case examples) on how increased contact frequency would actually reduce their vulnerability to defections. They then met with each of their account managers on a routine basis to ensure that they were following Willy Sutton's wise dictum to go "where the money is."

Notes

1. Remember, in the first case study the account managers had an intuitive understanding of who were their biggest accounts because the accounts in Q4 reported have

more visits from senior management than the accounts in Q1 through Q3.
2. Interestingly, study results indicate that increasing contact frequency makes an account more loyal and, therefore, less likely to switch to a competitor.
3. As will be seen below, this game plan is likely to include reducing monthly contact frequency among low potential accounts.

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