Leading in Local

Sales Transformation: Building a Sustainable Model

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Executive Summary

The increase in local media competition creates a host of competitive and economic challenges for traditional media organizations, including directory companies, which are a key focus of this report.

These challenges include steep declines in both revenues and customers compounded by cost cutting to reduce declining margins. This state of affairs brings shareholder and competitive pressure beyond incremental change and requires transforming the sales organization into an entity that can be successful in a post-print environment.

True transformation is difficult (most efforts fail) and success requires change to be embraced throughout the organization. Strong leadership is critical, as is a total commitment to transformation. The latter is perhaps the biggest obstacle, as most organizations prefer to make incremental rather than transformational change.

To manage and hopefully overcome many of these challenges, BIA/Kelsey presents a set of four transformation best practices that we see companies following, thereby improving their chances of adapting to a far more competitive and challenging sales environment.

1. **Preserving margins with segmentation**
    - High touch for high spend
    - Resellers, self-serve for the long tail
2. **Key metrics should focus on customers, not revenue**
    - Retention/churn
    - Customer acquisition & growth
    - Customer satisfaction
3. **Seamless execution**
4. **Sophisticated technology**
    - The most successful sales organizations deploy robust sales force automation technology (built internally or using an outside vendor like Amdocs), as well as a business intelligence interface that offers a single view of the customer.

This report examines companies that have taken on the sales transformation challenge, and report on that journey and its outcome. The companies we examine share a common focus on small and medium-size business advertisers. The companies profiled include directory publishers, newspapers, verticals and local SEM/SEO pure plays.

This report offers the following elements:

- Defines the challenges that local media organizations are facing as they transition from primarily analog to primarily digital media sellers.
- Discusses the different approaches to sales transformation.
- Offers some perspective on building a sales culture that attracts top-level talent.
- Offers examples of how some leading local media sales organizations have approached sales transformation. Companies profiled in this report include Deseret Media, Dex One, Eniro, Solocal (formerly PagesJaunes), Trader Media Group and Yodle.

Introduction: The Case for Transformation

The phrase “sales transformation” is used widely in local media circles, particularly among traditional media companies facing some alarming key metrics – declining revenues, an eroding customer base, lower sales productivity and margin compression. Under pressure to turn these numbers around, media companies tend to say they’ve transformed or are in the process of doing so, but few really go beyond cosmetic changes.

Sales transformation involves change that is more fundamental than adding new products, revamping training, changing the company name, or simply claiming to have transformed. Some of the leading thinkers about sales transformation forcefully argue that true transformation requires fundamental change throughout an organization. You cannot transform sales without transforming the company.

Clark Gilbert, the former Harvard Business School scholar who now runs Deseret News and Deseret Digital Media, advocates a “dual transformation” approach that preserves and continues to invest in the core business while building an entirely new, disruptive business to attack new revenue opportunities. Deseret has put this theory into practice, operating its digital business while separately continuing to invest and grow its traditional broadcast and newspaper business.

We offer a more detailed look at Deseret’s sales approach in the “Sales Transformation Examples and Best Practices” section.

Eniro, the Swedish search and directory company, has decided to follow a similar transformation model. It has kept its core Yellow Pages businesses (print, IYP and mobile YP) under the legacy Eniro brand, while new digital products (display, search advertising, presence products) are sold through a completely separate brand (Kvasir Media) with its own sales force. We also delve more deeply into Eniro’s sales transformation journey later in this report.

There are several arguments for the dual transformation approach, all revolving around the central idea that traditional and digital media are different animals, requiring different skill sets, as well as expectations.

The business models for traditional and digital media are often vastly different.

Yellow Pages, for example, runs on an annual sales cycle, with revenue amortized throughout the year. In the early days, as Yellow Pages companies took on digital products, they chose (or were forced) to squeeze the round peg of digital media into the square hole of publishing systems fixed to an annual sales cycle. Arguably, this legacy systems issue is the single biggest hurdle for publishers to overcome on the path to transformation. Publishers that insist on selling new products on 12-month contracts simply because their systems and processes make this easier for them will struggle to compete with those unencumbered by this consideration.

Second, the skills required to sell traditional and digital media are quite different. Traditional media has been sold based on competitive necessity, (”You need to be where your competitors are”). Digital media requires knowledge of how digital media works, and conversations tend to be more performance-data driven than with traditional media sales.

Finally, the cultures of traditional and digital media are vastly different, with digital media organizations tending to be much flatter and faster moving. The ability to adapt and innovate quickly is critical, and it is rarely found in sufficient quantities inside the digital shop within a traditional media organization.

Dual transformation is not the only approach to sales transformation. Other traditional media companies are looking at transformation differently. Dex One, soon to merge with SuperMedia, may have found a key to sales transformation in its Dex Guaranteed Actions model, which in simple terms packages leads from a multitude of sources and guarantees the results in a bundled package for advertisers. The leads come in the form of clicks, calls, emails, form completions and other types, each scored based on its conversion value. The model demonstrates a clear, positive impact on customer retention.

Real vs. ”Faux” Transformation

Some common metaphors are used to explain the difference between real transformation and faux transformation. One is, do you remodel the old house or build a new one? Another is, do you replace the engine or buy a new car? Taking the latter metaphor further, are we really talking about a new car, or a new mode of transportation?

A transformed company, for example, pivots from selling one product annually at high margin but negative customer and revenue growth into one that sells multiple products continuously throughout the year, probably at lower margin, but with robust customer and revenue growth.

A company undergoing faux transformation, by contrast, would make an announcement that it is no longer a traditional media business, but rather is a digital company. Then it would add new digital products to the sales bag in order to reinforce the image makeover. But none of the underlying structure or culture of the business would change, at least not sufficiently to qualify as true transformation.

What the faux transformational company will not do is build a disruptive digital organization from the ground up, operate it separately, perhaps even in competition with its core business, on the assumption that the new company will eventually become *the* business.

Focusing on customers and the metrics that measure their growth and satisfaction suggests a deeper change in how a company views itself. For example, Solocal (formerly PagesJaunes) describes itself as a "relationship" organization rather than as a sales organization. This can seem like a simple rhetorical change, but the company backs this distinction up in a number of ways. One is compensating its associates with a much higher salary component than most directory organizations, with the bonus component tied to customer-based rather than revenue-based KPIs.

True transformation is incredibly difficult, so much so that few leaders are willing to tackle the challenge.

Kathy Geiger-Schwab is a former senior executive at the Berry Company and currently a consultant specializing in sales transformation. While at Berry she led a transformation effort that convinced her there was an opportunity to create a sales transformation "in a box" template once she left Berry.

In her estimation, less than 5 percent of companies that "aspire to change the core" actually succeed.

Typically, companies that aspire to transformation follow an "initiatives" approach, according to Geiger-Schwab. Rather than rebuild the model, the initiatives approach attempts transformation through a series of iterative projects involving new products, sales training, publishing and billing systems and so on.

"The problem with the initiatives approach is it takes too long," Geiger-Schwab says. "It is also too product focused."

So, Why Is Sales Transformation Necessary?

The expansion of local media competition over the past decade has created a host of competitive and economic challenges for traditional media organizations. As the number of media choices has expanded, BIA/Kelsey's Local Commerce Monitor annual survey of SMBs show that media companies have been pressured to expand their product portfolios, moving from offering one or perhaps two media choices to upwards of eight to SMBs.

This growing product portfolio, combined with increasing product complexity, pushes many local media reps far out of their comfort zones, leading to varying levels of proficiency at selling digital within most media sales organizations. In addition to productivity challenges, this creates training and recruitment/retention headaches.

The increased local media competition creates more opportunities for the most sought after sales associates. Traditional media companies struggle to compete for the best talent, who often prefer the cachet of working for pure play digital companies.

Additionally, traditional media organizations used to be known for offering the best pay, job stability and initial sales training. However, competition from local digital media companies has eroded this reputation, leaving traditional media companies scrambling to recruit and retain A-list talent.

Our expectation is that there will be both successes and failures among those local media organizations attempting transformation. History, however, suggests the failures will generally outnumber the successes.

A much bigger challenge with an expanding product portfolio is the ever increasing amount of time required to convert a prospect into a sale. This time expansion has a direct impact on the margins local media companies can expect to earn. The longer a sales cycle is, the less profitable it is. This is creating pressure to realign the cost of sales with the new realities of the local marketplace.

Many of the assets that traditional local media organizations have long considered competitive advantages – a brand, large local sales channel, relationships with advertisers – are seen increasingly as mixed blessings. For example, Yellow Pages companies have highly recognizable brands, but the brands are not well associated with offering digital solutions to small-business advertisers.

In 2009 L.M. Berry conducted a survey of small-business advertisers as part of a large sales transformation project. When advertisers were asked from which local media sales force they would prefer to purchase digital media solution, Yellow Pages sales associates ranked dead last. Somewhat surprisingly, advertising agencies were given the highest rating.

Most directory companies have changed their names, in part to change how investors perceive them but also to reposition themselves more broadly with SMB advertisers. There is no solid evidence that a name changes alone have been effective in transforming either consumer or advertiser perceptions of a Yellow Pages company.

Further, these organizations' vaunted sales operations are no longer in scale to the opportunity before them. Increasingly, local media companies are losing ground to small, nimble competitors who can out-service large sales channels.

A one or two person digital agency can spend hours with a small SMB account because they operate on vastly different margin requirements. They can make a little money on accounts that would be unprofitable for a larger sales organization at the same level of service.

Mark Canon, the former head of digital at Yell UK (now Hibu), came to realize the extent of this challenge as he tried to push new products through the traditional sales force.

Canon said he gradually realized while at Yell that as the product portfolio expanded, the sales model appeared less and less sustainable. In his view, ***sellers in traditional local media channels cannot find enough time in the day to adequately explain and then sell digital media to SMBs without severely damaging productivity, and thus margin.***

Individuals and small agencies do not have the same problem. They carry very little overhead, and have financial expectations that are more modest than those of large media organizations. This allows small digital shops to undercut traditional media companies on both price and service for the smaller accounts that large media companies would either underserve or ignore.

Smaller accounts that don't spend enough to justify any investment of time end up being ignored by large media organizations, which contributes to their steady declines in total customers.

Canon suggests taking what is essentially a two-tiered view of sales channels. Use higher cost telephone (inside sales) and even higher cost premise (outside sales) reps to service accounts that spend sufficiently to support those channels. Then apply the crowdsourcing concept (creating something through a large number of small contributions) to grow the long tail. Publishers can turn individuals who might otherwise compete into an army of resellers to sell their inventory to small advertisers via a dashboard.

The definition of a long-tail advertiser is nebulous, but for this paper, we'll define it as SMBs spending less than $3,000 per year on advertising or related services. This tail is long, covering the vast majority of the more than 20 million businesses in the U.S. alone. While the individual spend by these long tail SMBs is small, it is a large sum in the aggregate.

The appeal of the long tail is that it adds up to a real business if you can attack it at scale. Deseret's Todd Handy calls the long-tail, "change in the couch cushions." Deseret has leveraged this couch change into a seven-figure business in short order through a combination of a low cost telesales effort plus self-service.

Common Success Traits Emerging

The challenges facing local organizations are getting larger and more complex. Yet there are examples of local media companies that have improved sales performance with efforts to reform or transform how they sell digital media products and services to SMB advertisers.

Later in this report we will examine several companies and their approach to organizational and sales transformation. They do not all follow the same playbook, but there is an emerging set of best practices that seem to overlap the success stories.

These traits include smart use of channel segmentation to manage both big spenders and long tail advertisers, a strong emphasis on execution, disciplined adherence to a proven sales process, robust technology to support sales and putting more emphasis on customer satisfaction and retention than revenue metrics. Training is designed more intelligently to improve retention of information, using e-learning technology and shorter more focused bursts of training vs. lengthy stints in classroom settings.

Ultimately we come back to the original question. Does the house need to be remodeled, or rebuilt? Are these measures to improve performance enough in the face of monumental change?

Our view is that most traditional local media companies probably need to build the new house. There is, however, some flexibility in how companies approach the tear-down/rebuild process.

These practices are showing results where they are being implemented effectively, but in the long run they may not be sufficient to sustain a business that has a rapidly declining core.

Businesses in that predicament may need to look at truly transformational change, along the lines of separately building a newco to replace the existing company. Two of the companies we profile later in this report, Deseret Media and Eniro, have come closest to adopting this more radical approach.

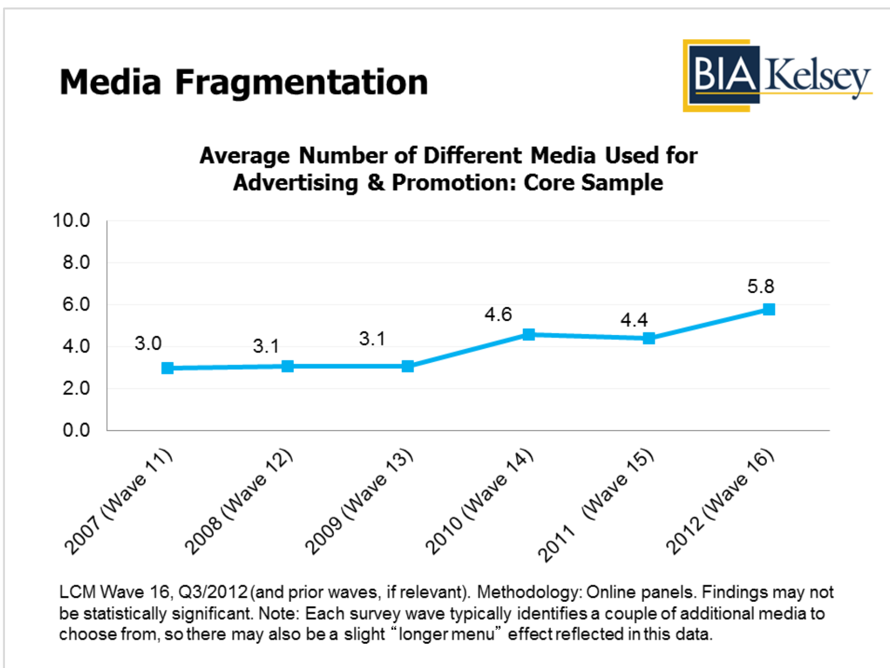
Defining the Local Media Sales Environment

The current local media sales environment bears little resemblance to what it was even a decade ago. Small business advertisers once dealt with a small handful of media sales reps, and their budget was allocated among a small number of choices – directories, newspapers, possibly TV and radio, direct mail, and little else.

Today, of course, the situation is more complex, even chaotic. BIA/Kelsey estimates that the typical small-business advertiser is called on as many as 30 times each month by representatives of a much wider array of media options, most of them digitally focused and many unproven, at least to the advertiser's satisfaction.

BIA/Kelsey's Local Commerce Monitor has long tracked the number of media choices that U.S. small-business advertisers use to acquire and retain customers. As Figure 1 shows, the number of media used by small-business advertisers has nearly doubled since 2007, from 3.0 to 5.8.

Figure 1: SMB Advertiser Media Expansion

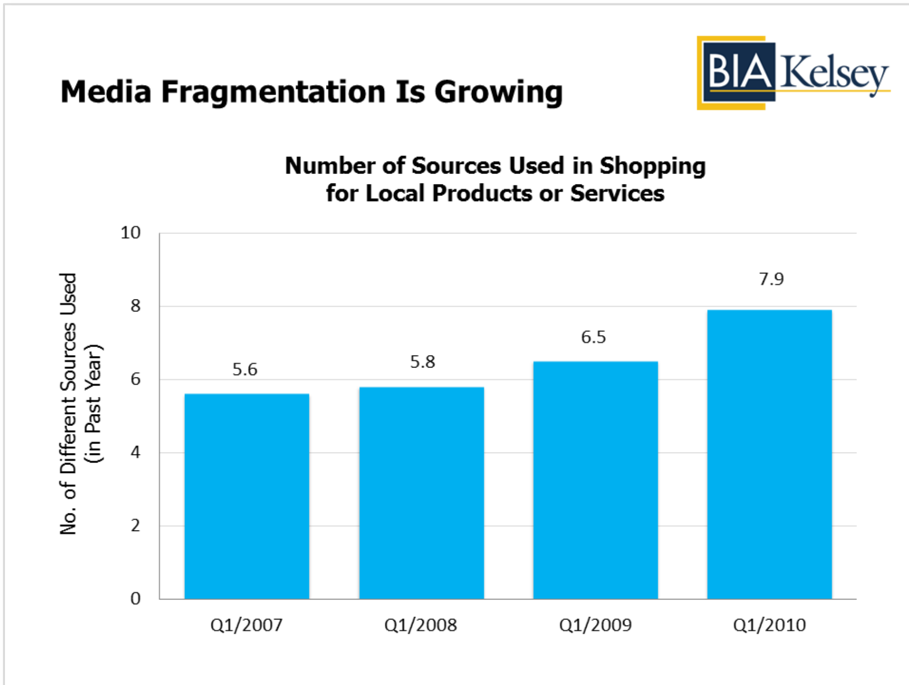


(BIA/Kelsey, 2012)

The explosion of media choices for SMBs has not occurred in a vacuum. Consumer adoption has led the way. The pattern of expanding media used by SMBs is consistent with the expansion of media choices used by consumers in making a local purchase decision [see Figure 2].

[BIA/Kelsey no longer conducts the User View survey. However, we will resume proprietary consumer research in 2013 with a new survey called the Consumer Commerce Monitor.]

Figure 2: Alignment of Media Fragmentation



(BIA/Kelsey, 2010)

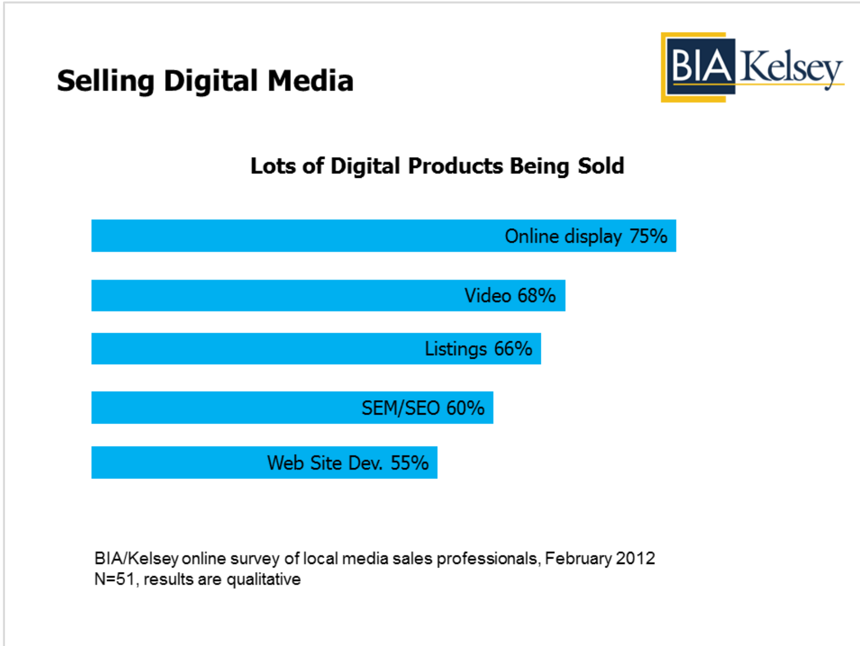
In February 2012, BIA/Kelsey worked with Hawthorne Executive Search to develop an online survey of front-line local media sales reps and managers. The survey produced some revealing insights into the day-to-day reality of local media sales reps. The purpose of the survey was to inject a dose of reality into the dialogue about sales transformation.

The survey produced 51 responses from local reps and managers invited to participate by Hawthorne Executive Search. The participants sold everything from print Yellow Pages to SEM/SEO to daily deals.

The survey reinforced some widely held assumptions about how the local media landscape is changing – and becoming more difficult. For example, Figure 3 echoes Figures 1 and 2, from the perspective of what sales reps carry in their bags, rather than what consumers use or what SMBs buy.

Another widely accepted premise is that the proliferation of media choices, particularly new digital media products, has left the head of the average SMB advertiser spinning. The sales reps participating in the BIA/Kelsey-Hawthorne online survey seem to support this notion.

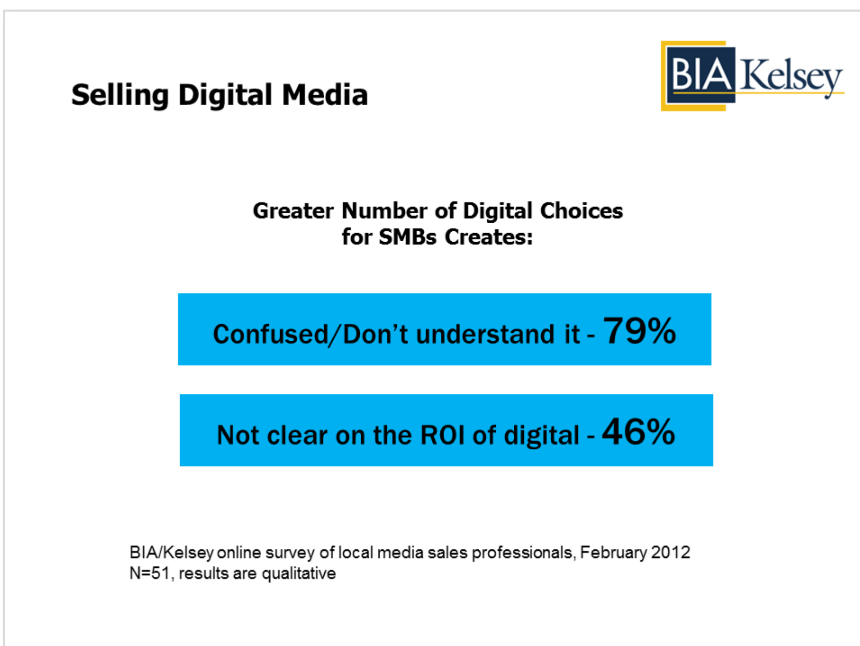
Figure 3: The Expanding Sales Bag



(BIA/Kelsey, 2012)

As Figure 4 shows, 79 percent of survey respondents agree that more media choices leave SMBs confused, while nearly half believe their SMB customers are unclear on the value of digital advertising.

Figure 4: Proliferation of Choice Breeds Confusion

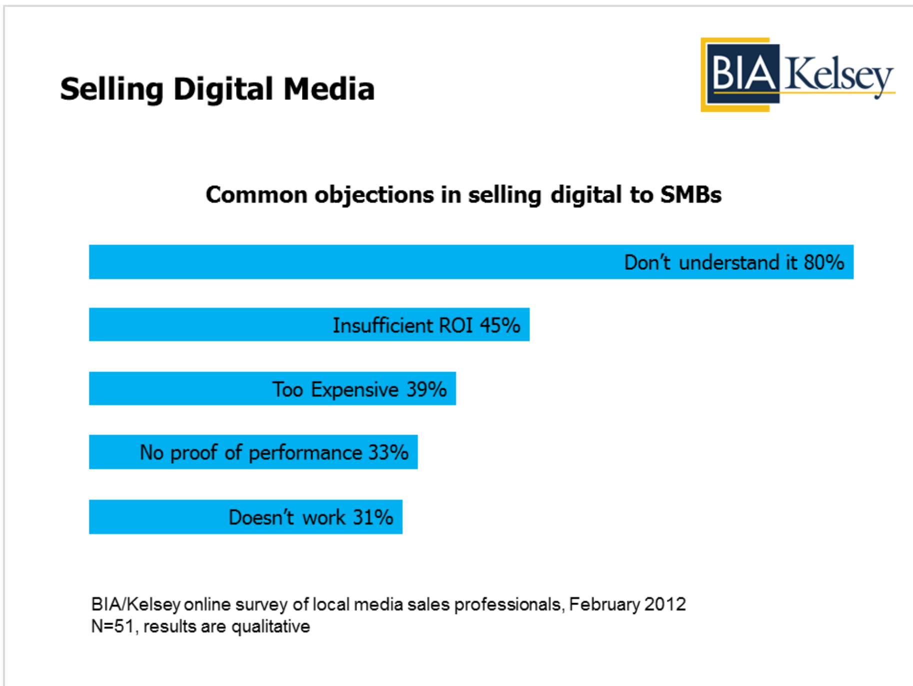


(BIA/Kelsey, 2012)

Both points speak to the amount of noise in the marketplace. These points also amplify the opportunity that exists for those who can bring clarity and simplicity to the local media marketplace.

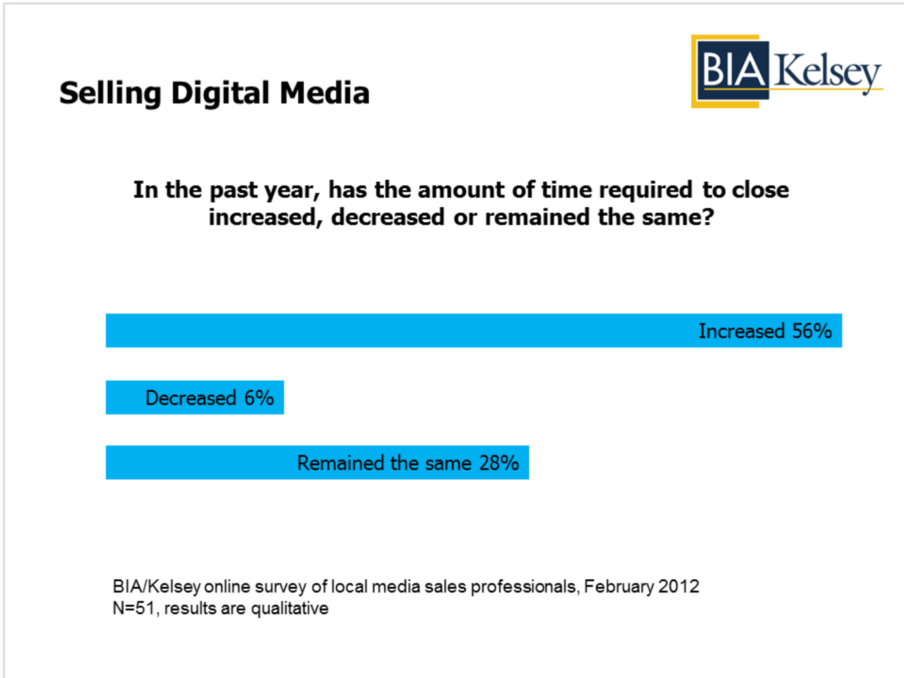
Figure 5 expands on this point by asking reps what objections they encounter when selling digital media products to SMBs. All but one of the leading objections relate to confusion over how digital media works, or how well it performs.

Figure 5: Common SMB Objections to Digital Media



(BIA/Kelsey, 2012)

Figure 6: Expansion of Time Required to Complete a Sale



(BIA/Kelsey, 2012)

The survey also examined the expanding amount of time required to close a sale, which is perhaps the most vexing issue facing local media companies. As time to close rises without a corresponding increase in average sale value, then margins are compressed. This begets pressure to reduce sales costs by moving accounts from premise to telesales to self-service, or reduce selling time with measures like bundling.

Fifty-six percent of sales reps who responded to the survey said the amount of time required to close a sales had increased in the past year. Only 6 percent said average time to close had decreased. As one rep noted in the survey, increased red tape and prep time, driven by the growing complexity of the portfolio, is a big contributor.

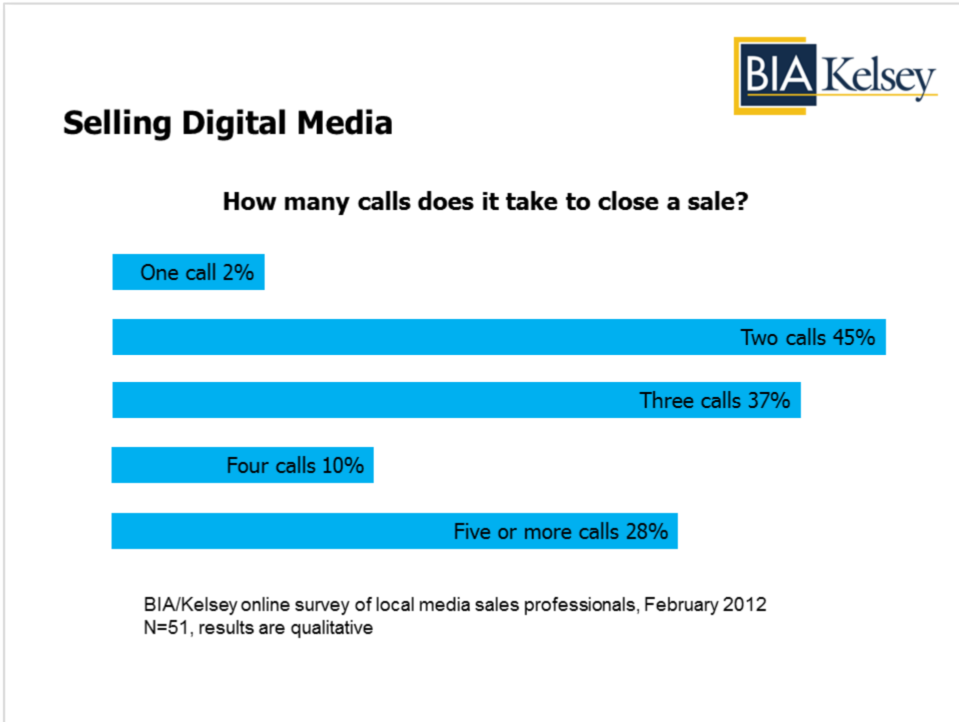
"I have found that the time needed to complete paperwork is huge. Closing takes an extra sales call. Time spent on each presentation has increased by 30 to 45 minutes per call," the rep commented.

Similarly, as shown in Figure 7 the number of calls or visits required to close has risen as well, with 98 percent indicating that sales require at least two calls to close. Twenty-eight percent said the average sale takes five or more calls to close.

As one survey respondent described it, the situation may actually be understated, since the number of calls required to close the sale doesn't take into account all the calls required to generate the initial sales prospect.

"Five calls to close a sale? It's more like 100 calls equals four appointments equals one sale."

Figure 7: Multiple Calls Required to Close



(BIA/Kelsey, 2012)

Sales Transformation Examples and Best Practices

The hard truth about organizational transformation is that it is rarely accomplished. And we cannot offer the example of one organization that stands as the example to follow in sales transformation. However, there are several organizations in both the traditional media space and among pure plays, that are doing some things right, and are seeing results. The process of transformation resembles eating at a cafeteria – you pick and choose the items you want to consume.

There is an emerging set of best practices that organizations having success tend to share. However, there is and will always remain differences of opinion regarding what works, and what doesn't. And there are some best practices that are contradictory, or redundant. However, publishers experiencing success in digital sales are following at least some of these **Four Best Practices in Sales Transformation**.

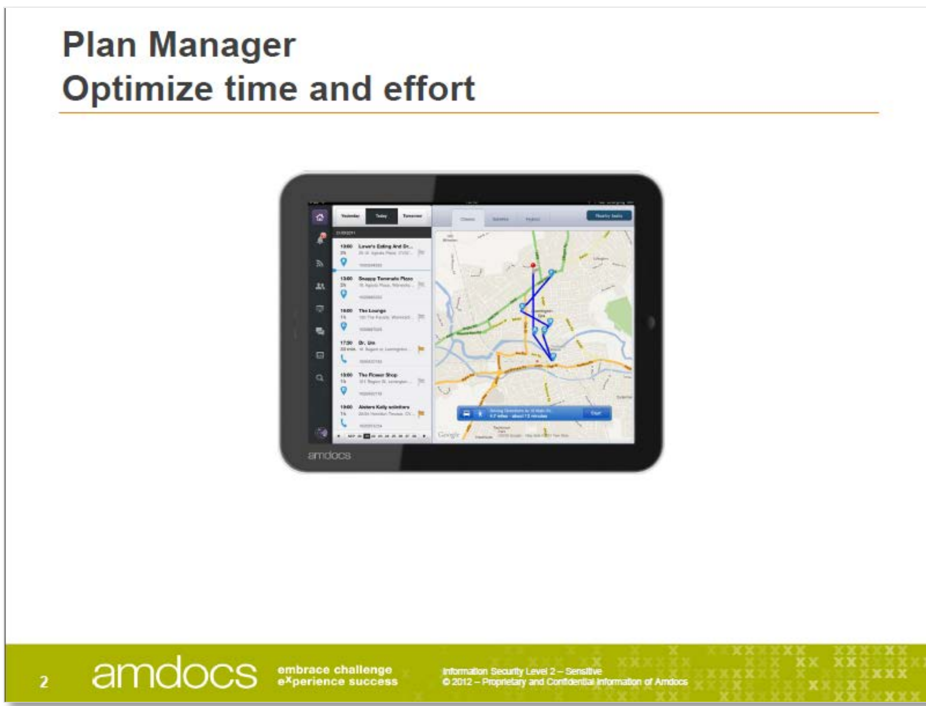
1. **Preserving margins with segmentation**
    - High touch reps for high spend advertisers
    - Resellers, self-serve for the long tail
2. **Measure customer performance indicators, not revenue**
    - Retention/churn
    - Customer acquisition and growth
    - Customer satisfaction (e.g., Customer Satisfaction Index, Net Promoter Score)
3. **Emphasis on execution**
    - One of the best ways to support sales is to give them effective products to sell and support them with on-time fulfillment.
4. **Sophisticated technology**
    - The best organizations deploy robust sales force automation technology (built internally or using an outside vendor like Amdocs), as well as a seamless business intelligence interface. They also use data more than instinct to develop insights on how best to acquire customers, and hire and train sales people.

On the last point, technology comes into play in a variety of ways. The French publisher Solocal has built its own proprietary technology that enables a seamless view of the customer, which has enabled Solocal to execute product fulfillment in ways that surpass most of its peers. When Solocal sells a Web presence product, the sale is recorded on a tablet, and a customer service rep is immediately notified to begin the content collection process. The advertiser is contacted within an hour of the completed sale.

Amdocs has built a comprehensive sales force automation platform called Amdocs Sales Companion that helps sales organizations plan sales calls more efficiently and effectively build on the fly sales proposals based on auto analysis of client performances, comparison with competitors, market trends and behavior. Sales Companion also offers digital contract signoff and payment acceptance at the point of sale by swiping a credit card. The latter feature is particularly attractive to publishers seeking to shorten the order to cash cycle, and it can also be used to clear up past due balances before renewing contracts.

The figure below shows an element of the Amdocs sales force automation (SFA) platform that helps sales reps optimize the efficiency of their travel from one call to the next.

Figure 8: Amdocs Sales Companion



(Source: Amdocs, 2012)

Yodle, the New York-based SEM/SEO sales organization, has built a proprietary SFA that serves its sales reps with sales messages customized to individual prospects based on detailed profile information.

Below we offer profiles of several companies, each of which is doing something that reflects the broader consensus of what kinds of transformation are working in the local marketplace.

Deseret Digital Media

Deseret Digital Media ("DDM") is a Utah-based digital media company. Its parent company is Deseret Media, which has traditional properties in print (Deseret News), television and radio. DDM operates associated digital properties that include DeseretNews.com and KSL.com.

Deseret successfully made the shift from a purely traditional company to one that derives a larger percentage of its total revenue from digital sources.

As noted earlier, Deseret's CEO Clark Gilbert lectured extensively about the idea of "dual transformation" both as a scholar at the Harvard Business School and as a media executive. Dual transformation involves repositioning the core business while simultaneously building a separate business within the business that will independently pursue new, disruptive revenue streams.

Gilbert emphasizes urgency. He likes to point out that ***success requires the view that the company's future rests on the success of the new, disruptive business alone***.

At BIA/Kelsey's 2012 SMB Digital Marketing conference, Todd Handy, Deseret's VP of New Media Sales, shared a set of best practices the company follows to maximize sales performance in both its new and legacy channels.

Handy distilled Deseret's approach down to three big, important ideas.

1. Digital sales require digital expertise.
2. Leverage the legacy.
3. Focus on the long tail.

Digital requires digital. "If you have a customer who is a digital buyer, you need to match that customer with a digital seller (sales rep focused exclusively on digital media)," Handy said.

Deseret backed this concept up with hard decisions about account allocation. Last year the company reassigned 250 accounts from legacy to digital sellers in order to improve their digital revenue performance. Handy called this measure "uncomfortable but necessary."

Leverage the legacy. This second point might seem to contradict the first, but it really does not. While Deseret and many other traditional media companies are moving quickly to become digitally focused, not every customer is ready to make the shift, and legacy sales channels will remain critical as long as this is true.

"Some customers are slow to adapt, while others still need the traditional product," Handy said.

Deseret developed two sales support roles aimed at propping up legacy sellers with fresh leads and subject matter expertise.

The "Account Development Manager" role is a classic lead generation job. Deseret has roughly one phone-based ADM for each account executive. This is a more junior position, but Deseret looks for prior sales experience in its ADMs.

The idea is to take prospecting off the seller's plate so they can focus on closing.

The other critical support role is the "Digital Advertising Specialist," which is a digital subject matter expert whose focus is training, post-sale support and fulfillment. The DAS will also go on "four-legged sales calls" with the legacy reps to provide support on accounts where additional expertise is required.

"If the legacy seller flails about on a sales call too much, they will not want to do it anymore," Handy explains. "You put in the DAS, they don't know legacy, they know digital. They can go on a four-legged sales call, and they will subordinate themselves to the seller so the seller looks good."

Giving the legacy channel a strong support structure pays dividends for Deseret. From 2009-2011, legacy media sales channel revenue more than doubled, while the company dependence on legacy halved during the same time period.

Focus on the long tail. Handy's final point is that the long tail is important, but difficult to manage through a core or legacy sales channel. ***To a legacy account executive, long–tail advertisers are "change in the couch cushions."***

The data from BIA/Kelsey and others, cited by Handy, make it pretty clear that long tail advertisers need help. They are inundated with calls and visits offering to sell them digital advertising that they often do not understand. While the majority have a web presence, in all likelihood that web presence often is sub-optimized (which means, according to BIA/Kelsey and vSplash data, that they use an old version of HTML, are not mobile friendly, and contact details are not prominent). Yet, long-tail advertisers see the future as well as anyone, and they are earmarking significant future ad spend to digital (about 40 percent, according to BIA/Kelsey's LCM Wave 16, which measures local SMB advertisers with an average annual spend of $3,000).

Deseret determined that the long-tail opportunity is big enough to focus on, but too difficult for the legacy to handle. So it built a separate long-tail sales channel (a combination of telesales and self-serve) that has turned "change in the couch cushions" into a seven-figure channel for DDM.

Dex One

Dex One is the third largest directory publisher in the United States, behind rival YP Holdings and soon-to-be merger partner SuperMedia. While Dex One continues to deal with some challenging revenue trends (print is declining at a 20 percent-plus clip), it has made progress in transforming the business from print to digital.

Print to digital transformation is not just about sales. The examples of Eniro and PagesJaunes (see below), among others, underscore this point. Strategy, products, partnerships and leadership all factor into a successful transformation. Sales innovation and execution are equally critical components.

Dex One cannot yet be considered fully transformed, but some of its sales best practices are notable.

The most visible component of Dex One's transformation efforts is Dex Guaranteed Actions (DGA), which is a performance bundle through which Dex One delivers a promised volume of leads (call, clicks and other) at a fixed price.

Dex One also made substantial progress in building up its base of digital revenue with non-performance bundles, which package print, digital presence, SEM/SEO and other products for small business advertisers. Currently, customer adoption of the basic bundles far exceeds DGA, but over time they are likely to even out. Both kinds of bundles drive Average Revenue Per Account (ARPA) and retention, according to Dex One leadership, but the metrics around DGA are the more compelling of the two.

Currently between 10 percent and 15 percent of customer bookings are DGA, but Dex One expects that figure to increase over time. The impact is clear. DGA customers generate increases in spend that are much higher than the overall customer base. And the program has been effective in stabilizing print revenue for those accounts.

According to Rick Hanna, Dex One's EVP of Sales and Marketing, one of the early constraints on DGA sales was the red tape involved in setting up a DGA accounts. Reps were required to initiate setting up the individual call tracking lines needed to support a DGA account. The laborious process acted as a disincentive to many sales reps. Many reps concluded it was easier to sell a standard bundle and move on. Hanna says the process has been recently improved to reduce or eliminate that objection to selling DGA.

Hanna walked us through some of the practices that have helped Dex One move the needle in a positive direction on digital sales, customer and revenue retention and other critical KPIs.

Hanna said ***one of the most important factors in changing a business and sales culture is patience***. Often change initiatives are declared failures too quickly, or past failed efforts are not revisited, even though their time may finally have arrived.

"You have to give some changes enough time to seed and grow," Hanna said. This is particularly true in a business like Yellow Pages, where an organization has to wean itself off of a profitable printed product while building a digital business.

Dex focused on changing its sales force through new product introductions, training, new personnel, new technology and a fast-paced "short burst" approach to sales incentives and motivation. It all begins with leadership committing to a change strategy and following up on that commitment down through the organization.

"In order to get reps to change their habits, you have to let them see you are making an investment in a complete product line that they can offer," Hanna said. "This gives them confidence in what they are selling."

In 2011, Dex greatly expanded its product line, adding SEO, display advertising, reputation management and other pieces to the mix. Dex also brought in fresh personnel, changing out 40 percent of its roughly 1,400-person sales force.

The next critical element, Hanna says, is investing in training and technology. All Dex reps are armed with tablets armed with a "bundle builder" app they use to build solutions for customers based on their budget and objectives (e.g., maintain share, capture share, dominate the market).

Training also has undergone considerable transformation at Dex since 2011, when the company began ramping up its digital product portfolio. Hanna says the new realities of selling make old style classroom training largely obsolete.

Dex has taken this idea to heart, breaking sales training down into smaller digestible pieces to improve retention and increase the amount of time a rep spends selling versus sitting in a classroom. This increases the volume of customer contact, which is a key objective.

"In the old days it was cassette tapes and now the iPad is the training device," Hanna said.

Dex offers e-learning modules (product training or product subset training) that reps can access via the tablet when they are not with customers. Importantly, training is broken into 15-minute segments and utilizes multiple media (audio, video, etc.).

In addition, Dex uses regular companywide communications for training and best practice sharing. For example, each week Hanna delivers a five-minute video message to the sales organization, where he'll talk about new products, or offer a special incentive.

The company also does national conference calls, which might feature a rep presenting a case study breaking down the steps of a particularly good sale.

Dex also has a "Digital Mastery Program" which is an e-learning based certification program that is mandatory for sales managers and encouraged among reps. It also acts as a recruitment tool, since Hanna estimates the training is worth up to $10,000 in tuition if a sales rep pursued the same training individually.

In Hanna's view, "The winner will be the company with the best informed sales force."

Hanna is a big believer in traditional measures like recognition and competition as motivators. He ***advocates "short burst management" as a way to keep the energy level high.***

Typically this means a 30 to 60 day burst of activity, often built around a game-ified incentive program. A recent example is a sales competition modeled on the annual March Madness college basketball tournament.

The games challenge one sales office against another to hit certain targets, and there is a new game roughly every two weeks from January through March. Winners are eligible for cash awards and other prizes. Hanna says competitions like this are usually good for 20 percent to 30 percent sales lift.

“Once you see the results you can get, you won’t to go back to what you used to do,” Hanna says.

Google recently recognized Dex’s sales transformation efforts by awarding it the “Google Premier SMB Partner Award for Largest Increase in Advertiser Base” in January 2013.

The Dex One approach is not perfect, and it may not survive the merger with SuperMedia intact.

The Dex approach pushes a lot of volume via white label products, which always carries the potential of exchanging margin for volume over the long term. However, this is a tradeoff that many other traditional media companies are making, with the assumption that eventually EBITDA dollars will grow even as EBITDA margins contract.

BIA/Kelsey estimates that globally from 2007 through 2012, Yellow Pages EBITDA margins contracted from 44 percent to 37 percent. We expect margins to compress further, to 33 percent in 2014. Dex’s adjusted EBITDA margins followed a similar pattern, contracting from more than 52 percent in 2008 to 43 percent at the end of 2012.

In 2012, Dex generated 34 percent of its bookings via digital sales (compared with 19 percent in 2011). This result was beyond the company’s initial projections. The contribution margin on digital revenue was approaching 30 percent in 2012.

Eniro AB

The Nordic search directory publisher Eniro experimented with multiple sales models over the years, going back and forth between blended sales and dedicated sales, and experimented aggressively with products, brands and pricing.

While Eniro faced its share of struggles (e.g., a declining core product, tanking share price, a revolving door in the C-suite and debt issues), the company arguably is further down the transformation path than any other global directory organization.

For the full year 2012, 77 percent of Eniro’s advertising revenue (this excludes revenue from the company’s directory assistance business) was from digital sources.

On the company's 2012 earnings call, CEO Johan Lindgren summed it up this way, "The transformation is done in the sense that we now see a stable long tail in print and voice. Print is down, but it is a profitable business. We will have print in our portfolio even for the longer term. But it is now at such a level that it can no longer jeopardize the total earnings of Eniro."

The company recently settled on a sales model for its core Swedish market that shows promising early results.

Eniro Sweden CEO Mattias Wedar offered a detailed description of the new sales approach in a presentation at the November 2012 Asian Directory Publishers Conference in Bangkok.

"We believe in focus," Weder said repeatedly during his talk. Focus means a number of things to Eniro. The company believes reps should focus on a few core products (the company does not bundle except at the key account level). And the company also emphasizes disciplined adherence to a selling process. Early indications suggest its approach is paying off.

Eniro's approach begins from a few key insights, which tie into the broader themes of sales transformation.

One key insight is that you cannot effectively sell the old with the new. The definition of what is old versus new varies by operator. At Eniro, anything orbiting around the Eniro or Gula Sidorna (Yellow Pages) brands is considered the "old," even though that business generates the majority of its revenue from digital sources (IYP, search and mobile).

Eniro believes its ability to do justice to each product in a single sales visit has diminished as the portfolio expanded. In addition to its core Yellow print, local directories, IYP and mobile products, Eniro offers a range of new digital products which include keyword search, SEO, ad networks and presence products. Eniro also believes selling newer products alongside the core compresses margins on the core business.

Eniro has divided its Swedish business into three go-to market units, with sales resources dedicated to each. The segmentation is based on brand and positioning, not a binary print-digital divide.

The first unit comprises the core Gula Sidorna business, which publishes regional Yellow Pages directories, as well as the Eniro.se search engine, gulasidorna.se IYP and the mobile Yellow Pages site. The 340 sales reps in this unit (60 percent of them are in telesales) sell the full suite of Yellow-branded products.

The second unit covers Eniro's DinDel local directories business. DinDel publishes 170 titles throughout Sweden. These are very small, hyper-local books focused on rural communities. Printed Yellow Pages in larger Swedish cities essentially collapsed, but the local print business held up comparatively well. DinDel is sold with 40 sales reps.

Eniro preserves margins on the local directories business by using analog direct mail to renew very small accounts.

The third unit is Kvasir Media, which is dedicated to selling new digital products, focusing on building and driving leads to digital presence. The Kvasir business is a Google Premier SMB Partner.

Eniro made a conscious decision not to sell AdWords via the core Yellow Pages sales force, believing it would cannibalize traditional revenue and margin. Instead, Google products are sold through the Kvasir channel, which has 80 sales reps, 25 percent of which are in telesales.

The division of labor into three groups allows each sales force to focus on a manageable product set, as well as the customer base most suited to the products and brands they are offering.

"We believe in focus, and we don't bundle," Wedar said. "The sales force needs to focus on a single brand or product."

The company allows transparent competition among its three sales organizations, where overlap occurs. It should be noted, however, that publishers including Eniro (under an earlier regime), Sensis and Truvo all tried and abandoned efforts to sell traditional and digital products in separate, competing channels. Higher cost of sales, channel conflict and reduced advertiser satisfaction were among the reasons these experiments failed.

However, as markets evolve, sometimes ideas once ahead of their time come into their own. The mix of products being sold today has such vastly different characteristics and requirements (contract terms, fulfillment, measurement, margins) that selling them all under one roof may no longer be feasible.

Beyond segmentation, the critical element of Eniro's process is a detailed, precisely measured sales approach that includes a number of key elements:

- A strict adherence to ratios of manager to sales reps. The ratio for field sales is 1:6, and for telesales it is 1:9.
- There is no mixing of tele and field sales within teams. Over time, telesales numbers will rise and field sales will diminish, with telesales take on higher spending accounts
- Customer support is actively used to sell. Wedar says the CS channel sold US$2 million last year. A small amount, but meaningful for a sales channel that isn't really a sales channel.
- Eniro is also experimenting with two-year contracts, with sales reps upselling in between renewals.

Eniro also laid down some very precise productivity metrics, with a particular focus on contacts between sellers and managers. Eniro found there is a clear correlation between the quantity and quality of interaction between reps and managers and the reps' compliance with sales goals.

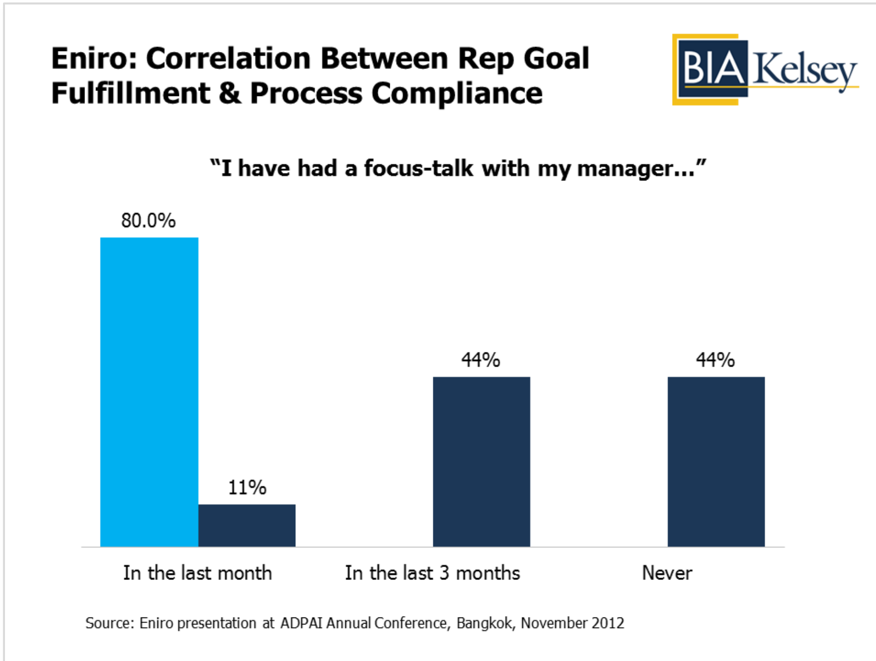
The main elements of the Eniro process are sales meetings, what the company calls "focus talks" between reps and managers, management according to KPIs and regular joint sales calls with the rep and sales manager, which Eniro calls "co-visting/co-listening."

Many of these elements are from the traditional sales playbook. Others, like the focus on a wide range of KPIs, reflect some newer thinking. What sets the Eniro process apart is its focus on compliance and measuring the correlation between compliance and sales results.

- **Meetings**. Premise teams meet at least three times per week, with the Monday meeting taking place at a fixed time across the enterprise. That meeting is devoted to training and goal setting (i.e., the key performance indicators that the reps will be judged by) for the week. Telesales teams have three fixed meetings each day.
- **Focus-talks**. These are documented face to face interactions between the sales manager and the rep. These are held at all levels of the organization. The objective is to set two to three specific goals for the next 30 days. Eniro measured a clear correlation between compliance with the focus-talks and sales performance.
- **Key Peformance Indicators**. Sales reps are managed according to a set of KPIs, most of which do not correlate directly to revenue, but emphasize customer acquisition and satisfaction. The KPIs include order intake, sales increase, customer satisfaction index, customer service tickets (complaints), and churn. Reps are coached on how to drive each of these key indicators. Customers are regularly sent questionnaires, the results of which are factored into the reps' compensation.
- **Co-visits/co-listening**. Eniro requires that first line managers spend 50 percent of their time doing "co-visiting" or "co-listening" with their reps. Eniro requires this practice at all levels (telesales, key accounts, etc.). Wedar says this forces sales managers to be on top of their reps' performance. The managers' assessments of these sales calls are documented and reviewed during the focus talks.

According to Wedar, the results are confirming the process is effective. For example, 80 percent of those who adhere to "co-listening" sales calls at least once a month with their sales manager achieved 100 percent of their sales KPIs, while among those who had one done within the past three months, the figure was just 20 percent.

Figure 9: Process Discipline Pays Off for Eniro



(Eniro, 2012)

Similarly, 100 percent of reps who had a "focused talk" with their sales manager within the past 30 days were at 100 percent of plan, compared with none of those who were below compliance.

Solocal Group (PagesJaunes)

French search and directory company Solocal Group, formerly known as Groupe PagesJaunes, is widely admired in the global directories and local media industries. Solocal outperformed most or all of its global peers on a variety of fronts, including the mix of revenue (the company now generates about 60 percent of its advertising revenue from digital), management of print declines, its skill at integrating partners and acquisitions, and its disciplined production processes.

Solocal's change efforts are more holistic than purely a sales transformation. The company is focused strongly on building strong content and media brands in order to generate traffic that can be sold to advertisers at a high margin.

While Solocal's margins eroded slightly over the past few years, they remained more stable than at most peer companies. In 2012, Solocal's gross operating margin (similar to EBITDA), was 44.2 percent, actually higher than its 2007 margin of 42.5 percent, but slightly down from its 2011 peak of 44.8 percent.

One of Solocal's current key initiatives is building out content along strategic verticals, and supporting that with a verticalized sales approach.

The key verticals Solocal focuses on include B2B, classifieds (homes, jobs and cars), hotels, restaurants, beauty and retail, and home improvement. The company either built or acquired media properties in each of these categories and focuses on building deep content in each, including listings data, websites/videos, e-services, social content, reviews and practical guides (editorial content).

Solocal also developed advertising products unique to each of these verticals, such as "adapted websites" tailored to the specific advertiser's category, which in restaurants would mean featuring menus and pricing, for example. In retail, Solocal offers store locators, and for home improvement, it has a bid request engine via its acquisition of Keltravo. For restaurants and hotels, Solocal built a reputation monitoring tool.

Beginning in 2011, Solocal initiated a verticals sales approach to capitalize on its vertical content focus.

The company currently devotes 16 percent of its sales force (premise and telephone) to specific vertical categories, covering about 21 percent of the company's advertisers. According to Solocal, this has resulted in a 9 percent revenue increase in those accounts that have received the vertical treatment. The company plans to complete the verticalization of its sales force in 2013.

Solocal has also made substantial inroads in e-selling and self-service with its Business Center, which customers use to review analytics and update content and purchase additional products and services.

Of the company's roughly 500,000 online clients, 200,000 accessed the Business Center, with an average of 50,000 customers visiting the Center each month. Solocal uses e-sales to contact smaller, digital only advertisers.

Underlying Solocal's success is an emphasis on simplicity, backed up by nearly flawless execution, supported by tightly integrated systems. One of the company's key revenue drivers is the Web Visibility Pack ("WVP"), which packages a website (optimized for desktop, tablet and mobile) with presence on Solocal's owned media (pagesjaunes.fr and its mobile site) and SEO to drive traffic and leads. SEM is available as an upsell. Solocal offers this in three pricing tiers for smaller, medium size and larger advertisers.

When a Solocal sales rep sells a WVP, the order is captured on a laptop and uploaded into the company's back office system. This action triggers an alert in the customer support group, which initiates the process of fulfilling the website portion of the WVP bundle. The company's standard is to respond within one hour with a phone call from a CSR to the advertiser to initiate the website content collection. Solocal typically delivers a completed website within one week. By comparison, anecdotally, other directory publishers offer turnaround times of upwards of 30 days in some instances. To date the company has built more than 130,000 websites.

Trader Media Group

UK-based Trader Media Group stands out for its emphasis on delivering customer value, focus on execution and investment in recruiting, training and retaining talent.

Trader began humbly enough as a weekly print classified "free sheet" and is today roughly a $500 million company with an enviable market-leading position in the automotive sector, and operating in four geographic markets.

TMG's Thames Valley Trader launched in the late 1970s offering local consumers and tradespeople the opportunity to buy, sell and exchange anything and everything, from cars to clothing.

The company soon narrowed its focus to concentrate on the automotive sector, changing its title to Auto Trader, and over a 10-year period expanding to cover the whole of the UK and Ireland, as well as parts of Italy and South Africa.

Trader was an early online innovator. In the mid-90s, Trader developed a proprietary online ecosystem that simply facilitated the buying and selling of cars and all things automotive.

Trader's print portfolio remains healthy with a weekly audience of 52,000 UK car buyers. The group's main focus continues to be the development of its digital platforms, which attract more than 9 million unique users and account for 79 percent of the company's revenues. Further, Trader has a 56 percent EBITDA margin.

How has Trader pulled this off as other traditional media publishers struggle to adapt?

One aspect that stands out is Trader's clear customer focus, which means both consumers and advertisers. TMG has stuck true to the principle that paying advertisers are heavily reliant on consumer eyeballs and usage, and as such has built strong consumer brands that continue to benefit from high profile marketing communications.

For its trade customers and auto dealerships – who comprise the bulk of TMG's revenues – Trader focuses on the delivery of targeted response and ROI.

Customer satisfaction measures permeate every aspect of the business, including the remuneration and incentive plans for all the company's employees. In fact, TMG has appointed a Customer Excellence Board whose sole priority is to ensure the company delivers on its customer promises.

Investment priorities include innovation, technology and people. Product development concentrates on keeping the company at the leading edge of the digital curve, enhancing the TMG value proposition. This has seen a strong recent focus on the use of data and analytics for the benefit of both consumers and advertisers. TMG's proprietary RAZSOR product provides auto dealers with a hosted web presence that offers reach, inventory management, lead generation and accompanying analytics.

TMG emphasizes the recruitment and retention of talented people. It boasts an above average investment per employee in learning and development programs, and all people are openly invited to contribute ideas for new product solutions and customer experience improvements.

Yodle

Yodle CEO Court Cunningham is a big believer in using data to drive the process of recruiting, training and measuring the performance of sales people. The key message from Yodle is that good data should trump any preconceived ideas about what works, or doesn't work, in selling digital media to SMBs.

New York based Yodle has roughly 350 inside sales people, offering mostly SMB advertisers a solution called Outrank that Cunningham describes as an "integrated marketing operating system."

The platform includes as "features" what other companies might sell as products – website, mobile website, the dashboard, reputation management. Yodle charges a small fee for this and drives leads via SEO at the entry level. As it demonstrates value with the entry level package, Yodle moves advertisers up to more robust lead generation.

Data is at the center of everything Yodle does, including sales.

"We used to have a bias – that inside sales had to be young, hungry, aggressive," Cunningham said. "That was code for under 35, male, former college athlete. And our sales organization pretty much looked like that."

Eventually, Yodle discovered that the standard sales candidate profile was wrong, and the make-up of the Yodle sales force has changed dramatically as a result.

Yodle records all sales calls, and uses voice recognition software to analyze patterns within the sales call. The elements Yodle evaluates include:

- Is the rep sticking to the sales script?

- Is the rep setting the right expectations with the customer (it is easy to sell by overpromising, but very difficult to renew or upsell later).
- Is the rep doing proper discovery?
- Is the rep handling objections effectively?

What Yodle discovered through this process was that the “profile was completely wrong. We found out that those guys [the young, hungry former athletes] were often our worst sales people. They had the highest churn and were setting the wrong expectations with customers.”

How did Yodle change? The once young, male-dominated sales force is now 40 percent female and 25 percent older than 40.

“When you let the data drive things, a lot of the biases go away, and you end up with better performance in the sales force,” Cunningham said.

Yodle has enhanced its database of 10 million SMB records with more than 2,000 online data sources. This profile data drives the process of selling to SMB advertisers.

“We know what websites the SMB has been to, we know how long their website has been live and how often they change the content of their site,” Cunningham said.

This kind of intelligence helps reps make warm rather than cold calls on these businesses.

Yodle has a proprietary sales force automation system that provides additional insight for sales reps. For example, the old adage that calling on a prospect three times without a sale is a waste of time. Yodle’s analysis showed that a rep can call on the same record up to seven times without degrading conversion.

Yodle reps spend their data working through a list of records stacked up in the SFA system, with each having a pitch tailored to that record based on Yodle’s analysis of that profile. The history is invisible to the rep, so they won’t be biased by the fact that the business has said no on three previous occasions, for example.

Sales scripts are not produced randomly. Yodle has a sales lab which tests and perfects sales scripts before rolling them out to the entire sales force.

Yodle reps do not have phones at their desk. All calling is done through the SFA system, a practices that gives Yodle tight control over who the reps call (only records that exist in their system).

One Yodle practice might raise eyebrows. The company imposes monetary fines on reps that fail to stick to the company’s practices, for example by overpromising results to a customer.

That money is pooled in “reverse Robin Hood” fashion and distributed to the highest performing reps.

Yodle’s practice of letting data drive decisions, and exerting tight control over its sales force through its proprietary SFA system has driven results. The company has grown to 30,000 customers since its founding in 2005, and the company has estimated annual revenues of more than $130 million. The company is currently contemplated an initial public offering.

Summary & Conclusions

The current local media sales environment bears little resemblance to what it was even a decade ago. Small business advertisers once dealt with a small handful of media sales reps, and their budget was allocated among a small number of choices – directories, newspapers, possibly TV and radio, direct mail, and little else.

This rapid change in the sales environment has strained traditional sales models, with reps struggling to acquire the product knowledge and consultative approach needed in a more complex, competitive and transparent environment. Sales transformation involves change that is more fundamental than adding new products, revamping training, changing the company name, or simply claiming to have transformed. Some of the leading thinkers about sales transformation forcefully argue that true transformation requires fundamental change throughout an organization. You can't transform sales without transforming the company.

This report offered examples of several companies that have undergone some degree of transformation. None is presented as a complete template for change, but rather as a source of ideas and insight to evaluate and perhaps apply in a transformation exercise.

There were some common, though not universal elements, among these examples. These include channel segmentation, an emphasis on customer vs. revenue metrics, training innovation and strong execution on the products being sold.

Here some takeaways from each of the profiles:

- **Deseret Digital Media**. Deseret skillfully managed to build a digital business via a dedicated sales approach while also seeing sales grow in its traditional sales channel. Using digital specialists to support traditional sellers was one key success factor.
- **Dex One**. Dex One innovated around training by breaking the old classroom training model and replacing with a model that leverages new technology and breaks training into manageable components to increase retention and increase selling time in the field.
- **Eniro**. By breaking its business into three groups, Eniro seeks to maximize the opportunity for each product category. Eniro has also demonstrated that a highly disciplined approach to a sales process produces measureable improvements in sales results.
- **Solocal (PagesJaunes)**. The French search and directory company sees uplift from a vertically oriented sales approach. It has also demonstrated the benefits of a seamless business intelligence interface, with a single view of the customer.
- **Trader Media Group**. Trader shows that its emphasis on driving the business off of customer satisfaction metrics can produce stronger sales and customer retention.

- **Yodle**. Yodle's emphasis on using data to drive decisions has led the company to break free of conventional thinking on what constitutes the ideal sales rep profile.

Appendix: The BIA/Kelsey Digital Sales Transformation Playbook

This report touches on a number of best practices for local media sales organizations. The following is intended for organizations looking to bring their sales organizations to a higher level. The best way to look at this list is as a checklist of areas to review about the existing sales organizations (e.g., culture, channels, compensation, training, etc.), with some suggested best practices to evaluate.

- **Sales Culture**
  - Management identifies and rewards desirable, high quality behaviors versus outcomes. If sellers are embracing successful behaviors, they will drive more sales. It's not about size of pipeline or number of outbound calls; it's how sellers behave, qualify and close.
  - Support both legacy and digital sellers. Legacy is higher revenue and higher margin, but slow or negative growth and relationship-based sales; digital is low revenue, high growth and technical based sales (ROI metrics).
- **Sales Force Compensation**
  - Legacy sellers receive lower base comp (e.g., 35 percent to 50 percent of total package) since sales volumes are higher.
  - Digital sellers receive higher base comp (e.g., 50 percent to 70 percent of total package) since sales volumes are lower.
  - Four-Legged selling (Digital and Legacy sellers on one call) for key accounts; select lead seller, incentivize collaboration and success.
- **Sales Transformation**
  - Dual transformation: manage the legacy business, but create a separate, disruptive digital business. Use different sales forces and management.
  - Brand legacy and digital entities differently.
- **Sales Focus**
  - Key accounts = premise reps, bundled sales; high touch; high margin
  - Smaller accounts = inside sales; single products; mid margin
  - Long tail = self-serve; single products low margin
- **Key Performance Indicators (KPIs)**
  - Customer satisfaction (e.g., Net Promoter Score)
  - Customer acquisition and growth
  - Customer retention/churn
- **Sales Cycle Management**
  - Teaming on sales by sales cycle stage: hunters, harvesters, closers.
- **Performance Selling**
  - Guaranteed results
  - Customer manages budget based on performance criteria (e.g., Cost Per Action, Cost Per Call, Real Time Bidding).
- **Customer Relationship Management System**
  - KPI dashboard
  - Provides single, integrated customer view
  - Provides single, integrated product view

- Provides single, integrated seller view
- Equip field force with tablet computers to access CRM
- **Segmentation**
  - Legacy customers
  - Digital customers
- **Product Portfolio**
  - Digital versus legacy products have different roadmaps, management.
  - Depending on account size and company, digital seller and legacy seller teams
  - Product manager roles, someone serving as that product's CEO to provide focus and direction across functions (sales, field marketing, management, product development and support).
- **Sales Force Development**
  - Digital sellers require constant training to keep up with industry and product changes
  - Use e-learning platforms and break training into smaller segments to increase retention of material
- **Seamless Sales Execution**
  - 360 degree customer view
  - Pre-sales; sales and post-sales follow-up
  - Ensure integrity of contract execution, fulfillment of terms and conditions
  - Assess customer satisfaction
- **Manager-Seller Focus Talks**
  - Sellers and managers met regularly to discuss sales goals versus achievements.
  - Identify gaps and determine changes required.

About the Author

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Charles Laughlin applies the skills he developed as a reporter and editor to the daily tasks of helping BIA/Kelsey clients understand what is happening in the world of Yellow Pages and directional media and offering insights into where the business is moving. His approach is built on doing the legwork necessary to understand what the industry's key players are doing, what they are thinking about, and how they plan to adapt to the changing nature of the directional media business.

Laughlin has expanded the scope of BIA/Kelsey's coverage of the Global Yellow Pages industry from an exclusive focus on new technologies to a broader look at how Yellow Pages companies are competing in the digital media marketplace. Laughlin earned a B.A. in English from the University of Illinois.

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