FEATURE

Go-to-market transformation

Driving growth and customer-centricity through go-to-market strategies

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Companies undergoing digital transformation face a dilemma—how quickly should they transform without jeopardizing their core business revenue? Here's a guide on how to craft go-to-market strategies targeted toward sustainable transformation.

Introduction

Over the last decade, major organizations such as Cisco[1] and Hitachi[2] shifted their core business from hardware toward software and services. Cisco is undergoing a major transformation to shift its core business model, with over 53% of its total FY21 revenue[3] coming from software and services. The transformation these organizations go through is multifold: from traditional/core hardware business to being software- and services-driven, and from onetime sales to a subscription/as-a-service model.

As organizations go through such a transformation, one of the first functions that must rapidly adapt and lead the transformation is go-to-market (GTM). Organizations must revamp their GTM strategy and capabilities and enable their GTM teams (including channel partners) to sell in the new world without jeopardizing revenue from their core business.

In this article, we will discuss an integrated approach to plan, design, and transform GTM capabilities in five key areas that can help companies stay competitive with new portfolio and business models while maintaining revenues from legacy businesses:

- GTM strategy

- Customer engagement model (CEM)

- GTM operating model

- Sales enablement

- GTM metrics

GTM strategy: Aligning with enterprise vision and strategy

When organizations are reinventing their core business, a holistic approach to transformation is critical for success. The digital industrial transformation framework,[4] introduced in previous articles in this series, lays out the transformation approach—beginning with a refresh of the enterprise strategy and vision for the new business/business model, determining where to play and how to win, helping leadership determine the capabilities required, and defining the operating model needed to execute the transformation.

As organizations revamp their GTM strategy, a critical step is to align it with the overall enterprise vision and strategy. The GTM strategy needs to align with the enterprise choices made at each step of the transformation framework. For instance, the route-to-market choices need to be aligned to the enterprise choices around where to play and how to win; the GTM capabilities and operating model need to be closely aligned with the enterprise model.

In 2017, Hitachi Vantara, then Hitachi[5] Data Systems, a market leader in data storage, transformed itself into a provider of software solutions that use data to generate customer and operational insights. Hitachi had to reimagine its hardware-oriented strategy and business model to one that focused on software and services and identify cross-organizational capabilities across product, sales, and services functions. The organization also reconfigured its product-led operating model toward a more services-led delivery model.

Pitfalls to avoid: Even well-designed transformation efforts may not drive desired outcomes if the company fails to communicate with stakeholders at every level—from the C-suite to the field sales team—and ensure they understand the transformation vision and strategy and are committed to it.

Customer engagement model: Focusing on optimal coverage

Once the GTM strategy is set, the next step is to determine a CEM that serves the new business as well as the core ones.

The purpose of a CEM is to provide the right coverage at key customer engagement points across the sales cycle. Organizations can leverage customer usage insights to tailor CEMs at different points of the customer journey to improve customer

The GTM strategy needs to align with the enterprise choices made at each step of the transformation framework.
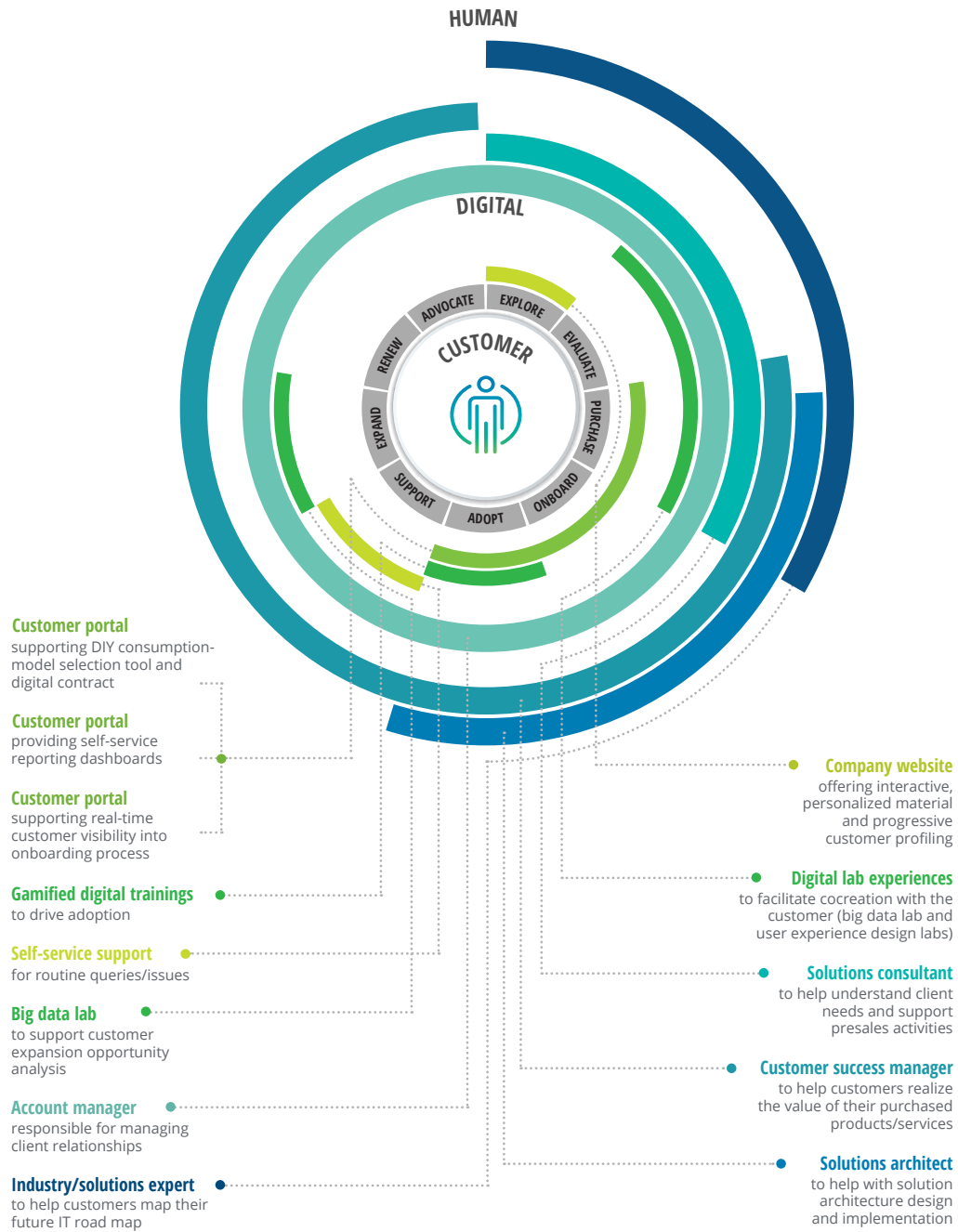
experience and outcomes. As customers become better informed, more digitally savvy, and faster at decision-making, the challenge is to ensure the CEM is in step with not only the transformation but also changes in customer behavior.

Often, organizations equate the customer engagement model with seller coverage. But an optimal blend of sellers and technology is required to enable always-on, cost-effective customer engagement; we call this CEM the customer surround model (see figure 1).

FIGURE 1

Customer surround model

HUMAN

DIGITAL

CUSTOMER

ADVOCATE
EXPLORE
RENEW
EVALUATE
EXPAND
PURCHASE
SUPPORT
ONBOARD
ADOPT

Customer portal
supporting DIY consumption-
model selection tool and
digital contract

Customer portal
providing self-service
reporting dashboards

Customer portal
supporting real-time
customer visibility into
onboarding process

Gamified digital trainings
to drive adoption

Self-service support
for routine queries/issues

Big data lab
to support customer
expansion opportunity
analysis

Account manager
responsible for managing
client relationships

Industry/solutions expert
to help customers map their
future IT road map

Company website
offering interactive,
personalized material
and progressive
customer profiling

Digital lab experiences
to facilitate cocreation with the
customer (big data lab and
user experience design labs)

Solutions consultant
to help understand client
needs and support
presales activities

Customer success manager
to help customers realize
the value of their purchased
products/services

Solutions architect
to help with solution
architecture design
and implementation

Source: Deloitte analysis.

A CEM for business model transformation must aim to redefine customer experience for each offering type (hardware, software, services, etc.). This will inform roles and sales coverage and help develop a map for employee actions that synchronize with the GTM operating model (the next key element). Four factors are key to the success of the CEM:

1. **Customer-centricity:** The organization needs to identify critical customer interaction points and enable the right customer experience using a combination of human and digital elements. The CEM design should consider both customer-centricity and product complexity.

2. **Collaboration across teams:** It is important to drive collaboration across GTM teams, including sales, marketing, customer success, support, and channel partners, with clear accountability for each customer interaction point and smooth handoffs.

3. **Digital enablement:** Digital enablement can maximize self-serve opportunities (e.g., self-service portals that allow customers to monitor usage, manage licenses, and seek support) and drive seamless customer experience to provide services at scale without exponential increase in resources needed.

4. **Measurable metrics:** Clear definition and monitoring of criteria (e.g., customer engagement levels, quality of interactions, sales conversion levels) across customer touchpoints are essential to measure success.

Pitfalls to avoid: Optimal design is necessary to avoid cost-intensive implementation (e.g., it is important to keep in mind that every human role/touchpoint defined in the model may result in additional head count). Another key aspect of the coverage model is the handoff of responsibilities across human and digital channels. Lack of clearly defined accountability and an ambiguous handoff process can result in an inconsistent customer experience.

GTM operating model: Enabling both growth and preservation

The GTM functions are usually among the first to change as companies reinvent themselves. Designing a GTM operating model that enables growth of the new business and allows for flexibility and agility to scale GTM capabilities across legacy and new businesses is critical for successful transformation.

The following set of principles are key to defining a fit-for-purpose and agile GTM operating model:

1. **Design for flexibility:** As the organization pivots toward new business, it needs to design an overlay structure that provides the flexibility to focus resources where most needed. The model should be able to scale with the growth of new offerings, enable phased changes during initial transformation, and be able to absorb new business models, customer segments, markets, and acquisitions as the transformation progresses.

2. **Redefine seller talent profiles:** The organization may need to redefine and realign seller talent profiles. For example, a company shifting from hardware to the anything-as-a-service (XaaS) business model might need customer-focused sellers with consultative selling skills. This may call for the creation of new profiles and roles that are flexible enough to adapt to the evolving business model and priorities; they should be regularly reassessed throughout the transformation.

3. **Enforce accountability:** Sales personnel should understand their roles and what is expected of them during each phase of the transition. Organizations must use appropriate metrics and changes in the sales compensation structure to track accountability. For example, a company transitioning to the XaaS model will need to define and implement XaaS sales/transformation metrics, such as the number of XaaS deals closed, to drive desired sales behavior.

4. **Align enabling functions with speed of transformation:** New offerings, metrics, and compensation structures require a change in enabling functions as well (e.g., finance, payroll, HR, IT, etc.). For example, if the new sales compensation structure is aligned to subscription selling, the finance function should have the systems and capabilities necessary to track and pay sales commissions based on the new metrics. All too often, enabling function transformation is an afterthought, which limits the organization's ability to execute on its GTM design.

Pitfalls to avoid: Organizations that rush to change the GTM organization structure without the right GTM operating model may lose out on the opportunity to build and optimize GTM capabilities. Such organizations may also face challenges in scaling, redesigning, or redeploying GTM capabilities as market conditions and the business evolve.

Sales enablement: Enabling sellers to succeed

In one of Deloitte's 2020 surveys[6] with sales and sales operations leaders across business-to-business (B2B) organizations, 60% of respondents identified "lack of timely/relevant information during key customer interactions, resulting in lost opportunities" as a critical challenge, and 52%

identified "limited insight to inform the next-best sales action with respect to an opportunity, resulting in lower deal velocity." A holistic sales enablement approach can help overcome such challenges as the sales team prepares to sell the new business.

Organizations often equate sales enablement with sales training, but it involves much more: a strategic alignment of processes, resources, and technology to equip sales teams with everything they need for their customer interactions. Sales enablement should be defined more holistically to provide consistent and scalable sales support across offerings. Figure 2 gives an overview of some of the capabilities involved in sales enablement.

Strong sales enablement is critical for both direct and indirect sales channels. For example, when Cisco[7] moved to XaaS-based IT solutions, it worked with select channel partners to help them develop capabilities to sell recurring revenue-based IT solutions—skills such as building their own intellectual property (IP) and enhancing the breadth of their customer service delivery. Sales enablement was a critical element of Cisco's overall channel transformation, which is expected to help Cisco's partners increase their earnings before interest, tax, depreciation, and amortization (EBITDA) margin by 600–800 basis points over a two-to-three-year period post transformation.

A robust sales enablement discipline can also improve seller production metrics (e.g., sales revenue, quota achievement), increase speed of adoption of new processes and policies, reduce new sellers' time to ramp up, and improve training effectiveness.

Pitfalls to avoid: Equating sales enablement with training limits the investment in this key sales-enabling function. An effective sales enablement function requires a supporting ecosystem and

FIGURE 2

Sales enablement function capabilities
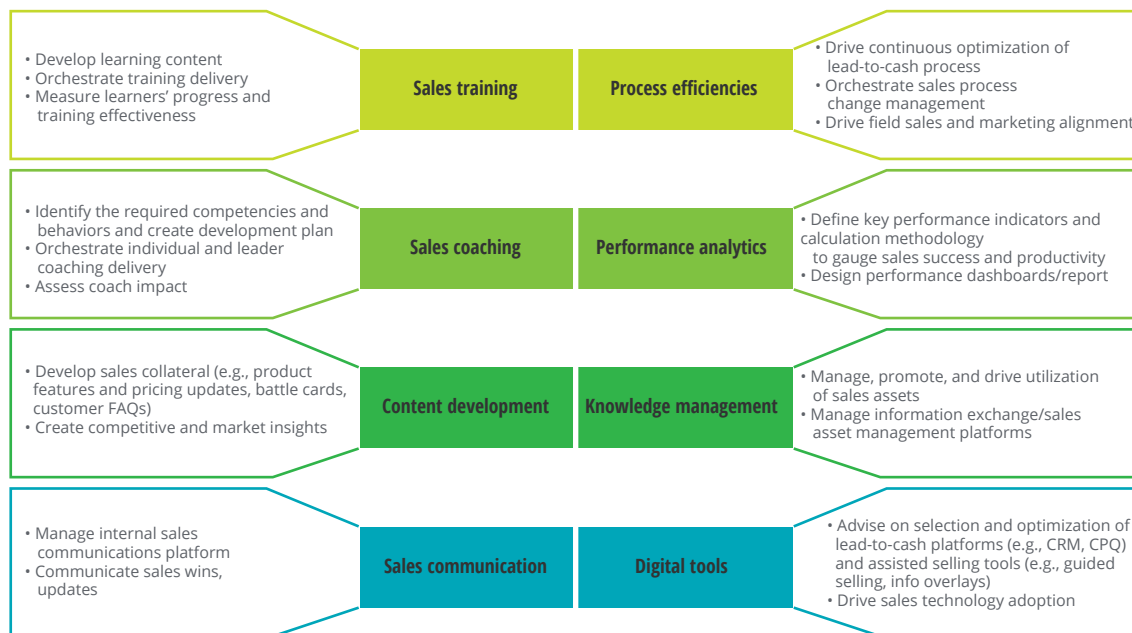
Source: Deloitte analysis.

commitment from all stakeholders to the overall strategy and vision.

GTM metrics: Measuring the progress of transformation

The final element in driving a successful transformation is defining a meaningful set of sales and GTM transformation metrics that are linked to the overall transformation goals. For example, if the organizational goal is to increase subscription revenues, sales metrics need to be tied to annual recurring revenue. A company looking to accelerate growth through cross-business unit GTM collaboration would consider cross-sell revenues a critical indicator of progress.

For example, in September 2021, Cisco[8] announced plans to introduce new financial metrics and overhaul its reporting segments to showcase the

growth of its software business. The company plans to start reporting annual recurring revenue and subscriptions as a percentage of total revenue to stress its business transformation to investors as it seeks to generate more subscription sales.

Some key questions to consider while defining new metrics include:

- Are the metrics aligned to overall enterprise and transformation strategy and vision?

- Do the metrics provide visibility into current sales performance and leading indicators to guide executive decisions?

- Do the metrics provide actionable insights into areas of opportunity/improvement (e.g., customer segment penetration, revenue growth by channel)?

FIGURE 3

Sales and GTM transformation metrics framework

■ Sales metrics   ■ Transformation metrics

	Growth engine Are we winning sustainably?	**Customer value engine** Are we driving value for our customers?	**Profit engine** Are we making money?	***New* transformation** Are we transforming?
Pipeline management Are we tracking to plan?	Forecast—best /worst cases* Forecast vs. AOP* · Bookings · Win rate Top accounts with open opportunities * Linearity · Final-stage deals* Pipeline per rep* · New logos by offering Route to plan (upsides)* · Cycle time (by stage) Rolling two-quarter forecast*			
Cross-selling/ upselling Are we going bigger, higher, and wider?	Services attach rate Cross/upsell as a percentage of total revenue	Reference selling percentage of sales Refresh rate		Buying center per opportunity
Offering success Which offerings are contributing to our success?	New vs. legacy offering revenue Revenue growth by offering			
Segment concentration Are prioritized segments contributing their fair share?	Revenue growth by customer segment	Average contract length*	Margin by segment	
Channel effectiveness How effective are our channels?	Revenue by sales channel: direct, partner, inside New customers and subscribers by channel Percentage of quota attainment Average revenue per partner			Percentage of commercial revenues through partner Revenues from preferred partners Indirect revenue per rep
Account management How effectively do we manage our existing customers?	Revenue per rep Percentage growth MRR /ARR* Conversion rate (by stage)*	Churn rate/retention rate* Net promoter score*		Compensation cost of sales as a percentage of revenue*
Region contributions How are our regions performing?	Revenue growth by geography Solution revenue growth by geography		Gross/profit margin	
People and culture Will our people be the engine that drives our success?		Training hours Rep turnover percentage (voluntary)		

Note: *Denotes a leading indicator; all other KPIs considered lagging indicators.

Source: Deloitte analysis

Figure 3 provides a sample structure that defines GTM transformation metrics, highlighting typical metrics an organization may need to track as it pivots to the new business model.

Once the metrics are defined, the organization must invest in systems and capabilities to help measure, track, and report against the metrics. A formalized governance process, including ongoing measurement, analysis, and stakeholder reporting, is critical to operationalize and drive alignment with the GTM strategy execution.

Pitfalls to avoid: If the organization does not define differentiated metrics to understand the success of GTM transformation, sellers may continue to prioritize their short-term revenue and margin achievement goals, limiting the organization's ability to pivot toward the new business.

Conclusion

As organizations seek to reinvent their core businesses because of new market disruptors, evolving customer expectations, and new business models, aligning the GTM strategy and capabilities with the broader transformation objective becomes key to achieving transformation goals.

A well-defined and orchestrated GTM transformation—enabled by a strong understanding of and commitment to the overall strategy and vision from across stakeholder levels—can help these organizations maintain the fine balance between sustaining their core business and growing new business while creating structural flexibility to adapt to evolving market and customer demands.

Endnotes

1. Zacks Equity Research, "Cisco (CSCO) expects software business to drive revenues," *Yahoo News*, September 16, 2021.

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