
Best Practices
from the Field



The CSO Challenge Series

*The Sales Effectiveness Challenge –
Are We Solving the Right Problem?*

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INTRODUCTION

The CSO Forum recently completed our annual benchmarking survey focusing on how companies are leveraging people, process and technology innovations to reinvent the way they sell to and service customers. Our latest review of these 202 Customer Relationship Management (CRM) initiatives brought the total number of projects we have surveyed over the past seven years to over 1400.

During this survey we solicited insights from the sales, marketing, support, and information technology professionals ultimately responsible for the CRM projects, to understand how they were addressing the customer relationship management challenges their companies faced. The results we compiled were enlightening – in positive and negative ways.

On the plus side, companies that successfully implemented CRM initiatives reported spectacular results. Clairol increased their revenues per sales rep by 50%. Pitney Bowes reduced their sales order processing errors by 41%. Great-West reported a new customer acquisition rate improvement of nearly 35%. Compaq's call center project yielded a 20% increase in customer satisfaction ratings. McGraw Hill's Construction Information Group reduced the time required to get a new rep up to speed by 80%. Cisco is now doing \$8 billion of their \$11 billion in annual sales via the Internet. Based on these successes, the interest and sense of urgency surrounding CRM projects is greater than ever.

But while the rush towards CRM continues to gain momentum, all that glitters is not gold. Consider the following. Of the fully implemented projects recently reviewed, only 30.7% reported achieving significant improvements. Of the remaining initiatives, 37.6% reported achieving only minor improvements in performance and 31.7% stated that there was no noticeable improvement at all. See figure 1.

Impact of CRM on Operations

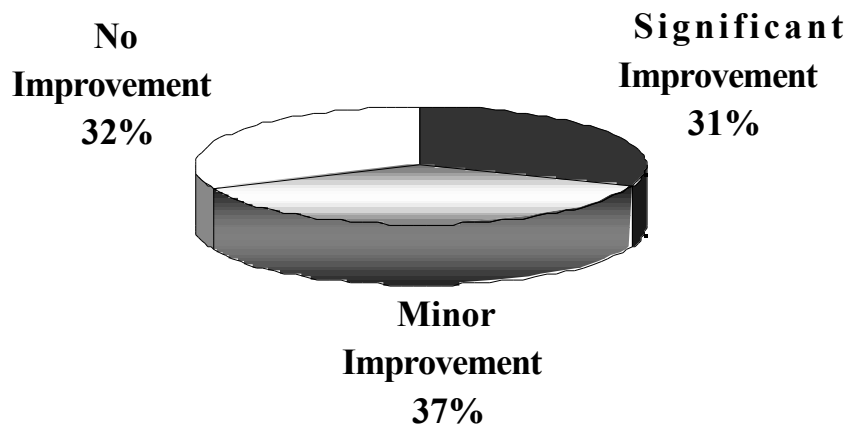


Figure 1

Granted, this is a significant improvement from the 60, 70, and 80% failure rates reported by organizations undertaking CRM initiatives a few years ago, but what accounts for this disparity in results? In reviewing the projects that achieved significant results, one of the common factors was that *these companies universally could articulate the specific problem they were attempting to solve.*

This was typically not the case with the other initiatives. In many of the projects that failed to achieve their potential, when reviewing how they approached the initiative in retrospect, the project teams reported that they put the cart before the horse. Instead of determining what their sales, marketing and support problems were and then looking for solutions, all too often these organizations jumped on the solutions bandwagon first. They selected a solution and then went in search of any problems it might solve for their company.

For example, some companies equate Customer Relationship Management Systems with Opportunity Management Systems and therefore acquire one of these systems without first understanding their business problems. An Opportunity Management System tracks all sales and support opportunities within an organization, including who is involved on customer and vendor sides and everything that has transpired. While an Opportunity Management System is a very useful system, it is not the answer to every problem. In considering the above successes, only Great-West's project was based on an Opportunity Management System. Clairol utilized an Interactive Selling System, Compaq was a broader call-center initiative, Pitney Bowes started with a configurator, Cisco was an internally developed e-commerce system, and McGraw Hill's project was primarily based on process innovations, not technology.

What are the Customer Relationship Management problems we are facing today? In order to answer this question the CSO Forum has begun a new multi-phase research effort. We elected to take each of the three components: sales, marketing, and support, in turn and attempt to delve more deeply into surfacing the specific challenges companies are dealing with, and then with the problems clearly defined, benchmark how companies are successfully dealing with these issues.

The results of this research will be presented to our clients in two series of reports. The *CSO Challenge Series* will focus on the insights we gained into the problems firms are facing in each of these three areas and the factors that are contributing to these issues. Best practices for dealing with these various challenges will then be covered in *The Sales Effectiveness Series*. Here, through insights from Chief Sales Officers (CSOs) and industry luminaries, along with case study examples, we will profile different approaches for dealing with the problems impacting our performance in the marketplace.

This Best Practices review will focus on the CRM challenge as it relates to sales. Follow-on reports will look at marketing and support. The information presented in this report is based on the insights we obtained from sales organizations. It was a cross-industry research effort, focusing primarily on manufacturing and services companies.

We hope the information contained in this report, along with the companion publication, *The Sales Effectiveness Series*, will help you more effectively chart the course for your own CRM efforts. If you have any questions on this information, or if you want to discuss how it applies to your organization, please contact Jim Dickie, Partner, CSO Forum, (303) 530-6930.

The Sales Effectiveness Challenge

As part of our state of the marketplace surveys we always ask companies to identify the key business drivers behind their CRM efforts. In our 1999 study, the need to increase sales effectiveness was again the top priority for these projects, mentioned by 62% of the firms surveyed. This answer suggests the follow-on question, “In what areas do you feel you are ineffective?”

That became the primary focus for this phase of the research, to more clearly define the specific parts of our sales operations that need to be improved. We solicited the support of 150 firms to help answer this question. From this group we were able to get complete data from 122 organizations.

The following is a summary of the sales effectiveness challenges these firms reported facing. We believe the issues that are about to be raised have broad applicability. We encourage you to use this information as the basis for a brainstorming session into identifying and prioritizing the specific problems your that sales force faces.

How Do We Spend Our Time?

The first issue we explored was where sales people spend their time. The perfect answer for many CSOs would be that our people spend a 100% of their time selling. That, however, is not the case -- as can be seen in figure 2. The firms we surveyed reported that on average their sales people spend less than half of their time selling.

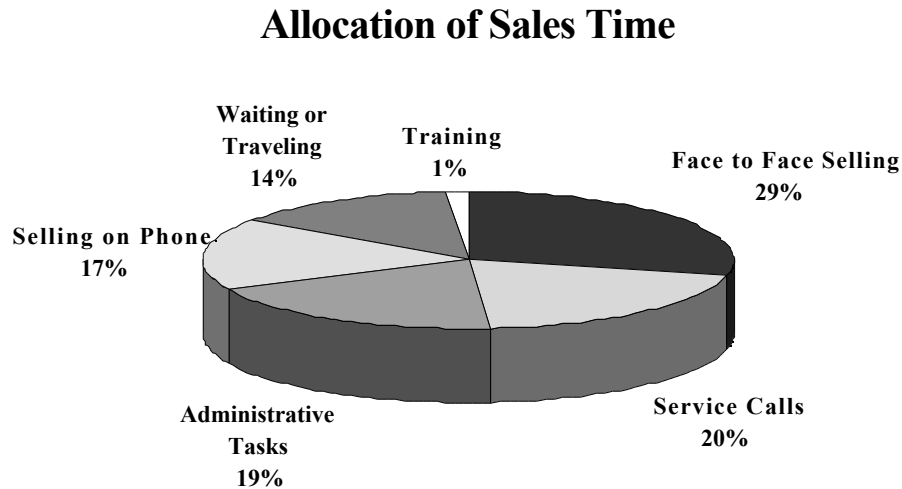


Figure 2

Further questioning on this topic surfaced three interesting trends. The first was that while many organizations tightened their belts in the mid-90's causing them to decrease their sales support staffs, the administrative requirements placed on sales did not decrease accordingly. If anything, many sales executives reported a higher reporting burden than ever before being placed on their

sales teams by other parts of the company. That responsibility is now often falling on the sales representatives themselves, keeping them from selling.

The second trend was an increase in time sales people have to invest servicing accounts. As collapsing product life cycles allow competitors to more easily achieve parity in their product offerings, sales representatives are finding that they have to turn to service as a competitive edge. This is requiring them to spend an increasing portion of their time tracking down customer questions on any number of issues. This also is reducing selling time.

Finally, a third item worth noting is that these firms reported that their sales people spent 1.3% of their time in training. Many firms stated that they would like to do more, but the cost of doing training has become cost prohibitive when you added up travel time, instructor time and time out of the field.

Sales Effectiveness Challenges

We next asked the survey participants to identify and rate the specific performance areas where they felt they were ineffective. To do this we gave them a list of 25 functions that sales organizations are typically asked to perform, and we then asked them to rate their own performance in each of these areas using the following scale 5 = World-Class, 4 = Very Good, 3 = Adequate, 2 = Poor, and 1 = Dismal. Figure 3 highlights the areas where on average the ratings were less than adequate.

Sales Effectiveness Challenges Ratings



Figure 3

Let's briefly review what each of these challenges represents.

Share Best Practices: The value of sharing of best practices -- sales strategies, qualification techniques, objection handling, presentations, letters, proposals, etc., was understood by most firms, but few reported doing this effectively and consistently. In the vast majority of the cases sharing ideas was done very informally if it was done at all, leaving a major corporate asset under-utilized.

Support Channel Partners: Many companies reported that they intended to increase their utilization of channel partners to drive business in the future, and were finding that the policies, procedures, and tools they provided their own sales representatives did not always work effectively when used by the channel. They reported the need to greatly simplify their operations if they were going to gain mind share from the channel reps to aggressively sell their products or services.

Ramp Up New Reps: As product lines are becoming broader, and individual offerings are often more complex, getting new reps up to speed quickly is becoming a greater challenge. Figure 4 outlines the time frames required to get a new sales person up to a base level of performance. It is worth noting that many firms stated that to get to full productivity often took one to two years.

Sales Rep Ramp Up Time

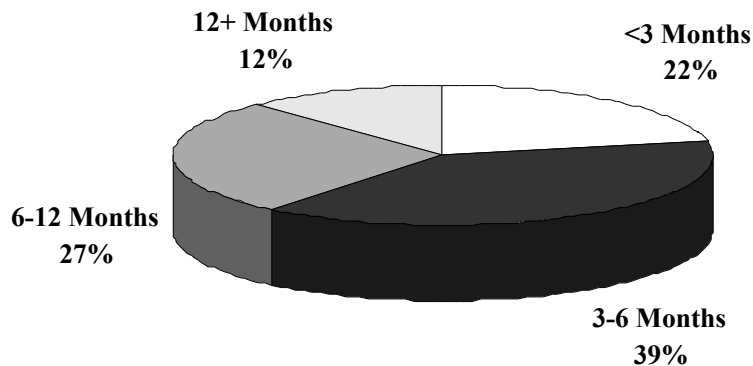


Figure 4

Generate Leads: Many sales people, to meet their revenue goals, have to generate leads on their own, independent of corporate marketing programs. Targeting potential prospects and then developing and implementing local direct marketing programs is time consuming and hard to do. Also, marketing additional offerings to existing accounts was also cited as a challenge, as easily getting information on what products or services a client already had was often difficult.

Easily Access Information: Few firms reported lack of information as an issue. The issue was getting the right information to the right person at the right time. Two sets of problems emerged here. Either the reps were being bombarded by too much information -- a never-ending flow of

new product announcements, price changes, competitive bulletins, etc. -- making it a monumental task to try to stay current. Or the information they needed to sell to and service customers existed somewhere in the company, and they had to spend a significant amount of time trying to find out who had it. In both cases the need to more effectively manage the flow of information was seen as a major requirement for improving sales effectiveness.

Communicate – Enterprise-wide: Sales representatives often need support from other functional areas such as finance, manufacturing, distribution, R&D, etc. in order to close a deal. Communicating effectively with those departments was seen as difficult today, and for many companies was becoming even more so. One of the major trends, reported by 81% of the firms surveyed, was the move towards the virtual sales force -- having reps work out of home offices, customer sites, or executive suites to be closer to the client and/or reduce costs. As the percentage of the total sales force working remotely increases, the challenge of working collaboratively can also be expected to increase.

Introduce New Products: As product life cycles collapse, the rate of new product introductions is hitting an all time high for many companies. This is placing a huge burden on sales managers and sales reps to find the time to continually get up to speed on these new offerings and take the new messages to the marketplace, while continuing to manage opportunities already in the pipeline.

Forecast Accurately: Forecasting is all too often more magic than science, and for many firms it is black magic at that. Consider the ratings the firms we surveyed reported regarding the accuracy of their forecasts as seen in figure 5. Since many companies make key business decisions based on their forecasts -- resource allocations, manufacturing schedules, raw material parts orders, etc. -- inaccuracies in forecasting is causing enterprise-wide effectiveness problems.

Forecast Accuracy Ratings

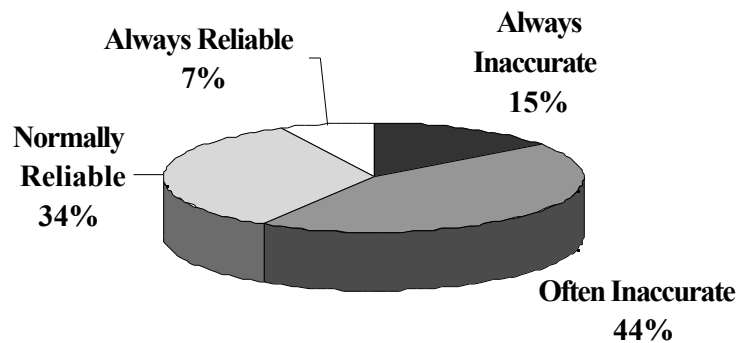


Figure 5

Qualify Prospects: Determining which product or service offering best fits the needs of a prospect, if any do at all, is becoming a serious challenge. Sales representatives are expected to

become experts on all aspects of the product line, especially since many firms are reducing their sales support staffs, and many organizations report that this is unrealistic.

Communicate – Sales Management: A second communications challenge appears to be allowing sales representatives to easily communicate all the things they are working on with management, and vice versa. One interesting trend we noted was the increase from past years in the ratio of sales reps to sales managers. The average across all companies surveyed was 9.1 reps to 1 manager, with one company on the extreme side reporting that their ratio was 24:1. These high numbers are making it harder for sales representative to get the coaching and counseling they need.

Service Accounts: The value of doing a great job servicing existing clients so you can sell them more in the future is clear to all firms. How to do it consistently is not. Many firms reported lacking the bandwidth and mechanisms to have sales representatives do the necessary account development work to build true customer loyalty.

Generate Proposals & Configure/Submit Orders: These are two inter-related problems experienced by many sales forces: the complexity of the orders themselves, and the number of sign-offs required to approve non-standards deals, are making sales representatives ineffective and inefficient at completing these two critical tasks.

What is the net impact of these effectiveness challenges? The CSOs we talked to cited four negative outcomes:

Margins are eroding as sales representatives have less time and knowledge to do a comprehensive job of consultative selling.

Sell cycles are lengthening as we introduce unnecessary delays into the sales process resulting in sales people having to spend more time tracking down others to help them complete tasks such as needs analysis, configuration, and proposal sign-off.

Competitive loss & no-decision rates are increasing due to our ineffectiveness at presenting the full value of our offerings and injecting a sense of urgency into the decision process.

Customer loyalty is declining as we fail to have the time required to build true business partnerships with our clients.

Sales Effectiveness Inhibitors

Our final series of questions revolved around asking for input on what CSOs saw as the major factors inhibiting the effectiveness of their organizations. Again, we asked the survey participants to rate a number of factors using a 1 to 5 scale, with 5 being a significant impact on effectiveness, and 1 being no impact at all. Figure 6 overviews the most commonly cited inhibitors.

Sales Effectiveness Inhibitors

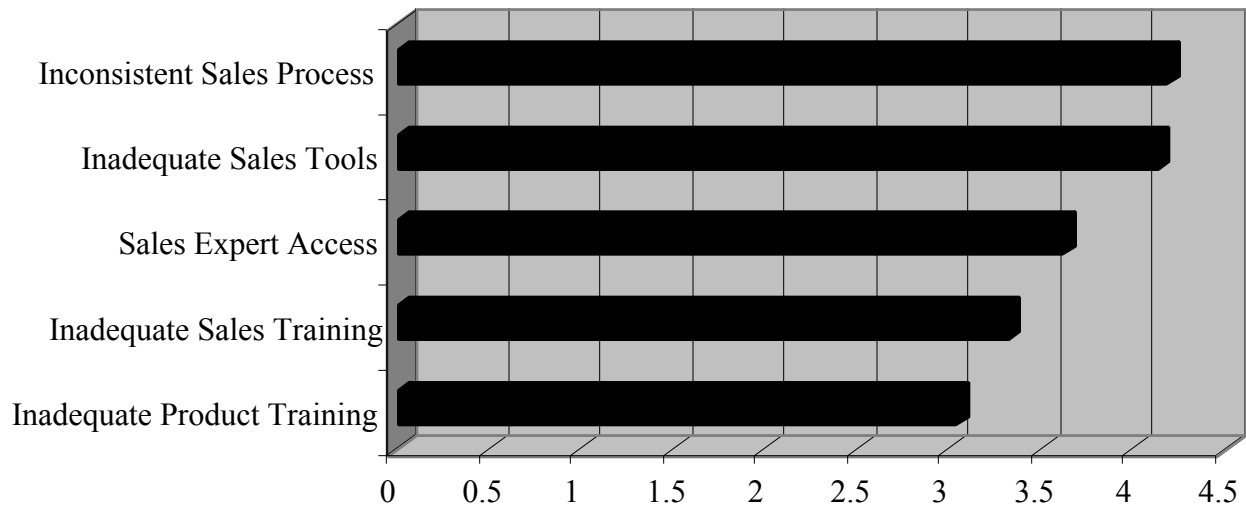


Figure 6

Inconsistent Sales Process: Either firms reported that they did not have a clearly defined process that was understood across the organization, or they had a process, but no way to see if it was being consistently implemented or not. This was a concern to many CSOs, as the margins are just not there to have each sales representative going out and doing their own thing. This problem is being further compounded by the increase rate of mergers, where multiple sales forces are being thrown together. Many sales executives stated the desire, or fundamental business need, to be able to take more control over the sales process if they were going to achieve business goals going forward.

Inadequate Sales Tools: More often than not it was not the lack of sales tools that was the problem, but rather that the sales tools they had didn't solve the problems they faced. For example, some firms reported starting their CRM automation projects by implementing an opportunity management system, only to later determine that another tool -- configurator, marketing encyclopedia, knowledge management system -- would have been more useful to their sales force.

Sales Expert Access: The complexity and breadth of product lines is making it unrealistic to expect sales people to know everything about every product. But the economics of having enough sales support experts in place to support the sales force can be cost prohibitive. A balance though needs to be reached, because without access to the product and business knowledge these experts have, win rates will continue to erode.

Inadequate Sales & Product Training: The rate of change in the marketplace is increasing the need for training on products, prospect's industries, competitors, and the like, but CSOs are having a difficult task seeing that this knowledge transfer is accomplished. While wanting to do more training, they can often not justify it against the short-term impact it many have on performance.

Summary

Clearly we are seeing the sales landscape changing dramatically and with it we are finding that the strategies and tactics that served us well in the 70's 80's and even early 90's don't always work any longer. Product complexity, customer demands, and competitive pressures are all driving the demand to reinvent the way we sell to and service customers, or else face Corporate Darwinism.

Fortunately, we are seeing new solutions enter the sales marketplace. New business paradigms, innovative processes, next generation sales tools are all proving that we can have a significant impact on increasing the effectiveness of our sales operations. Companies are dramatically improving their ability to ramp up new reps, support channel partners, communicate more effectively, eliminate order delays and errors, and more. As a result, they are finding they can more effectively use CRM innovations to improve customer loyalty and thereby increase revenues and margins.

In the companion white papers to this report, the *TheSales Effectiveness Series*, we will overview in detail how some firms are attacking and meeting these challenges. Our goal is to provide you with a detailed understanding of what is causing these challenges, provide insights into how to attack the problem, and give a detailed case study example for you to use as a template for your initiative.

Again though, before you start to seriously consider implementing any CRM solution, be it people process, or technology related, invest the time to thoroughly understand your organization's specific challenges and get a solution that fits you exactly.

First examine your corporate goals. Next determine what aspects of your sales performance need to be improved to meet those objectives. Finally, drill down and understand what is causing you to be ineffective in areas of your sales operations.

Surface your pains. Is sales turnover costing you a fortune in lost revenue because you take 6, 9, 12 months to get a new sales representative productive in the territory? Are your channel partners selling alternative products because you make it difficult for them to sell yours? Are your new product introductions achieving a fraction of their potential because the majority of the sales force is shying away from introducing them to customers due to feeling inadequately trained or supported to professionally sell them? What problem should you focus on? You will know that you clearly understand the sales effectiveness challenges you face when you can translate into hard dollars the ROI that remedying that problem will generate.

Hopefully, you can use the information contained in this report as a template for surfacing the critical issues you need to deal with before you do anything else. Once the problems are clearly understood, you will find the task of identifying and evaluating the right CRM solutions to positively impact your sales effectiveness will become much easier.

Good luck, and good selling.

For more information on solutions to “different” problems, read the following companion publications in our Best Practices From the Field – Sales Effectiveness Series:

- Training the Sales Force Without Taking them Out of the Field for Half the Year – Training Automation in action
- Taking Knowledge to the Point of Selling – Interactive Selling Systems in action
- Achieving a Repeatable Sales Process – Sales Process Mapping in action
- Distribution Consistent Knowledge Across the Sales Force – Sales Coaching Automation in action

About the CSO Forum

The CSO Forum is an advisory group specializing in coaching CSOs on the business results to be obtained by using technology to reinvent the way they sell and support customers. The CSO Forum constantly reviews sales, marketing, and service automation initiatives to learn what works and what does not. To date, the CSO Forum has interviewed the sales, marketing and services executives who were ultimately responsible for over 1400 automation initiatives. As a result, we have compiled a wealth of insights into how CSOs can optimize people, process and technology to gain a competitive advantage into the next century.

The CSO Forum acts as advisors to Chief Sales Officers before, during and after automation initiatives. The CSO Forum offers best practices reports, performs automation project assessments, and conducts workshops designed to help CSOs and their management teams define their own action plans. All members of the CSO Forum are former CSOs. For more information on these services, contact CSO Forum at (888) CSO-0090 or by e-mail at sales @csforum.com.