

Sales Process Analysis and Design

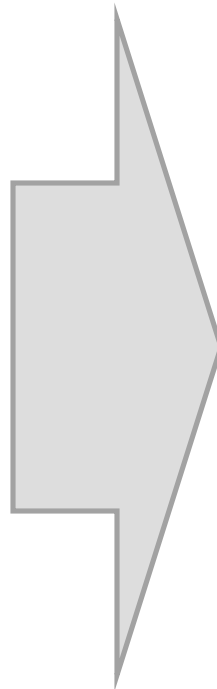
Companies re-examine the sales process for external and internal reasons

External factors

- New products
- New competitors
- New channels
- Changes in the business environment
 - Deregulation
 - New laws

Internal issues

- High cost of sales
- Low or highly variable sales productivity
- Customer retention issues
- Need to penetrate certain segments
- Administrative overload
- Channel conflict



Sales process interventions

- Re-assign or clarify sales process responsibilities
- Change mix of field and telephone coverage
- Create inside/outside teams
- Modify rules of engagement between roles and channels
- Outsource or in-source lead generation
- Improve reporting and tracking
- Rationalize sales support
- Develop segment-specific programs or roles
- Develop/pilot new roles:
 - Presales specialist overlay(s)
 - Post-sale specialist/project manager
 - Segment-specific roles
 - Administrative support
- Modify reporting structures

An analytical approach to sales process improvement can help answer the following questions

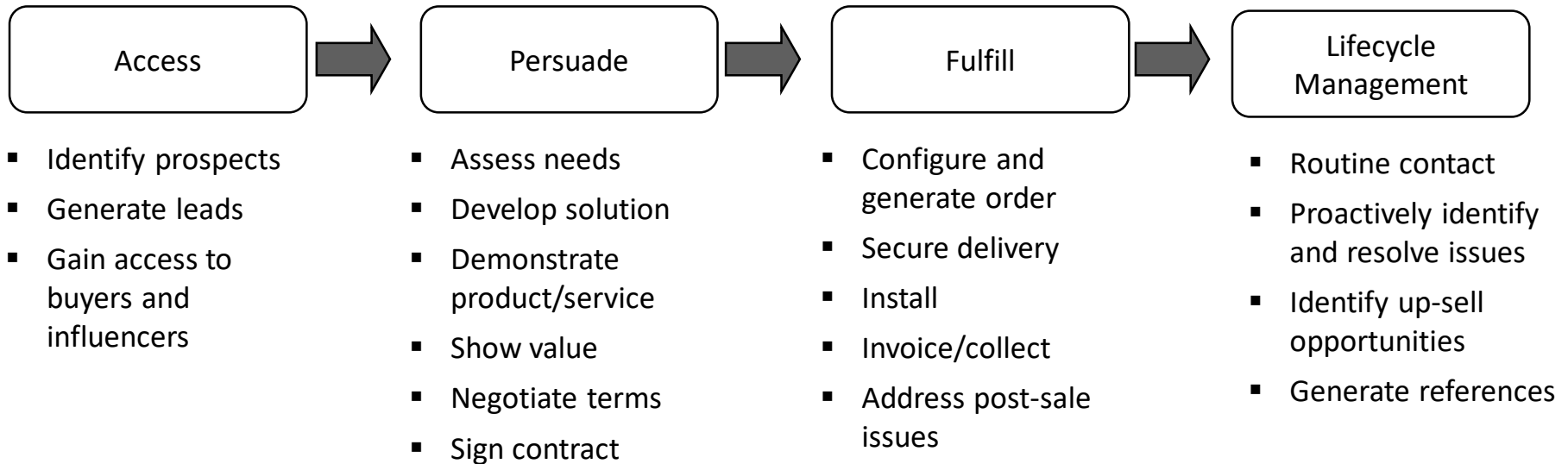
- **Where does the sales process need to be more efficient or effective?**
 - Lead generation and qualification?
 - Needs assessment, proposal generation, negotiation, and closing?
 - Implementation and account management?

- **Where do we need more or less specialization?**
 - Do we need more presales expertise?
 - Do we need to off-load part of the sales process to less costly resources?
 - Has customer coverage become too fragmented?
 - Can we better coordinate our sales efforts?

- **What will be the financial impact of changes?**
 - Where can we take cost out of the sales process?
 - Where can we improve close rates?
 - Where can we increase average sale value or contract value?
 - Are there particular types of sales where the impact will be greatest?

Sales Process Design—Organizing Concepts

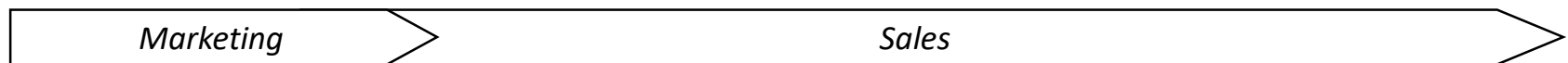
There are 4 phases to any sales process...



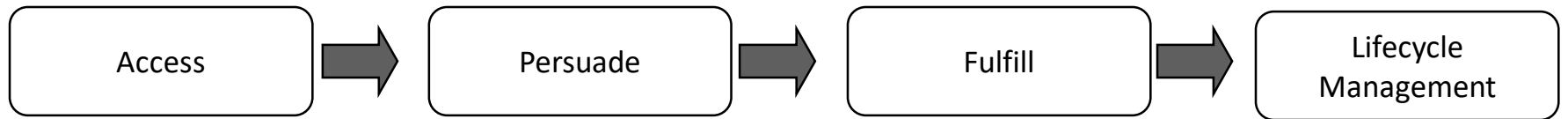
...and these phases take the customer through the following buying phases...



...with responsibility shared by marketing and sales



Typical pain points within the sales process



- Not using segment-tailored collateral
- Unable to identify / locate prospects
- Few contacts, leads, or introductions
- Cannot get past gatekeepers

- Product/service not matching customer needs
- Insufficient expertise
- Not responsive
- Lack of internal coordination
- Insufficient integration with vendors or customer processes
- Unable to prove value
- Leaving money on the table (discounting, product mix)

- Slow and inaccurate ordering
- Slow and uncoordinated installation
- Disorderly billing and collection

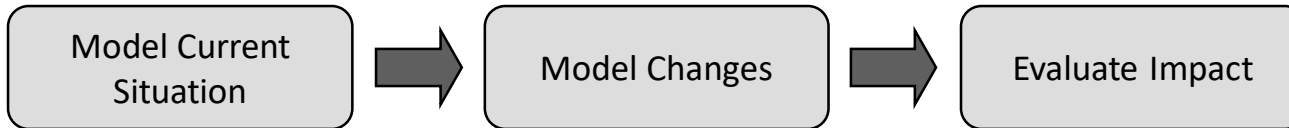
- Not following up with the right contacts in the right ways
- Missing opportunities to expand business
- Lack of referrals

...plus over-arching efficiency issues

- Administrative tasks and excessive or inefficient travel reducing sales time
- Routine tasks not being performed as cost-effectively as possible

Analytical process and tools

Analytical Process



Analytical Tools

Customer Segmentation

- Current revenue
- Growth opportunity
- Across segments, channels, products, and new vs. existing customers

Activity Profiling

- Sales time allocation across activities, customers, products, and sales process steps

Sales Process Mapping

- Ownership and participation in each sales process step

Sales Process Modeling

- Time per step
- Lead attrition at each step
- Deal sizes

Field and inside sales rep activity profiling illustration

Current State Activity Profile (Summary)

	Field	Inside
Travel	25%	0%
Email	10%	10%
Voicemail	3%	3%
Training	8%	15%
Recruiting	5%	0%
Misc. admin	12%	20%
Meetings	5%	5%
Sales time	32%	47%
<i>Total</i>	100%	100%



Sales Capacity

	Field	Inside
Weekdays/year	260	260
Vacation days	15	10
Holidays	8	8
Sick/personal days	8	8
Work hours/day	8	8
Available work hours	1832	1872
Sales time	32%	47%
Annual sales hours	586	880



Cost Per Sales-Hour

	Field	Inside
Salary	\$65,000	\$30,000
Incentives	\$55,000	\$20,000
Benefits	\$30,000	\$30,000
Car	\$10,000	\$0
Expenses	\$15,000	\$5,000
Training	\$10,000	\$10,000
Fully-loaded cost	\$185,000	\$95,000
Annual sales hours	586	880
Cost per sales hour	\$316	\$108

- Table above is a summary. Data gathering includes sub-categories for a more detailed and accurate picture
- Data can be gathered through a randomized activity survey or through interviews

- Combining the activity profile data with a calculation of the total hours available and the personnel cost for each role yields an estimate of cost per sales-hour by role

Sales process mapping illustration

	Generate Leads	Qualify Leads	Assess Needs	Develop Proposal	Negotiate and Close	Manage Fulfillment	Lifecycle Mgmt
Current State							
Field Sales							
Inside Sales							
Inside Tech							
Proposal Team							
Desired State							
Field Sales							
Inside Sales							
Inside Tech							
Proposal Team							

- Mapping sales process ownership and reveals gaps, uncertainties, and inefficiencies
- Clarifying sales process responsibilities can enhance both efficiency and effectiveness
- This is generally done for a few basic sale types (new/add-on, transactional/consultative)

	Owns
	Supports
	Uncertain

Sales process analysis illustration

Before	Sales Process Step					
	Identify Lead	Qualify Lead & Assess Needs	Develop Proposal and Follow Up	Close Sale	Fulfill / Post Sale	Totals
Time per step--Field Rep	0.20	0.50	0.50	0.75	0.25	2.20
Time per Step--Inside Rep	0.00	0.50	0.25	0.25	0.50	1.50
Close rate (% to next step)	50%	75%	50%	100%	100%	18.8%
Total leads in step per sale	5.3	2.7	2.0	1.0	1.0	
Total hours per sale--Field	1.07	1.33	1.00	0.75	0.25	4.40
Total hours per sale--Inside	0.00	1.33	0.50	0.25	0.50	2.58

After	Sales Process Step					
	Identify Lead	Qualify Lead & Assess Needs	Develop Proposal and Follow Up	Close Sale	Fulfill / Post Sale	Totals
Time per step--Field Rep	0.20	0.25	0.25	0.75	0.15	1.60
Time per Step--Inside Rep	0.00	0.75	0.50	0.25	0.60	2.10
Close rate (% to next step)	50%	75%	50%	100%	100%	18.8%
Total leads in step per sale	5.3	2.7	2.0	1.0	1.0	
Total hours per sale--Field	1.07	0.67	0.50	0.75	0.15	3.13
Total hours per sale--Inside	0.00	2.00	1.00	0.25	0.60	3.85

In the example, the role of the inside rep is expanded to do a greater proportion of:

- Lead qualification and needs assessment
- Proposal development and follow up
- Fulfillment and post sale

Financial impact

Cost per sales hour--Field	\$316
Cost per sales hour--Inside	\$108

	Before	After
Cost per sale	\$1,669	\$1,406
Average sale value	\$8,000	\$8,000
Margin %	40%	40%
Margin \$ minus sales cost	\$1,531	\$1,794

- Assumptions regarding time per step and lead attrition are usually gathered by interviewing a sample of sales people and managers, though CRM data may be used as well
- Average sale value can generally be externally verified

Illustration of estimated impact of sales process improvements

New Customers

	Accessible Prospects	Close Rate	Avg. Sale Value	COGS%	Sales Cost per Sale	Total Sales Cost	\$ minus COGS	Contribution
Before	1,000	18.80%	\$8,000	40%	\$1,669	\$313,772	\$601,600	\$287,828
After	1,500	18.80%	\$8,000	40%	\$1,406	\$396,492	\$902,400	\$505,908

Existing Customers

	Customers	Close Rate	Avg. Sale Value	COGS%	Sales Cost per Sale	Total Sales Cost	\$ minus COGS	Contribution
Before	1,000	25%	\$3,000	40%	\$500	\$125,000	\$300,000	\$175,000
After	1,000	15%	\$3,000	40%	\$250	\$37,500	\$180,000	\$142,500

	Before		
	New Customers	Existing Customers	Total
Revenue	\$1,504,000	\$750,000	\$2,254,000
\$ minus COGS	\$601,600.00	\$300,000	\$901,600
Sales Cost	\$313,772.00	\$125,000	\$438,772
Contribution	\$287,828	\$175,000	\$462,828

	After			
	New Customers	Existing Customers	Total	Difference
	\$2,256,000	\$450,000	\$2,706,000	20%
	\$902,400	\$180,000	\$1,082,400	20%
	\$396,492.00	\$37,500	\$433,992	-1%
	\$505,908	\$142,500	\$648,408	40%

- In the example above, contribution increases by:
- Lowering the cost per sale to new customers through greater use of inside sales, per the example on the previous page
- Lowering the sales investment in existing customers
 - Close rate estimated to drop from 25% to 15%, with cost per sale reduction from \$500 to \$250
- Increasing the sales investment in reaching new customers by an equivalent amount
 - Reaching 1,500 prospects instead of 1,000