

Proactive Sales Intelligence:

The New Requirement for Getting Into the Game

Jim Dickie
Partner, CSO Insights
Boulder, Colorado

Barry Trailer
Partner CSO Insights
Corte Madera, California

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EXECUTIVE SUMMARY

A key objective for any Chief Sales Officer (CSO) is to optimize the allocation of limited resources. As our 2007 Sales Process Optimization report showed, there are many things for CSOs to consider when looking at what “could” be done to improve the performance of their sales teams—generate more leads, hire more salespeople, redesign the channel strategy, modify compensation plans, increase investments in training or customer relationship management (CRM) tools, etc.

But since CSOs operate within a world of finite budget and resources, the challenge becomes that of looking at how their teams are performing and then determining what “should” be done, based on a clear understanding of the ROI any given investment will ultimately produce.

In the following white paper, we will explore an area that our research shows holds real promise for optimizing the performance of almost any sales force—providing salespeople with “proactive” access to Sales Intelligence. By “proactive” we mean that information is “pushed” to salespeople at the beginning of an opportunity, versus requiring them to go find it, and then it is continually updated throughout the sell cycle as changes occur that could impact their ability to win deals.

As you will see in this analysis, most companies have been focusing on providing sales teams access to “*Sales Data*”: the who, what, and sometimes the when of selling (data about who the CXO for a given company is, what their address, phone number, email is, and perhaps when we have talked to them before, what they have bought before, and so on).

“*Sales Intelligence*” adds to the above and provides sales teams with proactive access to the “why and how” of selling (why prospects need your product or service, why your offering is a better alternative than that of the competition, how clients can justify the investment and how they will ultimately be successful meeting their corporate goals using your product or service, etc.).

Our review of the 2007 Sales Performance Optimization survey results reveals that moving beyond Sales Data, to proactively generated, next-generation Sales Intelligence, increases the ability for salespeople to effectively compete in their marketplace as they are able to:

- **Get Into the Game More Often:** Sales reps can identify potential opportunities earlier in customer’s buying process, and then arm themselves with the knowledge and insights to convince prospects that their product or service needs to be included on the short-list of vendors to consider.
- **Get Out of Losing Games Earlier:** Equally as important as recognizing solid opportunities is the ability for reps to leverage Sales Intelligence to spot potentially poor matches as early in the sell cycle as possible so they don’t invest precious personal and company resources chasing business that will likely not close.
- **Win the Game More Often:** More times at bat is one thing, more home runs is another. Proactively providing sales reps with ongoing access to Sales Intelligence throughout the sell cycle clearly improves their “win rates”.

Questions or comments regarding the findings presented in this white paper should be directed to Jim Dickie, (303) 530-6930, jim.dickie@csoinsights.com or Barry Trailer, (415) 924-3500, barry.trailer@csoinsights.com.

INTRODUCTION

In our 2007 Sales Performance Optimization report we highlighted the fact that the percentage of salespeople achieving or exceeding quota dropped during the past year to 57%, down from more than 59% in 2006. As in the past, when this key performance metric start to erode, we get a number of inquires from research clients to ask “Why?”

What is it about selling today that is more difficult, and more importantly, what can be done to more effectively leverage people, process, technology, or knowledge to address those challenges?

Of the more than 100 metrics we track in our annual sales performance study, an area that has been of keen interest the past few years has been the change in sales rep conversion rates during the sell cycle. Here we focus on what percentage of leads progress to an initial customer conversation; what percentage of those conversations progress to a presentation; what percentage of those presentations progress to a proposal; and so on, all the way to tracking what percentage of forecasted deals ultimately close.

While we have seen fluctuations in success rates from year to year in each of the major aspects of the sell cycle, one specific area—converting initial conversations into the opportunity to give a presentation—is causing increasing concern. Specifically, there is alarming erosion in sales rep effectiveness in this facet of selling. Consider the following comparison in Figure 1 of conversion rate effectiveness in this area over the past three years.

Percentage of Initial Conversations Progressing to a Presentation

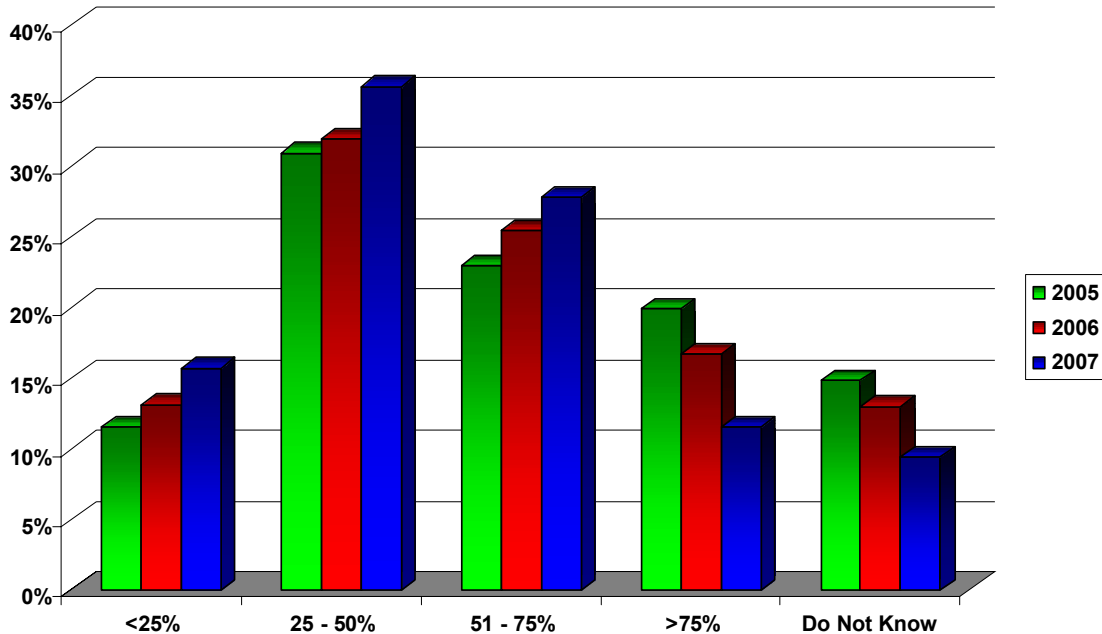


Figure 1

Proactive Sales Intelligence: The New Requirement for Getting Into the Game

In 2005, 42.4% of the firms surveyed reported a conversion rate of initial conversations (via phone for telesales or a face-to-face meeting for direct sales) progressing further in the sell cycle to a presentation of half the time or less (11.5% reporting <25%, 30.9% reporting 25 – 50%). In the most recent study, we now find that 51.3% of sales organizations are experiencing a conversion rate of 50% or less (15.7% reporting <25%, 35.3% reporting 25 – 50%). This represents an increase of 21% in the number of firms performing on the lower end of the effectiveness spectrum in this key aspect of selling.

This trend may appear to be in conflict with other recent reports we've published showing increased marketing investments in demand-generation programs; these programs *have* resulted in an increase in the number of leads being generated for sales reps in many companies.

It appears better lead generation is improving the success rates of sales reps "getting in the door": converting a lead to a first discussion. However, the chart above shows that having gotten in the door, sales reps are having a harder time "getting into the game": convincing a prospect to seriously consider them as they start to evaluate alternative sources for a product or service.

CHALLENGE: GETTING INTO THE GAME

A major shift in the world of selling, which we continue to explore, is the change in buying behavior. As Thomas Stewart noted in his editorial in the Jul./Aug. 2006 issue of *Harvard Business Review*, "Customers' buying processes have evolved in our world of ubiquitous, instant, global communications, but companies' selling processes have for the most part remained the same."

We have heard similar comments from CSOs across multiple industries about how the Internet is changing the buying process. Prospects and customers today access a wealth of product information via vendor web sites, blogs, wikis, etc. Able to educate themselves, when prospects do meet with a salesperson, they are frequently already up to speed at least on the basics (if not the details) of what a rep is selling.

This trend of buy cycles starting before sell cycles is creating a challenge for product-centric salespeople. With prospects already informed about the product, if sales reps are unable to demonstrate a value-add (beyond product knowledge) during that initial meeting, the prospects will likely shun further meetings. As a result, we are seeing a decline in the number of customers electing to pursue more conversations with salespeople. In many industries it appears that this situation is leading to an increase in reverse auctions—where the prospect thinks they know what they want and requests pricing from multiple vendors with the intent of giving the business to the lowest bidder.

CSOs we have interviewed understand that this trend needs to be reversed; their question is "How?" In analyzing the data from our 13th annual sales performance study, we've looked for differences in the way companies are supporting their sales teams; differences that improve sales' ability to motivate prospects to move further along in the buy/sell cycle. This means going past interest generated during the initial conversation, to action, as demonstrated by the prospect agreeing to move further down the evaluation path and to allow the rep to present.

THE GETTING-IN-THE-GAME ADVANTAGE

One area that shows significant promise for supporting this improvement in sales effectiveness is Sales Intelligence (SI): "proactively" providing knowledge and insights beyond product-focused discussions to focus instead on problems/solutions. We segmented the responses of the 1,400+ sales organizations that took part in our most recent sales performance study based on how

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effectively they provided their sales teams with Sales Intelligence: details about prospect companies that went beyond product or service offerings.

Figure 2 shows a comparison of the first conversation to presentation conversion rates of >50% for three types of sales organizations: 1) those that do extremely well at providing easy access to Sales Intelligence for their salespeople; 2) those that provide limited access to SI; and 3) those firms that make such access difficult or impossible for their sales teams.

**Comparison of Organizations Reporting
Discussion to Presentation Conversion Rates >50%**

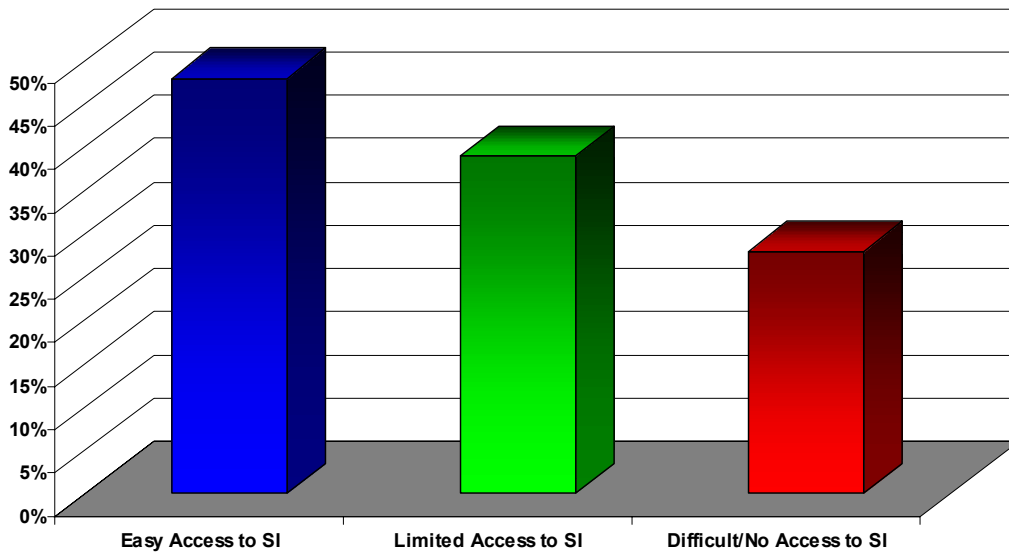


Figure 2

The above chart obviously indicates that all companies are not performing equally. Over 48% of those companies that make Sales Intelligence easily accessible are able to move prospects further down the buying path at least half the time, compared to only 28% of sales organizations with difficult or no access to this type of knowledge.

And the sales effectiveness differences do not stop there. According to the table in Figure 3, firms that excel at Sales Intelligence not only get into the game more often than their less-effective counterparts, they also *win* the game more often—as illustrated by their significantly higher win rates.

	Win Rates of Forecast Deals
Easy Access to SI	55.1%
Limited Access to SI	49.2%
Difficult/No Access to SI	47.1%

Figure 3

Going from a 47.1% win rate of forecast deals to 55.1% can have a huge impact on revenues. For the sake of discussion, let's consider the performance of a mythical sales rep who has a \$2M

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annual quota, selling deals that average \$100K each. To close 20 forecast deals, a rep with a 47% win rate needs to have 43 deals in his or her pipeline. If the win rate on those pipeline deals could be increased to 55%, that rep would close at least 23 of those 43 opportunities. Multiplying those 3 extra deals by \$100K each, the rep's revenue would increase by \$300K, seen here in Figure 4—an improvement any CSO would crave.

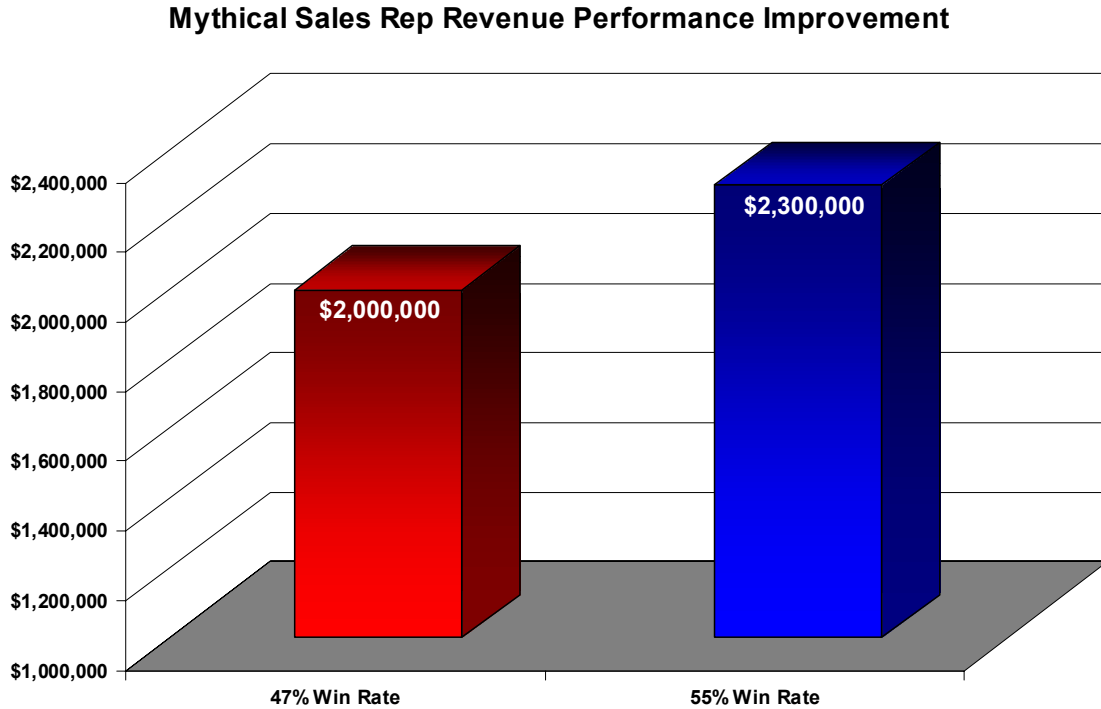


Figure 4

INSIGHTS NEEDED TO GET INTO THE GAME

So the benefit is clear, but what does optimal Sales Intelligence access look like? First, let's differentiate between Sales Data and Sales Intelligence. "*Sales Data*" is the information we see in most CRM systems: contact name, title, address, phone, email, etc. It also may include information about what products have been purchased, service calls that have been logged, open opportunities being pursued, etc. Sales Data covers the basics of what we know about customers and maybe prospects; it is normally historical in nature (and, based on the results of our Target Marketing Priorities Analysis, it is often out of date or inaccurate). And to get access to it, the sales rep must search for it.

"*Sales Intelligence*" goes beyond data, giving reps access to insights into the prospect's marketplace, their firm, their competitors, even about the prospects themselves. In our benchmarking of world-class SI projects, we find that they involve a "proactive" access feature, where information is "pushed" to reps, versus waiting for them to make the effort to find it.

Why is Sales Intelligence needed over and above Sales Data? Remember: prospects are looking for insights and knowledge from salespeople above and beyond the product features and benefits, which they have already learned. So what do they expect reps to know? Consider the following ten questions prospects are expecting salespeople to be able to answer today if they are going let you into the game.

- **Do You Know Me?** My name and title aren't enough. Are you aware of how long I have been with the company? Have I been around a while? If I'm new to the company, where did I come from? Do you know about my role in the organization, what my goals and objectives are, how I am evaluated and measured, what parts of the organization I manage directly, etc.? Do you know the specific projects I am working on, and what the requirements are for me to meet my objectives? If so, why would I need your product or service to be successful? If you want me to champion your cause, you have to know me well enough that you can show me why doing so is good for both my organization, as well as me personally.
- **Do We Have a Past?** Do you know about any previous dealings I have had with your company? Have I met with your firm before, attended a seminar, seen a demo, maybe even purchased from you already? Do I have a favorable opinion of your firm and your offerings, or are there some fences you need to mend before you ask me to look at something new? Without this knowledge, reps can miss a chance to leverage a positive—or they could get blindsided by a negative.
- **Do You Know My Internal Ecosystem?** In the 1990's, the concept of the "economic decision maker" was pounded into sales reps. The goal was to find that one person who could ultimately "make the decision." If you expect to find that one person in our company, you may be sorely disappointed; more often than not, I have to build consensus within my own company to get approval to move ahead with a project. So do you know how I relate to other functional areas in my company: IT, F&A, Sales, Marketing, Manufacturing, etc.? And can you help me build a case that all stakeholders will support?
- **Do You Know My Company?** Realize that what I want to do ultimately has to be aligned with, and supportive of, what our company needs to do. Are you briefed on what our purpose is as a company; our corporate goals, objectives, and key business strategies? Have we had recent management or labor changes? How are we performing; what do recent earnings announcement show? Has there been recent funding/financing/bankruptcy news about our company? Have we made any regulatory or legal announcements recently? Have we engaged in any recent M&As? Do you clearly understand what we do, and can you articulate the types of challenges we may be encountering that keep all of us awake at night? And more importantly, can you relate what you sell directly to what we need to accomplish?
- **Do You Know My Marketplace?** The world I live in changes constantly. Do you know what is happening in the external ecosystem I am a part of? Do you know who my customers are and how their world is changing? Have we recently announced any big new customer wins or losses? Do you know who my partners are? Have we recently announced any key new partnerships? When the economy shifts, is that a good thing or a bad thing for me? Could pending governmental regulations help or hurt my business? Is my marketplace poised for growth, stagnation, or decline? If you first take my marketplace into account, and then start prescribing solutions for me, you will find me much more interested in what you have to say.
- **Do You Know My Competitors?** I am not the only one who wants to meet the needs of my marketplace. Every day, our company has to demonstrate that we are a better choice than all the rest of the options our customers have. Do you know who my competitors are? Do you know where we fit into the existing competitive landscape: are we the leader, just another player, or are we in the position of having to play catch-up to survive? And whatever position we occupy, how can you help me create differentiation?

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- **Do You Have Any Special Value-Add?** I know you have a product or service you think we need, but what else can you bring to the table? Are there additional assets you can bring to bear to solve my problems: intellectual property, relationships we could leverage with other customers or suppliers, internal business processes or knowledge we could benefit from? Your desire to share all the appropriate resources your company can provide will go a long way toward convincing me that you really want to partner with us.
- **Do You Know Why You Are the Best Choice?** You too live in a competitive world, and if I champion you as the preferred solution, I will be asked to defend my choice. How do I do that? Can you educate me on how you are truly different from the other players in your solution space so I can support my recommendation to work with you? Your ability to, in the words of Jerry Maguire, “Help me, help you!” gets me invested in ensuring we can implement your solution to address my company’s needs.
- **Do You Know How I Can Justify the Purchase?** Realize as we reach the end of the evaluation, things can be delayed—or fall apart altogether. After all the work we have done assessing my needs, crafting a solution, developing an action plan, agreeing on price, aligning resources, I still must build a strong business case to demonstrate a clear ROI. Do you know what that ROI is? When I go to do battle with the CFO—otherwise known as the Vice President of “NO”—how do I convince him or her that this is a good investment for the company? Especially since that person’s desk will be covered with other requests to spend money from all the other departments in the company I’m competing against to get approval.
- **Do You Know What is Changing as We Work Together?** Finally, what you know about all of the above when we first meet may be right on the mark, but will you be able to keep up with the pace of change? My world changes daily. Inside the company we change directions, players, priorities, etc. Outside the company, our marketplace shifts, our competitive landscape changes, the number of alternatives for us to consider fluctuates, etc. Are you up to speed with this change? Can you identify it and quickly determine how it impacts how we work together? If you are as up to date as I am on my world—or better yet, ahead of me—I will see you as a competent peer.

STATING THE OBVIOUS

Test your reaction to the above. For those who have been in sales for any period of time, in retrospect doesn’t the need for salespeople to be able to answer these ten questions seem self-evident? Clearly, doing so provides one of two key insights for salespeople. The answers will either provide a logical method for tying a prospect’s need directly to the vendor’s solution, which increase the odds of winning the deal. Or, equally important, getting the answers may also make it clear to the rep that the odds of winning are low—no real need, no real fit, no solid ROI, etc., so that they can avoid wasting time with prospects who really have no intention or no ability to buy.

So the benefits are clear, but what is shocking is how few companies truly help their salespeople prepare with this type/level of inquiry. We may want them to do it. We may even demand they do it. But precious few of us give salespeople access to the Sales Intelligence to actually *do it*.

Consider the following: When we asked companies if they had programs in place to facilitate easy access to details on executives within their sale territories, insights into those companies and the marketplace their prospects are a part of, and details on the competitors their reps sold against, only 9.7% of firms surveyed said “yes.” The other 90.3% of executives surveyed said accessing Sales Intelligence of this type required some hunting, a lot of hunting, or was not available at all. See Figure 5.

Proactive Sales Intelligence Access Comparison

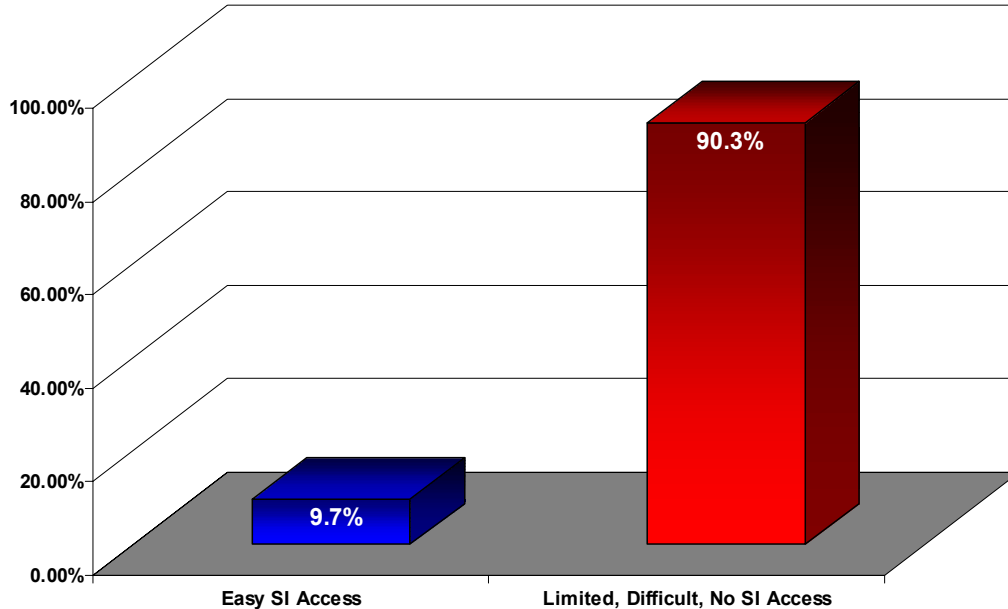


Figure 5

Because comprehensive, “proactive” access to Sales Intelligence is the exception rather than the norm, the current situation is that 10% of firms are creating a competitive advantage for their sales teams. This advantage will be sustainable as long as the others in their marketplace lag behind in dealing with this issue.

But these figures should be just the opposite. It’s possible to solve the challenge of Sales Intelligence access. Based on advances in data mining, web crawling, and trigger-based selling technologies, sales effectiveness software firms are making such applications available today. These solutions not only automate the collection of this intelligence from internal and external data sources, but push it out into the hands (and minds) of the salespeople who need it.

CONCLUSION

As you think about the above information, consider the following two issues. One, your best reps clearly know they need to be able to answer the questions presented above. They will start doing this by personally investing time to surf the Internet: visiting web sites of prospects, competitors, journals or magazines covering the marketplace, relevant blogs and wikis, etc. They will also drill into internal data systems to see what else they can uncover. They will persevere; that is what ultimately makes them your top performers. But is this what you hired them to do—become data miners? Or would you rather leverage tools that do the analysis for your sales reps, and let them spend more time leveraging that intelligence while they are selling?

Two, money. Implementing a commercial Sales Intelligence support system requires funding. Where do these dollars come from? To answer that question, take another look at Figure 4. If you are in the company of the majority of firms providing their salespeople with limited, difficult, or no access to Sales Intelligence, then consider the real cost of “doing nothing.” Your inability to deal with this issue is already costing you deals today. If you weigh these costs against the project costs for solving this challenge, you will quickly find that the lost opportunity cost from your

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current low win rates is often at least an order of magnitude greater than the cost of solving the problem.

This situation is not going to “go away”; Sales Intelligence is an issue that all companies will ultimately have to address. To us, the choice is clear: deal with this sooner—not later. If you would like insights into how other companies are successfully dealing with this issue, feel free to contact us.

Jim Dickie	Barry Trailer
(303) 530 6930	(415) 924 3500
jim.dickie@csoinsights.com	barry.trailer@csoinsights.com