# Report

# Perceived Problems in Sales Processes

## 2010 PDS Study

# Report

## Introduction

Our mission was to find out what senior executives in large Swedish companies consider to be the primary challenges and problems facing their sales operations. We conducted out study in collaboration with the market research company Dedicera AB.

The study was carried out in two parts:

1) Qualitative part, involving semi-structured in-depth interviews.
2) Quantitative part, involving an online questionnaire.

Our target group was sales directors and business area presidents—people with overall strategic responsibility for sales operations.

The study is a trimmed-down version of a Problem Detection Study (PDS). The method entails first identifying conceivable problems and impediments relating to a particular occurrence and then having them ranked by a large number of people in a defined target group. The result is a list of points, with the largest problems at the top and the smallest at the bottom. Based on this list, the strength of the perception of the problems can be assessed.

In this report, we present and comment on the ten highest-ranked problems.

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Agera Sales
Rio de Janerio, August 8, 2011

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## Overview

The ten highest-ranked problems:

1. **Sales people devote too little time to direct interaction with customers**
2. **Hard to devise reward systems**
3. **Too little analysis**
4. **No routines for disengagement**
5. **What do *they* think of our sales people?**
6. **Getting away from price discussions**
7. **Too few new customers and customer segments**
8. **Hard to trim transaction costs**
9. **Hard to recruit new sales people**
10. **Balance between new and existing customers**

***Figure 1. Ranked problems***

Let's have a look at some comments on the challenges listed above.

## 1. Too little customer time

***"Sales people devote too little time to direct interaction with customers."***

**Comments:**
We're not surprised in the least. Over the past 25 years, we have conducted regular measurements of this. The results are often quite embarrassing. I will never forget a day at a conference hotel in Germany with one of our customers, a global company in industrial applications. We had just completed a use-of-time analysis and it was now time to present the results.

Before we showed the report, the sales director came up with the wonderful idea of first having sales people and sales managers describe target levels and aims with regard to their use of time. Brits, Germans and other nationalities practically competed on which levels ought to be reasonable and essential to their image as a professional organization. After that, we showed the results.

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The room became quiet and the embarrassment was palpable. The gap between their aims and their ideas about their current use of time was enormous. Everyone, without exception, was wrong about their current and probably even their possible levels.

As a general rule, the number of available sales hours is always fewer that what you think. Over the years, we have carried out thousands of use-of-time analyses. Often with results that are surprising for the customer. Our reference material currently consists of over 1000 completed weeks of measurement. That corresponds to 30 man-years.

The following is a humorous look at a worst-case scenario of time allocation over a working year:

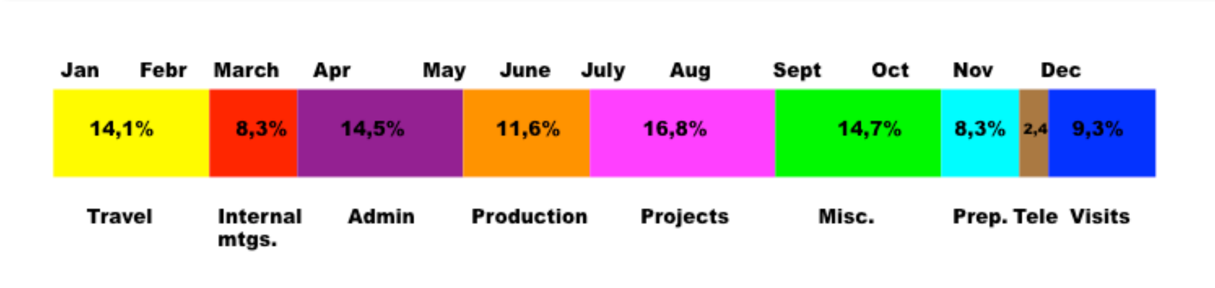


***Figure 2. A journey in time***

Use-of-time data provide a solid basis from which to develop sales operation productivity.

Without a doubt, today's "flat" organizations have resulted in less time for personal meetings with customers. A secretary is no longer readily available.

But if we take this situation one step further, it is not only a rational problem but also an emotional problem—"sales call reluctance." Let us explain:

Active call-making sales people generate more business. That is because calls to customers are the basis of any effective sales operations. The sales people who carry out the largest number of qualitative calls are the ones who perform best in the long run.

Some people are natural marketers. They have an intuitive instinct for marketing themselves. Others—who may well be both be motivated and capable—have difficulty blowing their own horn.

They remain invisible because of the paralyzing state that is rooted in a fear of initiating contact. The phenomenon is called “sales call reluctance.” When we rationalize and simplify our workload, our use of time does not necessarily change in the way we expect it will.

There are many escape routes. Integrity and self-direction in the profession allow sales people the freedom to set their own priorities, known only to themselves. Moreover, in northern Europe, quantitative monitoring of one’s performance is often considered downright insulting. This is conceivably the greatest challenge for most companies. But it also holds the greatest potential for developing the company’s own sales productivity.

# 2. Hard to devise reward systems

***“It is hard to devise reward systems (bonus, sales contests, etc.), so that they lead to the desired sales results.”***

**Comments:**
Do we place too much faith in reward systems? In achieving “internal” success by means of “external” conditions? Perhaps.

High-performing sales people have enough energy to focus on target-oriented sales work. They do not give up as soon as they encounter difficult or frustrating tasks. Their energy level can be likened to the voltage coming out of the wall plug—that is, strength. Stamina is a factor, too: their effort is not sporadic, but rather continuous.

A person’s energy level is dynamic; it can vary over time. It is primarily affected by the person’s own current life situation. Other factors include: physical strength, training and exercise, eating and drinking habits, family circumstances, sleep and security.

Research shows that there is no lasting link between “high salary” and “high motivation.”

Salary is important—a hygiene factor that makes us go to work. A high salary can also entice us to change employer, or persuade us to stay with a company a little longer.

If we have the choice, that is. But there is nothing that shows that a high salary gets everyone motivated or causes everyone to put in peak performance every day. And yet, salary is the most common “carrot” that companies use to motivate their employees.

With the right crew, the right team composition, found and recruited in the right manner, maybe we would not have to employ extraordinary reward systems to ensure top performance.

On the other hand, experience shows that there are temporary situations, such as campaigns, sales contests, etc., that prove the power, and justify the use of, “carrots.”

# 3. Too little analysis

***“We pay too little attention to analyzing our customers and valuing them in dollars and cents.”***

**Comments:**
Ask yourself or your sales colleagues: “Who is our largest customer right now, and what do they generate in dollars and cents?” The answer will likely be an incorrect guess.

This perceived problem probably reflects two phenomena:
1. Typical metrics used for sales processes
2. Typical predispositions found in sales organizations

The first phenomenon: the metrics. Which metrics are used varies, of course.

That we focus on performance in the sales process in the form of volumes and profitability is perhaps self-evident. But there is also reason to listen to those who consider that customers should given a place on the balance sheet and represent a concrete value.

In simple terms, creating value means the manner in which we utilize every business opportunity so as to maximize the value and profitability of the relationship over time. In practice, this means that sales people who succeed in obtaining higher order values and higher margins contribute to that. And also those who ensure that the customer comes back later—that the business relationship becomes long-term.

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A "customer analysis" is intended to create knowledge about a company's stock of customers. Regular customer analyses are customer-flow analyses—new, lost and migrated customers in a particular period; customers' lifetime value; definition and description of customer segments; purchasing propensity; response propensity to various offers; and customers' loyalty to the company. Key to the customer analysis is the present value of the company's stock of customers. Calculating the present value of all costs and revenue that a customer is expected to generate for the company over its lifetime make it possible to value that customer as an asset. This approach enables the company to optimize its resource allocation to the activities that are the most appropriate for its particular groups of customers.

Strategic activities that can be optimized include marketing to new customers, customer development, and measures to counteract customer defection.

The second phenomenon: predisposition. Sales departments seldom include a surplus of analysis fanatics. Other talents and types of motivation usually predominate there. We have found that the playing field is usually dominated by the "enthusiasts." Plus, the occasional "driving force." Not surprising, perhaps, considering the task.

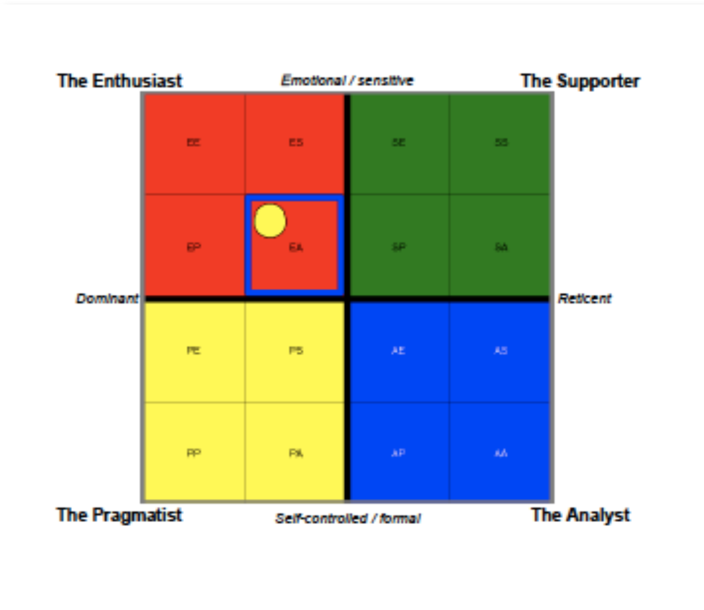


***Figure 3. Types of predisposition***

Entusiasts often focus on dreams about the future, which can make them seem unrealistic, impractical and irresponsible. But they can also awaken people's entusiasm, and inspire and encourage them. Sometimes, in their impatience, they jump from one idea or activity to another.

The enthusiast's ideas are often intuitive and therefore creative and imaginative. But things can go awry if their behavior is based only on ideas and feelings, and not on facts and actual circumstances.

In working life, enthusiasts have natural leadership qualities and are people-oriented. They are generally not comfortable working within narrow constraints or analyzing their work. They can inspire groups to achieve their goals but sometimes need to delegate.

The enthusiast's strength can be summarized as "positive thinking," but this is not always accompanied by sufficient critical thinking. Consequently, sales organizations generally need to strengthen themselves by bringing in people with more analytical ability.

# 4. No routines for disengagement

***"We have no clear routines for deciding when it's time to give up on a potential customer—when it looks like we're never going to close a deal."***

**Comments:**
It is not easy to decide to give up on a prospect. On the other hand, it is easy to persuade onesself of the likelihood of a favorable continuation. Even if you actually do not stand a chance! It is also hard to make such a decision if you do not have the attitude that you, as a sales person and organisation, have the right to decide who you are going to do business with. And, if you have no well-conceived evaluation routine to apply during the sales process. In order to achieve our goals, we need deal closings. Not interminable sales efforts. For this reason, the sales process must include a validation phase—a stage during which the business potential is assessed and scrutinized, that gives us an idea of where we stand in terms of a number of selected, important, parameters. These could be, for example:

- ❑ Insight into requirements
- ❑ Solution
- ❑ Uniqueness
- ❑ Competition
- ❑ Sincerity
- ❑ Customer requirements
- ❑ Schedule
- ❑ Financial constraints
- ❑ Decision structure

In addition, we recommend “selling the customer on the schedule.” As an example, presenting a plan of activities and measures that must be carried out, decribing how time is to be allocated up to a date by which the agreement should be in place. Tell the customer that your own time is as valuable as theirs. And that neither party wants to waste time on anything that will end up being discarded.

Also contributing to this phenomenon, probably, is that fact that “enthusiasts” are often strongly over-represented in sales organizations—on both the leadership level and among the foot soldiers. Once again—critical thinking may be in short supply!

# 5. What do *they* think of our sales people?

***“We are not good enough at gauging customers’ opinions of our sales people.”***

**Comments:**
Nowadays, most companies employ some form of customer satisfaction index. Naturally, this helps them focus on the important concerns of creating loyalty, taking responsibility for their undertakings, ensuring repeat business, etc. On the other hand, it is easy to be skeptical of this precision. The value has declined from 4.0 to 3.8. Why is that, and what can we do about it? It is not an exact science! Perhaps we place too much faith in the results. On the other hand, the measurement effort in itself creates an impression of care, which could in the best case result in customers responding with higher satisfaction. But, as a basis for decisions on concrete development efforts, somewhat more information is probably needed.

Implementing such measurements on an individual level is quite possible. We have several customers who do this regularly every year. Select ten customers per sales person, hire a survey company, and ask them questions over the phone, once a year—very concrete!

# 6. Getting away from price discussions

**“It is difficult to get sales people away from price discussions.”**

**Comments:**
It’s a fact! For sales people, dollars and cents are too closely associated with the price list. So let’s rewind the tape.

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The process of winning an order, and eventually repeat business, involves four purchasing impediments. A mirror image of our own way of carrying out a presales process, but from the customer's perspective. These four purchasing impediments are:

a) No trust
b) No need
c) No value
d) No satisfaction

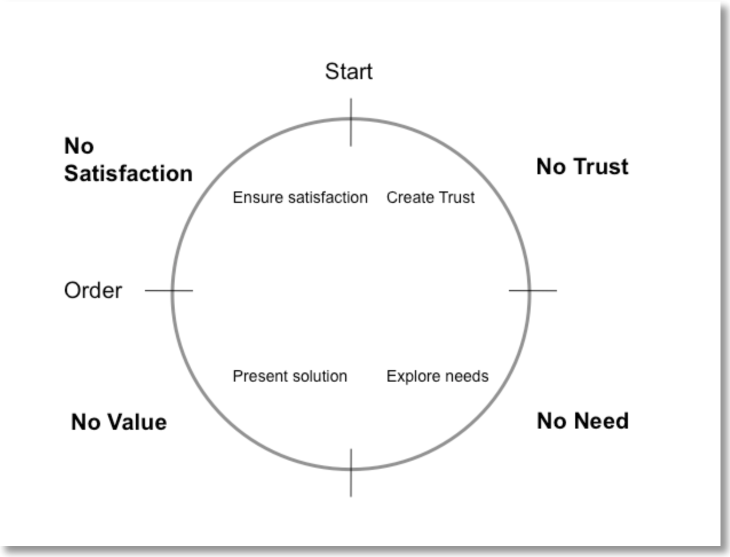


***Figure 4. Four purchasing impediments***

All signals that these purchasing impediments have not been cleared away are actually indications of poorly done sales work.

The two weaknesses that sales people often demonstrate, unfortunately, are the following:

A weak, shallow needs analysis. The result is a feeble, unclear idea of what the customer thinks is important, what he or she seeks, expects, etc. This is then followed by arguments that the customer can neither value nor identify.

And, like inadequate background music, there is surprisingly seldom also a set of good, well-thought-through reasons to choose the company's offering from a financial point of view. That is, to put dollars and cents on the arguments.

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We talk about effects, cost savings, etc. And how we will be able to calculate all this, in cooperation with the customer. Make a calculation! In business-to-business transations, this is a powerful way to anchor your arguments.

Inject the same level of creativity into your arguments as you do with your price list. Train your sales people to use a professional method in their meetings with buyers. Otherwise, it will be hard for them to avoid price discussions.

## 7. Too few new customers and customer segments

***"We spend too little time on identifying new customers and customer segments."***

**Comments:**
The sales management function has been relegated to the basement for some time. We are not sure, but we have a feeling that this is the case. This feeling is strengthened by the undeniable fact that many of the deficiencies we find in sales organisations must originate with management. The above problem describes one such deficiency.

Sales people do not always have an inherent ability to tackle strategically important tasks, such as identifying new customers and customer segments. That is a job for sales management.

We define sales management as: the planning, implementation, and following up of sales work.

## 8. Hard to trim transaction costs

***"It is difficult to reduce transaction costs in our sales process—that is, the number of steps that lead to closing and invoicing."***

**Comments:**
It is not unusual to find no chiselled-out, established sales processes. In such a case, it is relatively easy to identify differences in the organization in terms of effort and pace through process modulation. And to emulate"best practices."

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The concept of “best practice” comes from management studies. The idea involves the claim that there is one technology, method, process, activity, driving force, that is more effective in delivering a specific result than any other rechnique, method, process, etc. The idea is that with the right processes, a desired result can be delivered, with higher productivity.

In working with best practices, we have discovered that a sales transaction can vary by up to 100% in cost and time.

Examples from a Swedish company:

District (A): Hours per sales transaction: 16.8 hrs., cost: SEK 13,440.
District (B): Hours per sales transaction: 7.0 hrs., cost: SEK 5,560.


***Figure 5. Differences in sales productivity***

Same company, same offering, same customers. But with quite different historical traditions of doing business, and arbitrary individual ideas of how a transaction should be accomplished. And, the absence of adequate management.

Another angle and route to reducing transaction costs is to increase the value of the costs we generate. That is, increase sales productivity. The question was broached earlier, under the first-ranked problem area—“Sales people devote too little time to direct interaction with customers.” Now let us take the matter one step further.

As an example, let us take a situation  in which we are using a sales channel that requires personal visits. Over time, we produce 18% active visiting time. We want to increase that to 25%—a 7% increase. This can be understood in different ways—a lot, or a little. But if we translate that into hours, we're talking about three hours a week. Is it possible to find an additional three hours a week to devote to really useful work—such as concrete steps in a sales process? Few would say No.

Examples of highly concrete recommendations:

❑ Avoid the office
❑ Ensure that visits are booked for at least three weeks ahead
❑ Ensure that sales people adopt a repeating weekly work structure
❑ Measure the upcoming activities, not the ones already carried out

An organization with, say, 12 sales people, who increase their visiting time by three hours a week, can see the following effects in increased sales productivity:

❑ 135 more visiting hours per sales person
❑ 1620 more visiting hours for the organization as a whole
❑ Calculate what each visiting hour usually generates in revenue.
❑ What are the consequences of an additional 1620 hours?

# 9. Hard to recruit new sales people

***"It's difficult to find the right sales people when we set out to recruit them."***

**Comments:**
Recruiting the right sales people is important. Finding just the individuals who fill the bill, who really perform. Tests are important, but the tests used are often the wrong tests. Remarkably, as we have discovered, market-leading recruitment companies do not carry out analyses that forecast what the person will achieve in terms of connection-building efforts and related activities. Consequently, their assessments of future performance tend to be inaccurate. Managers base their searches on faulty grounds, using unnecessary and sometimes downright inappropriate testing instruments that require too much time and expense relative to their usefulness.

Employers are attracted by candidates who seek to work in sales because they want to work with "people." That's important, for sure, but it's not enough. Better to look for a job as a taxi driver!

Luckily, this is not a problem. The operation can be completed within a few hours. Establishing a person's attitude / current set of fears about making calls. On their own initiative, without being asked to do so! The phenomenon—as we referred to earlier—is known as "sales call reluctance." We will come back to this phenomenon, again and again.

But finding the right person doesn't get easier—they don't grow on trees. Really effective sales people are in short supply. But when you find that person and verify his or her suitability through this analysis, you can be sure you will be rewarded with top sales performance.

# 10. Balance between new and existing customers

***"It's hard to achieve the right balance between sales to new customers and additional sales to existing customers."***

**Comments:**
Sales people need to be active in three market phases. Simultaneously and to a sufficient extent. The reason for this is to maintain the growth of the customer base.

Presales work is primarily intended to identify and win new customers. Obviously, the company's total marketing is critical to creating fertile conditions. We define "marketing" as "creating interest and demand." In addition to marketing, concrete prospecting measures are needed to initiate the building of new customer relationships.

The "active prospect market" can be described as the concrete inquiries that exist "right now" and/or the customers that the sales person is currently working on in order to win an order or a contract. We define "sales" as "order taking."

The "aftermarket" is the phase, often neglected, that requires follow-up and consideration to ensure that your customers remain long-term loyal business connections.

How much time do sales people devote to these three marketing phases—in percentage terms or in numbers of sales calls per week? It varies according to the situation, of course—whether the sales operation is designed to conquer new territory or to defend existing landwinnings, markets and customers.

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However, the balance between sales to new customers and additional sales to existing customers need not be arbitrary and spontaneous. Naturally, structure and an objective can be established

For example, 30/50/20: premarket / active-prospects market / aftermarket. Or some other distribution depending on the situation. We will come back to this later regarding how to carry out an exact calculation.

What we find when this is not constrained by principles and objectives is that many sales organizations fail to focus sufficiently on marketing to new prospects. The reasons given are almost always: “lack of time, coupled with the urgent need to take care of existing customers.” Sorry, but that is stuff and nonsense! It’s an attempt to escape from discomfort associated with calling new customers.

Paradoxically, the past few decades of insights into customer relationships, customer care, etc., have probably given reticent sales people *more* arguments for avoiding prospecting.

# Report

## Agera Sales International AB

Agera Sales trains sales people and sales processes. We are experts in sales effectiveness.

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Our consultants are trained and experienced professionals. They have carried out assignments worldwide. We are accredited as users of a range of tools that are essential to the development of sales effectiveness.

Agera Sales is known for creating a fertile climate for cooperation. That is why we enjoy long-term relationships with our customers.

We believe it is important to offer a business understanding—to identify with the customer's operations. Not just with the customer's sales operations, but also with their background, production, customers, industry conditions and competition.

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