Successful Selling in Turbulent Times

- Dealing with an Economic Slowdown

Jim Dickie & Barry Trailer

CSO Insights
Chief Sales Officer
Measuring Effectiveness

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1974, 1982, 1991, 2001—and Today

Executive Summary

"It's an economic slowdown. No, it's a full-blown recession. Maybe it's already over and growth has started, but we just don't know it yet." We will leave debates like these to the economists. For sales professionals and the executive teams of their respective companies, the reality is that turbulent times cause chaos for sales. No matter how many years of selling you have under your belt, the uncertainty that comes with each economic slowdown (real or imaginary) will test you to the core. We are reminded of the famous line from a Rudyard Kipling poem: *If you can keep your head when all about you are losing theirs . . .* So how do we do that?

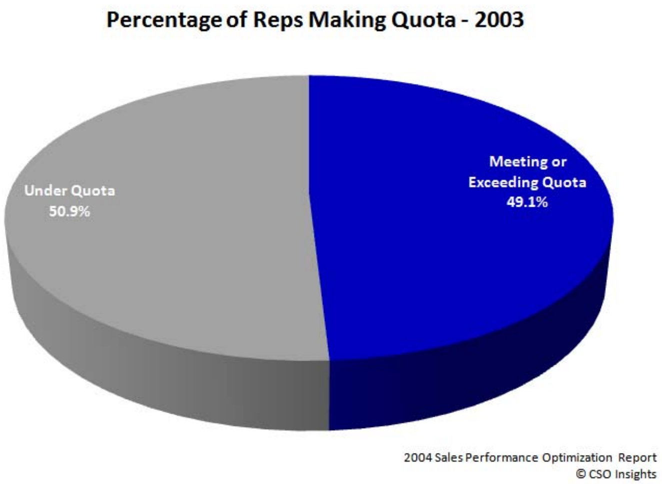
We can start by reviewing trends that are common to economic upheavals. By looking at past turmoil, we can leverage insights about ways to keep selling, even in tough times. For the past 14 years, CSO Insights has been conducting an annual sales performance study, surveying thousands of companies all over the world about how they were selling in good times and bad. In this e-book we will share the trends that sales organizations have encountered in previous downturns and provide specific insights and recommendations for how you can most effectively manage your way through this current economic slowdown. The key points of our discussion will center on the following:

- People are critical to your success, but not necessarily *new people*;
- We definitely need to focus on giving reps more time to make *more calls;*
- But more important, we need to help our salespeople make *better calls;*
- And finally, we need to tap into the *gold mine* we are currently under-leveraging.

Lessons from the Past

Let's flash back to 2003. Those who weathered the last business downturn, during that year, will remember the free fall in sales performance: in 1999 nearly 70% of reps were making their numbers, but in 2003 we saw a record low of just 49%.

Clearly, if fewer than half of sales reps were hitting their numbers, many of their companies were also missing their revenue targets.



What can we learn from 2003? The biggest **Ah-ha** from that time was not really what was happening in regard to the way salespeople sold—most continued doing what they'd always done. But obviously, that stopped working as well as it had in the past. Our data showed:

- Number of calls required to close a deal – **Increased**
- Length of the sell cycle – **Increased**
- Average deal size – **Decreased**
- Percentage of forecast deals won – **Decreased**

The real **Insight** came from looking more deeply into the *buying* side of the equation. There we found a fundamental shift in the process that caused significant challenges for salespeople who did not adapt to the new buy cycle.

The Death of the *Economic Decision Maker*

The mantra of sales training courses in the '80s and '90s was *"Find the economic decision maker."* This meant getting connected to the one person who could approve the deal and make it happen! That approach worked great in the exuberant late '90s, as companies were looking to grow their businesses and executives had the signature authority (within reason) to buy whatever they needed.

Then the economy tanked, sales started to decrease for these firms, and the CFOs stepped in. They mandated that since revenues in were declining, expenses out would be decreasing as well.

Enter the era of **Buying by Committee:** Decision-making power was removed from the hands of the individual and relegated instead to group consensus. A colleague of ours—the Senior Vice President of a Fortune 500 firm— saw his personal buying authority reduced from $2 million to $50,000.

Examining this trend can help us to better understand why sales effectiveness decreased so dramatically:

- More decision makers/stakeholders meant more sales calls
- More sales calls meant longer sell cycles
- More scrutiny of orders and purchases often meant smaller deal sizes **or**
- A decision by the committee to hold off buying anything altogether meant an increase in **no decisions**.

> *"If you are lucky, last year's decision maker is an influencer this year!"*
>
> *Rick Cobb*
>
> *COO, Approva Corporation*
>
> *Sales and Marketing Excellence Challenge Interview*

Ready for Déjà vu All Over Again?

While presenting at industry conferences and taking part in individual company strategic planning sessions so far this year, the feedback from sales professionals and executives has been consistent: *People are worried about how the economy will impact performance in 2008*. We've repeatedly heard the same question, "If things don't improve for the second half of the year, how will we hit our numbers?"

Our crystal ball, like everyone else's, is hazy, but our view of the past offers a clear message: **Hope for the best, but plan for the worst!** If you are a salesperson and the economy tanks, your CSO is going to immediately ask, "So what are you going to do about it?" And there's one simple reason the CSO will ask you this: the CEO is asking your CSO the exact same question!

So what are the cornerstones of building a strategy to optimize sales performance in turbulent times?

We need the Right Team,

To do the Right Things,

Using the Right Tools,

Supported by the Right Insights,

To Get Our Customers to Do the Right Thing,

Right Now!

Let's review these components in more detail to see what the past tells us about how to best optimize our sales performance.

The People Side of Sales Effectiveness

In difficult times, the first question CSOs and sales managers should ask themselves is, "Do I have the right people?" Over the years we have often noted that **"In a hurricane, even turkeys can fly!"** From 2005 to mid-2007 we experienced a healthy business climate; the percentage of reps making quota climbed out of the 2003 basement of 49% to over 61% in 2007. But were all sales reps equally responsible for that performance improvement, or did the economy make some of them successful despite how they sold?

An economic downturn has an interesting way of separating the **Players** in your sales force from the **Pretenders**. Two factors contribute greatly to selling success: how hard you work and how smart you work. Good revenue numbers can sometimes distract us from closely examining our sales teams and questioning their desire or ability to succeed. Slow times remove that option, forcing us to assess the team we are fielding.

But a word of caution here: *surfacing* pretenders does not mean *firing* pretenders. The accompanying quote from Sam Reese makes a key point: We need to determine if pretenders cannot do the job, or if they instead have just gotten away from doing the job.

If they can't perform, we need to let them go and replace them with better talent. But if we can get them back on track, within reason, we should do whatever it takes, because if we do not, a hidden sales performance demon will bite us hard and deep . . .

> *"Identifying pretenders doesn't mean immediately getting rid of them . . . some are actually players who just got off track."*
>
> *Sam Reese*
>
> *CEO, Miller Heiman*
>
> *Sales and Marketing Excellence Challenge Interview*
>
> *© CSO Insights*

The New Sales Rep Ramp-up Challenge

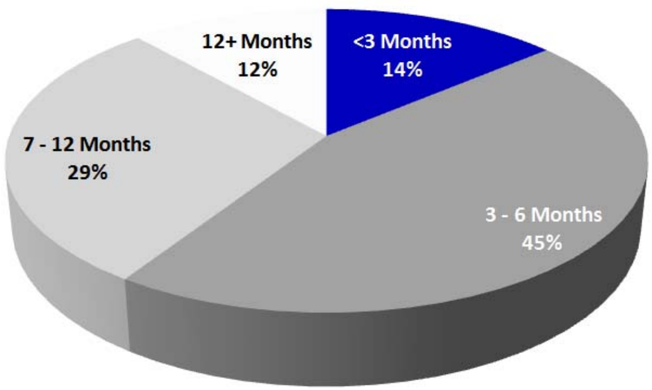
. . . and here's how that can happen. Over the past several years we have witnessed a disturbing trend: Although most companies seek to hire new salespeople with previous selling experience in their industry, it's taking longer and longer to get a newly hired salesperson to full productivity. These numbers reinforce the need to keep as many of our players as possible, and to turn around the performance of any wayward players. They also raise another question: Is now the time to be adding net-new reps or should we be seeking to optimize the performance of those already on board?

A major factor impacting the ramp-up period is the increasing **Complexity** associated with what we are asking our salespeople to do. In tracking factors such as

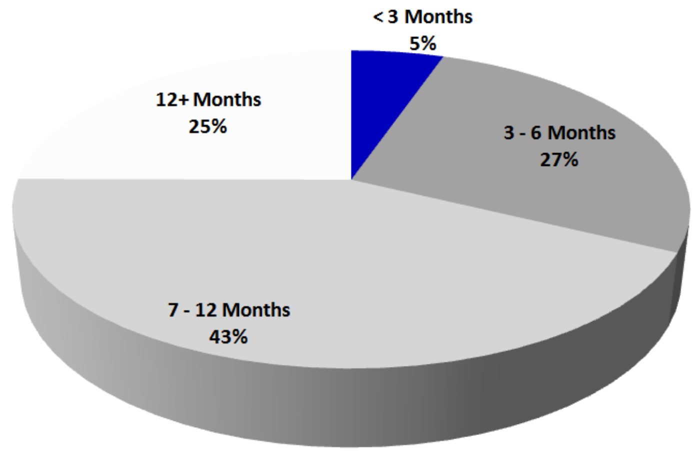
- Amount of competitive activity,
- Changes in customer expectations,
- Breadth and depth of product lines, and
- Entry into new markets,

our studies have found that all of these have been increasing significantly over the past five years, and with them, the complexity of what reps have to learn. Therefore, if the goal is to optimize the sales performance for 2008, companies may see better results from investing more in the teams they already have versus bringing on a lot of new players.

Sales Rep Ramp-up Time 2003



Sales Rep Ramp-up Time 2008



2008 Sales Performance Optimization Report
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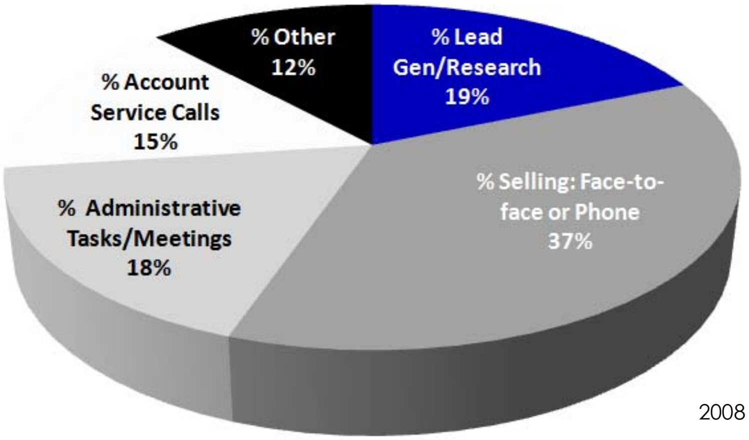
Finding More Time to Sell

If you want to find more ways to better support your existing sales teams, the first thing to do is look carefully at how much time they actually have to sell. But be prepared—you may not like what you see. Consider the following breakdown (from our 2008 Sales Performance Optimization (SPO) report) of how salespeople spend their time.

Sales Rep Time Allocation



2008 Sales Performance Optimization Report
© CSO Insights

Selling in a turbulent economic environment requires more time selling to more stakeholders, and this poses a problem: Where will this *time* come from? Over the past years, as we cut back spending on sales support resources, we have shifted more of the burden of generating leads, researching prospects, handling administrative tasks (such as updating CRM systems), plus more duties tied to servicing accounts, etc., onto our sales reps. There are only so many working hours in a week and as a result, reps have less time to do what we hired them to do in the first place—**Sell**.

We need to find ways to correct this imbalance.

Technology-Enabled Research and Lead Generation

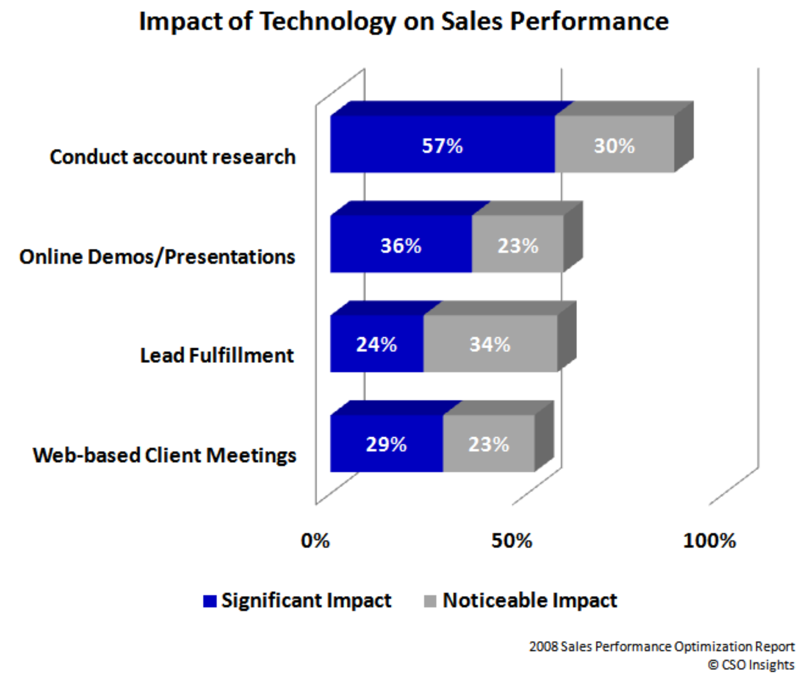
One approach more sales organizations are turning to in order to free up time for selling is leveraging **Software** instead of **Liveware.** These services help salespeople identify which prospects in their territories to pursue, and then get in the door and start selling.

One of the early promises of the Internet was that it would be a great source of information-sharing. That has proven to be true, but with potentially negative consequences. There is a wealth of data about prospects available over the Web, but if reps have to search from site to site, the time required for this obviously decreases selling time.

Enter technology-enabled research. These Internet-based services do the heavy lifting for reps: distilling data from multiple sources into a single tool that reps can use to drill down into their accounts, surface their issues, identify key executives, etc. These services assume the role of a **Digital Assistant**, streamlining the research task so the insights that reps need are just a few clicks away.

Digital assistants can now even automate many research tasks. New "event trigger" technology allows reps to define the types of events they want to track regarding their accounts (changes in personnel, finances, news releases, etc.). When those key events occur, salespeople are then automatically notified and can proactively optimize their sales strategies and tactics based on those insights.

How useful are these tools? Consider the *impact of technology* feedback we received in our 2008 SPO study from users of these services.



Moving Beyond *More* Prospect Calls to *Great* Calls

The lead-generation/research example is one of many ways we have seen firms free up more time for reps to sell. But that's only half the solution. More time to sell means an average rep can now make more **Average** sales calls, although what we really need them to do is make more **Great** sales calls.

What makes a great call? In the '90s it often focused on the **Product**. If a sales rep could educate the prospect on all the details related to what the person sold, that was a valuable service. But today's prospects can access tons of information about our products without ever talking to a sales rep. And guess what? We're the ones who gave it to them. We posted that great information all over our Web sites.

So the value proposition of a call has changed. Reps need to bring something else to the meeting—**Insight**. And this pressures salespeople to do even *more* research on their prospects so they can develop a strategic account plan to support the client's key initiatives.

If the salesperson can't build that business case, odds are that the **Interest** a prospect has in what's being offered will never turn into **Action.** Without determined action, the opportunity will fall by the wayside, a victim of the sales phenomenon known as **No Decision.** This is another reason for making sure we're meeting our teams' Sales Knowledge Management needs. But there is another source of insights we also need to utilize better . . .

> *"The thing that has become more pronounced today is the market's continual question: Are you adding value?"*
>
> *Jerry Ungerman*
>
> *Vice Chairman,*
>
> *Check Point Software*
>
> *Sales and Marketing Excellence Challenge Interview*

Leveraging All Our Assets

An ongoing sales effectiveness initiative we have been benchmarking for years is the one led by Joseph Batista at Hewlett-Packard. He has the wonderful title of Director and **Chief Creatologist**. So what does a Creatologist do? According to Joe,

> *"My responsibility is to act as a resource to our valued clients and the HP Field Account Professionals. Our focus is to live at the intersection of business and technology domains and uncover or create competitive advantage for our clients. For example, we might create a 'second curve revenue strategy' by developing a new, enhanced shopping experience designed to capture and leverage information. This is an innovative concept for companies in the retail industry, and involves utilizing a consumer key chain device, integration of retail infrastructure, and a unique business model. HP could bring all of these items to the table to deliver 'net new' value streams that accelerate a new market reality for our customers."*

This concept goes beyond the product you sell, and includes intellectual capital you have in the minds of your employees, relationships you have with other suppliers or customers, internal intellectual property you use in your own business, etc.

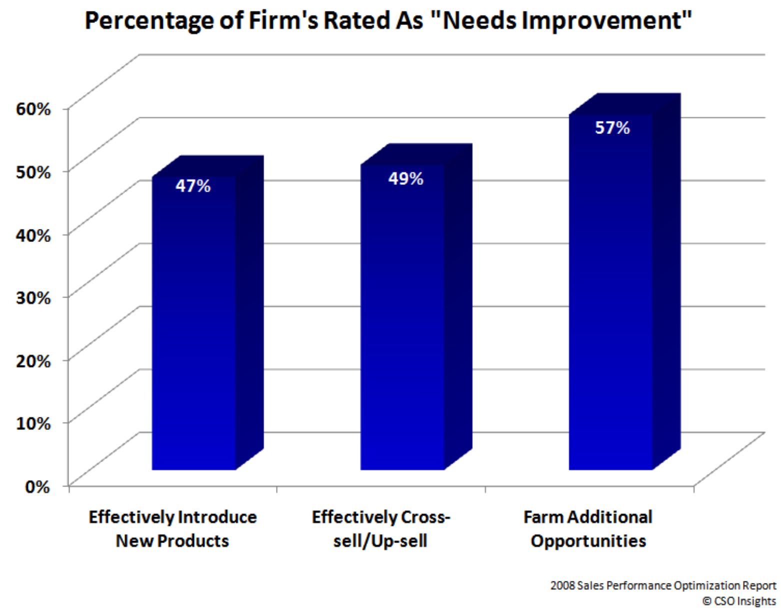
Does this involve a lot of work? Yes. But if you invest the effort to build this type of inventory, you will start to see the wealth of assets at your disposal to share with customers above and beyond what they have been traditionally thinking about buying. In our opinion, this is the new frontier for sales. If you provide your sales teams with insights regarding all the ways you can truly add value for your prospects, you can help them create a much stronger business case that will help the firms they are selling to agree to spend money now, even in a tight economy. ***Note: To read more of Joe's insights, email us and we will be happy to forward you the full interview.***

Mining More from the Gold Mines We Already Have

So far we have focused on new clients, but history shows that in down markets one of the best things to do is tap into the gold mine that a company already has: its current **Customer Base**. Many of the firms we surveyed said it was the installed base that got them through the last economic slowdown. Many, but far from all.

A few of the metrics we track in our 2008 SPO study provide additional insights about how well firms are actually leveraging existing client relationships.

The chart to the right shows that half of all firms are underachieving in the core basics of account management: cross-selling and up-selling, introducing new products, and farming additional deals from their customer base.



Maximizing performance here can result from immediate, relatively easy action – for example, finding out all the subsidiaries of the companies you already have relationships with and then asking those existing customers for referrals into these other business units. Other efforts might take longer and be more involved – for example, changing compensation plans to motivate new behavior, investing in more training to broaden skill sets, and/or realigning territories to maximize coverage.

The key is to quickly find out what roadblocks are preventing your reps from doing a world-class job of mining the full value of your customer base, and deal with those issues **Now!**

Summary

Let us close with a couple of final thoughts. First, remember this fact: During economic downturns, buying slows down, but it does **Not Stop**. Companies have problems they need to solve, or opportunities they want to exploit. These companies will make investments in those areas they see as crucial to getting through their own turbulent times. Find out what the issues are, and then become recognized as adding value by offering initiatives/solutions.

Second, the key to your success is adapting to the new realities of the markets you sell into. And adaptation is not just something salespeople need to do; sales management needs to do it as well. Management needs to find out what is keeping their teams from being as efficient and as effective as possible—and then go fight for the resources necessary to fix those problems.

That may well mean investing *more* in the sales organization—not less. And if that thought scares you, just take a moment to consider the alternative. Figure out the **Cost of Doing Nothing**. What does it cost you to have a rainmaking rep quit because he or she feels under-supported? What's the cost of a rep having to track down the status of a $50 credit for a customer (versus making a sales call) because there's no one else to do it? What does it cost you when more than 10% of the potential customers calling your 800 line hang up before they can get to a real person? Calculating these figures shows you what scary **Really** looks like.

> ***"Salespeople are sales management's customers."***
>
> *Gary Lutz*
>
> *Senior Vice President*
>
> *Wells Fargo & Company*
>
> *Sales and Marketing Excellence Challenge Interview*

Yes, times are getting tougher but there have been tough times before and many individuals and firms have made huge gains during those periods. We do not offer hollow platitudes such as “out hustle” your competitors. Instead we have offered specific direction in areas where you can and, in our opinion, must look if you are going to succeed in these turbulent times. We invite you now to **take immediate action** in one or more of these areas to support your reps selling more effectively—before your competition does.

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

About CSO Insights

CSO Insights is a research firm that specializes in benchmarking the challenges impacting sales and marketing performance and, more important, how companies are leveraging people, process, technology, and knowledge to address those issues. For more information on our research and services, visit www.csoinsights.com.

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