

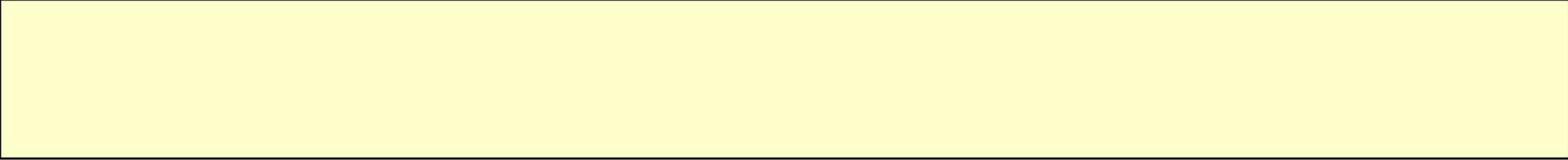
Sales Force Automation

Making your initiative successful

Let's face it, some SFA projects are glorious successes while others turn into humiliating failures. This document is designed to shed light on the difference.

This document is divided into two section:

1. Where to focus your SFA effort
2. SFA pitfalls to avoid



Where to focus your SFA effort

Top 10 Benefits Companies Realize from Sales Force Automation Projects.

Typical SFA Project Objectives (in descending order of impact)

1. Increase price realization on deals
2. Increase average deal size
3. Increase the number of deals
4. Improve customer retention
5. Reduce SG&A costs
6. Reduce operational costs
7. Provide better management and control of the sales process
8. Coordinate sales efforts across the organization
9. Improve the performance of low performing or inexperienced sales reps
10. Decrease sales force administrative tasks

High Value Objectives: These are the objectives that make SFA worth doing! Pursuing these objectives tend to have the largest impact on shareholder value.

Medium Value Objectives: These are also worthwhile objectives to pursue. However, they generally don't have as great an impact on shareholder value as those in the prior category.

Low Value Objectives: If these objectives result from pursuing other objectives with more impact, great. However, an SFA program that has these as its primary focus is going to disappoint.

Benefit # 1: Increase price realization on deals

Objective Overview

Increase price realization on deals refers to the ability to increase the total average dollar amount of a deal for the same offering.

Secrets of Success

To be effective, pricing and compensation management must work in concert. Pricing tells the sales rep how he should be pricing products. Compensation management makes him want to do it.

Examples of SFA Weapons Supporting this Objective

Compensation Management: There is no better way to get a sales rep to push for more margin than paying him for it. Align sales force goals with those of the organization and then use SFA to allow reps to see the impact of their actions on their compensation. Sales people are a lot more likely to use the tool if it helps them get more compensation.

Customer Analytics: Customer Analytics can help you focus on customers with the best price realization potential.

Pricing: Pricing based on market value is key. Creating differentiated offerings and then enforcing the associated pricing rules through SFA decreases the possibility that the rep will “give away the store”. SFA can easily adjust pricing to accommodate customer-specific issues (e.g., payment risks). Additionally, SFA can prevent sales people from making pricing decisions that aren’t in the best interest of the organization (i.e., pricing too high or too low).

Contract Management: Managing contracts in a manner such that pricing is well understood by all relevant parties is essential because poorly constructed and managed contracts is a significant source of pricing leakage. When there are pricing disputes, one of two things happens: If the customer thinks the price is higher than originally agreed, he complains and you wind up giving away some or all of the difference. If the customer thinks the price is lower, he doesn’t say anything and you give away all the price. Either way, you lose. SFA can help your reps manage contracts in a way that minimizes this problem.

Benefit # 2: Increase average deal size

Objective Overview

Increase average deal size refers to the ability of the sales force to increase the size of a particular deal by increasing the offering and reaping the appropriate revenue. Note: The deal size must increase in a manner that offsets any decrease in the number of deals for this to be beneficial.

Secrets of Success

To be effective, SFA has to provide “advice” to the sales rep as to how to increase the size of a particular deal (e.g, recommending a larger size or a complementary product, showing how reps can increase their compensation)

Examples of SFA Weapons Supporting this Objective

Compensation Management: Providing the sales force a financial incentive to increase deal size (e.g., bonus for selling new products) is likely to be effective. Use SFA to make these opportunities visible to the sales rep.

Customer Analytics: Conducting analysis on buying patterns or needs of particular segments can identify opportunities to increase the breadth of customer relationships.

Customer Incentive Management: Use of loyalty programs or rebates is likely to provide customers an incentive to purchase more. SFA can provide visibility of the loyalty program to the sales rep so he can inform the customer of such opportunities.

Pricing: Use of pricing schemes (e.g., bundling) can be very effective in encouraging customers to increase the size of the deal. SFA can provide visibility for the sales rep so he can inform the customer of such opportunities.

Product Configuration: Product configuration can suggest to the sales rep additional products or services that could be offered to the customer to increase the deal size.

Benefit # 3: Increase the number of deals

Objective Overview

Increase the number of deals refers to a sales rep's ability to close more deals either by increasing the number of opportunities he can attend to or increasing the likelihood of closing any particular deal.

Secrets of Success

Productivity improvements are a lot easier to implement than Account Management techniques from an acceptance and performance perspective. Sales reps are a lot more likely to accept an improvement in activities they already do today than a change in the way they sell (e.g. new account management selling methodology). However, you have to make sure that the sales rep doesn't use the improved productivity for his personal pleasure (e.g., using increased free time to play golf instead of selling more). Raise quotas in a manner that makes sure they use most of that additional time to sell more.

Examples of SFA Weapons Supporting this Objective

Account Management: Account management functionality that helps the sales rep understand the politics and organizational issues at a particular prospect can be helpful in increasing the likelihood that a particular deal will close.

Contract Management, Opportunity Management, Order Entry, Pricing, Product Configuration, Product Encyclopedia/ Information and Proposal Generation: These can all serve as productivity tools that help sales reps tend to more opportunities by enabling them to devote less time to each individual opportunity in addition to improving responsiveness. This increased time helps the sales rep move to the next deal more quickly.

Benefit # 4: Improve customer retention

Objective Overview

Improve customer retention is about enabling sales reps to do a better job of keeping current customers. Notes: 1) This is only a benefit if the customers are worth keeping. This requires some degree of customer analytics to understand the lifetime value of customers. 2) This objective extends beyond SFA to CRM more generally by giving the entire enterprise a single view of the customer.

Secrets of Success

Make sure the customer and sales rep both have high visibility to customer incentives.

Examples of SFA Weapons Supporting this Objective

Customer Incentive Management: Customer loyalty can be “purchased” through a program that encourages customers to buy from you. However, these programs come at a cost, so understanding the value of the customer is essential (this requires customer analytics). SFA can help manage these programs.

Product Configuration: The ability to create a valid product configuration for the customer will make delivery smoother as the offering will be created correctly the first time. This lowers customer complaints and helps make you “easier to do business with”.

Account Management: Account Management helps make sure that little things don’t fall through the cracks with respect to customer follow-up items. Linking SFA with areas like billing and service can give sales reps early visibility to problems within the account that can enable them to be proactive and build customer trust.

Benefit # 5: Reduce SG&A costs

Objective Overview

Reduce SG&A costs is about automating or improving a process so that it eliminates administrative costs.

Secrets of Success

The benefits of this area may not be of the same magnitude as the prior objectives, but many organizations have an easier time understanding these types of benefits. If possible, use these in your business case to justify the project. When the bigger benefits start rolling in later on, it'll be icing on the cake.

Examples of SFA Weapons Supporting this Objective

Contract Management: Complex contracts can be difficult to manage and access. Enabling sales reps to manage contracts through SFA can eliminate significant back office operational costs.

Pricing and Product Configuration: Pricing and Product Configuration help sales people create quotations and orders much more quickly. But, another benefit of these is that they lower the "dirty order" rate which helps to shrink the small "order-cleaning army" that some organizations employ.

Expense Reporting, Opportunity Management, Order Entry, Product Information and Proposal Generation, Time Management: These can all serve as productivity tools that help sales reps tend to more opportunities by enabling them to devote less time each individual opportunity. However, it is only a reduction to SG&A to the extent that it either eliminates positions or helps with sales force retention.

Benefit # 6: Reduce operational costs

Objective Overview

Reduce operational costs refers to cost savings that can be had by organizations outside of sales (e.g., purchasing, manufacturing) as a result of sales force improvements.

Secrets of Success

For this to work, the operational cost reduction must be significant and the additional pain caused to the sales force must be negligible.

Remember, one of the best ways to reduce sales costs is to not use the sales force at all. Use less expensive customer interaction channels (e.g., web self-service) to replace sales reps either for activities or segments that do not merit a sales rep.

Examples of SFA Weapons Supporting this Objective

Forecasting and Opportunity Management: The sales people and sales managers rely upon forecasting to plan out and prioritize their activities. However, once linked to manufacturing, sales forecasts can be used to plan purchasing and production. In addition to reducing delivery times, this can reduce inventory, infrastructure and order management costs significantly.

Pricing and Product Configuration: Pricing and Product Configuration help sales people create quotations and orders much more quickly and reduce the cost of “cleaning” the orders. But, another benefit is that they lower the “dirty order” rate. Products and services have a much better chance of being right the first time. This will not only make customers happier, but will also reduce various costs associated with delivery, service and returns.

Benefit # 7: Provide better management and control of the sales process

Objective Overview

Provide better management and control of the sales process implies that SFA gives management a better idea of what is going on out in the field.

Secrets of Success

Regardless of what you do, don't create an additional burden on the sales force to accomplish these benefits.

The biggest benefit to be obtained from pursuing this objective is the ability to see sales force performance at a disaggregated level (e.g., visibility of the performance of individual sales reps or regions). This will provide management with better information on which to make decisions regarding the sales force (e.g., firing sales reps, firing customers, reassigning territories, scheduling training)

Examples of SFA Weapons Supporting this Objective

Expense Reporting and Time Management: These tools give sales management some visibility to what is going on administratively out in the field. They have the ability to guide sales force behavior to some extent.

Forecasting and Opportunity Management: These tools give sales management the ability see what types of sales activities are going on out in the field. Managers can then re-focus sales reps on higher priority opportunities if they see fit.

Territory Management and Assignment: This tool provides a modest reduction in administrative activity for sales management and helps provide some clarity for the sales force. However, its implementation is often a prerequisite for other SFA tools such as pricing or opportunity management.

Benefit # 8: Coordinate sales efforts across the organization

Objective Overview

Coordinate sales efforts across the organization is focused on making sure that each person in the sales organization knows everything they are supposed to know about various sales effort and activities.

Secrets of Success

Keep in mind that really good sales reps do this without SFA. Best case scenario, coordinating efforts through SFA can turn a lousy rep into an average rep.

Examples of SFA Weapons Supporting this Objective

Account and Contact Management: Each person assigned to an account can see what is going on in that account. This is useful when there are multiple sales reps assigned to an account and they want to see each other activities. However, it's even more useful for crossing functional lines (e.g., sales reps can be notified when customers make service requests).

Opportunity Management: Each person assigned to an account can see what opportunities are currently being pursued on the account.

Territory Management and Assignment: People can be assigned to specific teams clearly and easily.

Benefit # 9: Improve the performance of low performing or inexperienced sales reps

Objective Overview

Improve the performance of low performing or inexperienced sales reps is focused on leveraging technology to compensate for sales reps with weak sales skills or limited knowledge of your organization and offerings.

Secrets of Success

SFA is not a substitute for hiring and retaining good people. A good SFA system can help get a new rep up to speed quickly, but it can only cover for a lousy rep to an extent.

Examples of SFA Weapons Supporting this Objective

Pricing and Product Configuration: The ability to price and configure offerings correctly can be very difficult, especially for new sales reps. Sometimes it's due just to lack of knowledge. Good pricing and product configuration implementations can take the guess-work out of this process. Really good implementations might even go the extra step of "telling" sales reps what to sell to whom.

Opportunity Management: Low performing and inexperienced sales reps tend to have difficulty keeping track of their own sales funnel.

Order Entry: Good implementations will eliminate the causes of "dirty orders" at the source.

Proposal Generation: This toolset tends to minimize sloppy mistakes in submissions to customers.

All: Virtually all SFA tools offer some functionality that tells sales reps "what to do next".

Benefit # 10: Decrease sales force administrative tasks

Objective Overview

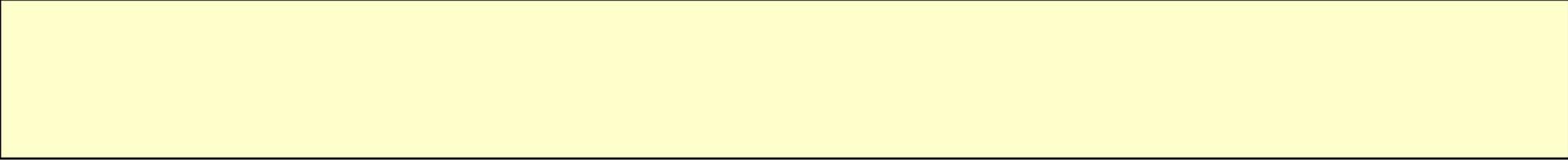
Decrease sales force administrative tasks is about minimizing non-value added activities

Secrets of Success

This shouldn't be the sole focus of your SFA implementation.

Examples of SFA Weapons Supporting this Objective

All: Virtually all SFA tools offer some degree of freedom from administrative activities. This can come from reducing the number of times data is entered, ease of access or some other source. However, if SFA doesn't increase the number of deals a sales rep can handle or lower costs in some way, it's really just "nice to have".



SFA pitfalls to avoid

Our experiences helping clients with hundreds of SFA initiatives have led us to understand what can sink an SFA initiative

Top Ten Mistakes Made in SFA Initiatives

1. We don't see the need to build a business case.
2. We have a lot to do and not a lot of time to do it, so we're going to do one big-bang release.
3. We don't have the support of the Senior Execs; but once they see some results, they'll be on board.
4. Since IT is building the solution, IT should run the project.
5. The sales force will get what we give them.
6. We'll build efficiency by standardizing our sales force all on the same sales process.
7. The data conversion will be easy; we'll worry about that once we have the system ready.
8. Supporting things like training and communication are nice to have, but we have a budget to manage.
9. We need to customize the software to perform the way we want it to work.
10. It's great to think about integrating with other systems, but too much of that could really slow us down.

Each of the next ten pages describes one of these issues in detail

Mistake #1: "We don't see the need to build a business case"

The Reality

A lot of projects start off thinking "There's no need to build a business case... we all know this is the right thing to do". In reality it's critical to define the business objectives and targets (with responsible business owners) from the beginning.

Lessons Learned

- Eventually, someone really important will ask why you're doing the project and you won't have a good answer...the project gets cancelled.
- If not driven by a simple set of "what matters" as defined by shareholder value, the project collapses beneath the weight of multiple splintered ideas, so-called "must-have" capabilities, and the human nature of wanting to take advantage of all software capabilities at once.
- If something big happens business-wise (e.g., merger, bad quarter) and the team can't justify its existence, the project will get cancelled.
- Business cases can get quite complicated and detailed. Make sure that you can communicate the business case in three to five bullet points.

Mistake #2: "We have a lot to do and not a lot of time to do it, so we're going to do one big-bang release"

The Reality

Wrong! If you take on too much, you'll wind up with nothing. The smarter move is to release smaller pieces of functionality one at a time.

Lessons Learned

- If you don't plan to show benefits for a year or more, the project will get cancelled before it ever has a chance to deliver.
- Every problem or change in direction has an implication for everything. With a huge scope, you can spend all of your time redesigning and understanding the implications of every change. Completion dates will keep getting extended and eventually the project will be cancelled.
- The sales force can't absorb so much change all at once. If it's too big (even if it's beneficial), they'll reject the SFA application.
- Management measures their success every quarter and doesn't understand why projects cannot produce any results in the same time period. A project that plans to put something tangible in play every quarter maintains momentum necessary for overall success.
- Shorter timeframes allow faster adjustments.

Mistake #3: "We don't have the support of the Senior Execs; but once they see some results, they'll be on board"

The Reality

You need to have Senior Execs as the champions and active leaders of the SFA effort.

Lessons Learned

- Without executive sponsorship, the first time a problem comes up and the project is challenged; there's no one at a high enough level to defend it. Eventually, the project gets a bad reputation and has no chance for success.
- If the business situation changes (e.g., merger, bad quarter) and there's no one to defend the project, it gets cancelled.
- Mid-level sales managers need to be on-board as well. If you don't have their support, nothing will get done.
- The best/smartest project managers know and pay attention to what's most important to their bosses. If your project isn't clearly important to their bosses, the time and effort they direct to you will be spotty at best.

Mistake #4: "Since IT is building the solution, IT should run the project"

The Reality

You're much better off having a well-respected member of the business running the project.

Lessons Learned

- Project management can be taught, sales majesty is genetic. It is easier to teach a salesperson to manage a project than it is to teach an IT manager to sell. In addition, the field sales staff respects their own, and has little regard for IT. Placing sales in the lead role makes credibility in the field and adoption that much easier. Choosing a project leader who is still in the sales organization lends even more credibility.
- Many sales departments perceive that IT doesn't understand their business. The project is better off being represented by one of their own.
- Technology is the easy part. Always remember that.

Mistake #5: “The Sales Force will get what we give them”

The Reality

That's great if you don't want them to use it! There has to be something in it for the sale force that makes their lives better for them to use it.

Lessons Learned

- You can't shove solutions down the throats of the sales force. In many organizations, the sales force brings in ALL the money. If they don't see value in what you're giving them, they will find another way to do business. Provide the minimum amount of structure that is required to ensure the right things are done - and implement only that.
- The rewards for using SFA have to be absolutely clear and demonstrable to the sales force and the organization as a whole.
- The sales force will be willing to take on more things with less in it for them (i.e, senior managers get some benefits) if they are combined with things that make their lives better.
- If you create monkey-work for the sales force, they'll jump ship fast. Worse yet, they might feed dummy data.
- It is essential that you understand business requirements in detail. The SFA solution must take into account what is sold to whom and how.
- You must have an understanding for how this will affect customers to enable the sales force to manage customer expectations.
- You need to sell the sales people. They won't use the system just because we build it. Selling our solution internally is no different than any marketing campaign. Advertise... conduct PR exercises... get testimonials... run contests... give away free stuff. However, nothing sells like results. Get some quick wins.

Mistake #6: "We'll build efficiency by standardizing our sales force all on the same sales process"

The Reality

Maybe, but there are likely good reasons why different portions of the sales force do things differently (and there are probably some reasons that aren't as good).

Lessons Learned

- Customer segments are different. There's a conflict between trying to differentiate treatment of different segments while arming their respective sales reps with the same tools... the sales force will reject the solution.
- Companies that have evolved by acquisition are likely to have multiple ways of doing things. There has to be a good reason to change and technology alone isn't going to make it happen.
- Start by assuming that there will be different ways of doing things...make standard only what appears to already be standard – don't force it.
- You need to be sure not to let the technology dictate your solution. The way you do business needs to dictate the solution... not the other way around.

Mistake #7: "The data conversion will be easy; we'll worry about that once we have the system ready"

The Reality

Data conversion is almost always significantly more difficult and time consuming than initially anticipated. It needs to be started early and given proper attention.

Lessons Learned

- The new system probably records more or different information than you're used to recording. You will probably wind up with a lot of blank fields unless you create all the information from scratch.
- The information you have today is potentially in a lot of different locations ranging from Excel spreadsheets to handwritten notes. Converting and joining the information appropriately is likely going to take a lot of time.
- If your current system isn't very rigorous about data validation, there could be a lot of garbage in your current data. For example, one sales rep could be using the *spouse's name* field in the contact table as a place to record the amount of business he did with the particular account last year because there's no other place to record it. That will require manual intervention.
- The data structures for how data is currently stored is likely different than the way it is going to be stored. There may be a great deal of manual effort associated with changing the format of the data.
- You have to do some type of data validation prior to going live. Bad data can sink an implementation.
- Sales must be involved in the data conversion.

Mistake #8: "Supporting things like training and communication are nice to have, but we have a budget to manage"

The Reality

Behavioral adoption is even more important than the system. You need to put things like training, communication, support and expectation management in the forefront.

Lessons Learned

- If you don't train you'll wind up with a nice system that nobody knows how to use. It can take some time to see productivity gains, but good training will shorten that timeframe.
- If you're not communicating your project's message well, someone else is probably communicating a message about it. And it's probably not the one you want to be communicated.
- Implementing enabling technologies only matters if behavior actually changes. There's a difference between having the capability to do things better and actually doing things better.
- You must have a support structure in place day one. What happens if someone can't log in or someone's PC crashes?
- You need to understand how remote users will be connecting. Will they have fast enough connections?
- The real test of the new system is when you ask if you can take it away. If they scream, you've done your job. If they don't care...you've failed.

Mistake #9: "We need to customize the software to perform the way we want it to work"

The Reality

Customize as little as possible. Customizing for strategic purposes is OK, but you're better off using the capabilities defined by the package wherever possible.

Lessons Learned

- Customization is a slippery slope. You'll change one piece and find it forces you to change others in a domino-type manner. It costs time and money.
- The more you customize, the harder it will be to upgrade to the new version of the software. Eventually, you'll just have to start over.
- Unlike back-office projects, the approach should be iterative – be directionally correct, and be prepared to make minor yet rapid course corrections as you find the real nuggets of value. Customization cripples your ability to be flexible and responsive.
- Challenge any customization by asking “Does making this customization have a significant impact on revenues or margins?” If the answer is no, you don't need it.

Mistake #10: "It's great to think about integrating with other systems, but too much of that could really slow us down"

The Reality

From the start, you need to think about how your SFA solution fits into the overall enterprise process and data architecture.

Lessons Learned

- Processes that span organizations (e.g., order management) must be thought through before designing an SFA solution. If you don't, you could find that the point in the process where SFA ends (e.g., the submission of an order) is not the same place another system (e.g., order entry) picks it up. It could cost a lot of re-work.
- If you don't make sure data structures and elements between different systems match up, you'll likely have problems
 - Simple example: the name field in the SFA system is 30 characters while it's 20 characters in the ERP system. What happens when new customer info is sent over? You lose information.
 - More complex example: The SFA system can split a single order between multiple addresses, the ERP system cannot. What happens when a multi-address order is sent to ERP from SFA? Trouble.
- You must integrate with the supply chain to allow improved demand planning, availability and status inquiries.

We hope this perspective answers many of your SFA questions and helps make your initiative more successful

Questions

1. What SFA objectives should we pursue?
2. How do we overcome the classic challenges of SFA implementations?

Answers

Focus on things that add the most value to your enterprise

Learn from the mistakes of others by taking the journey with someone who's taken it before