

WORKING WITH



THE SALES OPPORTUNITY

A practical guide to the sales automation technology in **Sales Cycle Manager**

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Part 1

INTRODUCTION

1

SALES AUTOMATION: CAN THIS COMPUTER REALLY HELP ME TO SELL?

This sales manual is about sales opportunities – the lifeblood of the sales person’s existence. The “sales opportunity” is synonymous with the sale itself, and the terms “sale” and “sales opportunity” are used interchangeably. We are going to discuss the opportunity in minute detail, to learn how to record it, characterize it and treasure it’s contribution to our eventual success in sales. The salesperson should literally be obsessed with acquiring a portfolio of opportunities, which should be revered and constantly reviewed. The strength of the portfolio is dependent not only on the number of opportunities there are in it, but also on the quality of those opportunities.

The other theme of this manual is sales automation. Sales automation is the use of technology to get more sales. Within the scope of this simple definition there are scores of interpretations. Sales automation can assist indirectly by making the salesperson more **efficient**, or, assist directly by making him more **effective**. The thrust of the material that we are presenting is to do with the second benefit – specifically the use of the computer to help the salesperson better their win/loss ratio – that is, to win more sales.

Good sales automation should focus on the **sales opportunity**. We are going to show how this can be done – by dissecting the sales opportunity to expose all the essential elements that define it. If we can do this, we can also make the computer understand how the sale develops, changes and evolves throughout its history. That history is called the **sales cycle**. The sales cycle is the period of time that we have available to use our selling skills in a given sales opportunity. Because what we do in this finite period of time to secure the sale is so important, we refer to **sales cycle management** as one of the core competencies of managing the sale (get a copy of *sales automation done right* to find out more about the four core competencies)

Computers (even small ones like the **Palm Pilot**) are excellent tools to assist the salesperson stay in control of his opportunity list. This is really an issue of time management. A typical salesperson in just about any industry may be managing from twenty to one hundred open sales opportunities at one time. These opportunities may be in different stages of the sales cycle – each stage requiring the sales person to concentrate on one sales skill more than another. Good salespeople claim that they can do this management in their head – that remains to be seen. There is no doubt that good sales automation can lessen the load and move some of the responsibility for managing the sales cycle to the computer.

Before you can trust the computer to work through the sales cycle with you, you should understand the fundamental principles (actually the science of selling) that are programmed into Sales Cycle Manager. Take the time to read this stuff – it will not only help you get more out of the program, but it may give you a new and fresh way of looking at the sales process. So let’s move on with some definitions.

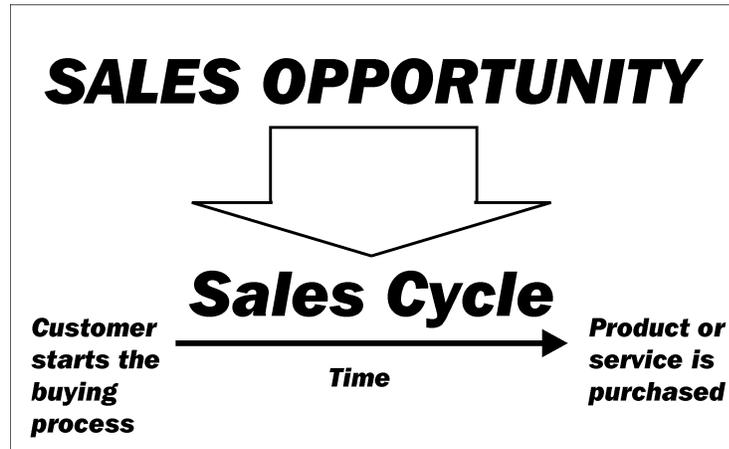
Sales Opportunity and Sales Cycle

These two are intimately related – every sales opportunity has an associated sales cycle.

Definition: The SALES OPPORTUNITY is a well-defined situation in which we are given the

opportunity to sell our product or service.

The word “sell” can be associated with other words such as “persuading”, “convincing”, or “proving”, all of which infers that the customer may be looking at alternatives to what you, the salesperson, has to offer. This means that a sales opportunity is by definition competitive – even if the only competition is the customer doing nothing at all! So, assume that with any opportunity, the customer has invited other salespeople into the sale – and the best salesperson wins!



A Sales Opportunity Always Has An Associated Sales Cycle.

Definition: The SALES CYCLE is the time that elapses between the customer initiating the buying process (giving us the sales opportunity), and the point at which a decision is made on which product to buy.

So the sales cycle is, if you like, the **lifespan** of the sales opportunity. In the sales cycle we demonstrate our selling ability – the obvious goal is to win the sale.

PROPOSITION:

THE ESSENCE OF THE SALES CYCLE MANAGEMENT IS TIME.

Why time? Firstly, because the unit that defines the sales cycle *is* time – weeks, months or even years, depending on what you sell. Also, for our selling to be really effective we must be very conscious of when the sales cycle starts, and when it is going to end. If we can recognize these points of time accurately, we ensure not only that we can begin selling as early as possible, but also that the opportunity remains in our focus throughout its entire lifespan. Then it is up to how good are we at using our skills to win the sale.

Sales Cycle Management

If the sales opportunity is the big thing, why do we stress the management of the sales cycle - and not the opportunity? In fact the methodology that we get into breaks from tradition . The term “opportunity manager” is pretty well universally accepted in the sales automation world. We propose that it is more beneficial to regard the challenge of managing the opportunity list as grading, or correctly characterizing the **value** of each opportunity – if we can do this we can know how to work our way through the list in the most efficient way. We prefer to use the term “management” for the process of strategizing what we do in the sales cycle. Moving through the

sales cycle involves a carefully orchestrated series of customer interactions in which the salesperson should be executing a well thought out strategy – this is really the **sales process** (an often misused and misunderstood term).

So this is why **sales cycle management** is so important – setting a strategy for winning the sale, and taking care to execute it flawlessly is a sure-fire way of improving your chances of success. Managing the sales cycle is managing what goes on in the sale cycle – and what goes on in the sales cycle is the essence of selling. Whoever does this the best, walks away with the customer’s business, so you have to manage the sales cycle effectively. Tactics are tasks that evolve out of the strategy – they are put into practice through interactions with the customer throughout the sales cycle. As we see in later chapters, these interactions are important because through them, we are able to use our fundamental skills of selling.

Sales cycle management also gives us information about the sale – vital information that we can use to grade our opportunities. As we will see later, just three key pieces of information will tell the computer how to put the opportunity list in order of priority, so we can confidently work the list from top to bottom, knowing we are putting our precious resources where they count most. Doing this in your head is a pain – let the computer do it! Let’s find out how.

Points to Remember:

1. Every competitive sales environment has sales opportunities.
2. A sales opportunity always has a sales cycle.
3. Manage the sales cycle – not the opportunity.
4. Managing the sales cycle will give you the information that you need to prioritize your opportunity list on your computer.

2

FINDING SALES OPPORTUNITIES: ALL OPPORTUNITIES START AS LEADS

Some companies say that they don't have sales opportunities – their salespeople sell by **servicing** customers. The idea is that if you are good to your customers, they will keep buying from you (this is the central theme of Customer Relationship Management, or CRM). But at some point of time, this customer had to be sold on your solution in preference to that from someone else – servicing is a maintenance exercise. The essence of the sales opportunity is **competition** – no sale is given away for free. Wherever there is competition there is a sales opportunity – and, as we've said before, competition may even mean the state of the customer doing nothing.

There is real danger in working under the impression that the sales opportunity will come to you, rather than you actively seeking it out. This philosophy usually results in the perceived short sales cycle, or, the reaction of "we were in too late". The earlier the sales opportunity is identified and recorded, the sooner we can implement the strategy to win it.

There's one important issue that has to be taken care of first – where do we find the sales opportunity. A sales opportunity starts life as a **lead**.

Leads – the Origin of Opportunities

Sales opportunities come from leads. The transition of lead to opportunity marks the dividing line between marketing and sales. Once an opportunity has been discovered, the sales cycle has begun and we are in the jurisdiction of the sales department. We've already defined an opportunity as the chance given to the sales representative to present his product for purchase – the contact has already started the buying process.

Definition: A LEAD is an indication, expressed by a contact, that they have an interest in our product or service.

So, note the difference: lead – we don't yet know if the customer has started the buying process, and opportunity – the buying process is underway. The process of determining if the buying process has started is called qualifying.

Qualifying the Lead – Is this the Real Thing?

The lead is a potential sales opportunity – to establish if it is, it must first be **qualified**.

Definition: QUALIFYING is the questioning process used by marketing to establish if a potential buyer really is a buyer. (Note that we say qualification is always done by marketing – more on that later).

The sales lead is the first indication from the customer that there may be an opportunity for business ahead. As soon as the customer has established that they have a need for a product or service they will approach potential suppliers. This approach may happen in different ways – a phone call, a response to an advertisement, or perhaps through a casual visit to a trade show booth. This is an enquiry – the enquiry can also be made directly to the salesperson in a face-to-

face meeting (in this case, the salesperson is wearing a marketing hat). Qualifying means contacting the person who has expressed interest in your company and trying to establish how serious are their intentions – are they going to buy something or not? The process of qualifying dictates that there must be two-way communication with the contact – he or she has to be approached and asked some searching questions regarding their intentions.

A lead may be qualified as **positive** or **negative**. If the customer does not intend to buy, the lead is qualified as negative – a record is kept for future marketing efforts, but essentially the lead is closed. If the contact is going to buy something, the lead is qualified as positive and an opportunity is opened.

It is very important to try to achieve consistency in qualification. This is especially true if salespeople are doing their own qualification, rather than relying on the marketing department to do it. You need consistency of qualification from a given salesperson with his own leads, but also across the sales team where you may have many people qualifying. Good sales automation will provide the best chance of getting the consistency you want. A series of simple questions allows you to qualify and classify the lead. For example:

“Has this customer started the buying process?” – answering YES determines that the lead has been qualified positive. It now becomes an opportunity. Answering NO determines that the lead has been qualified negative. Answering DON’T KNOW keeps the lead open for future clarification. Further questions such as “What is the chance that this sales will go to completion?” can determine the quality of the lead – which is useful information for the marketing department to track.

(Note to Palm Pilot users: Sales Cycle Manager assumes that you have already qualified your leads, and that you are entering sales opportunities into the program. In spite of this, it is always worth the effort to use a rigorous lead qualification process in order to determine if a lead really does deserve to become an opportunity)

The Identified Business Opportunity (IBO)

Once a lead has been qualified and it has been established that the customer has started the buying process, the sales cycle has begun and you now start the selling process. In *sales automation done right* we call the opportunity an **IBO**, standing for Identified Business Opportunity. This term reinforces the fact that this sales opportunity comes from a rigid qualification process, and there is a high probability that this customer has intention to buy.

Although this may seem trivial it is always good to have an acronym for such an important part of the sales team’s daily life. In sales automation everything evolves around the sales opportunity, and in the sales team the opportunity soon gets its own identity. Each opportunity is unique and in the computer it is stored as a unique number. Usually a specific IBO will be labelled as IBO#1234, or something similar. This makes it easy to track events and activity that occur through the sales cycle, and to tie them to the IBO in question.

Long-term Lead

There is an important special case in lead qualification where neither a positive or a negative qualification can be made – this is called a **long term lead**

Definition: A LONG-TERM LEAD is a situation that sits between an opportunity and a closed lead. You have established that although the contact has not initiated the buying process, he will likely be in the market for a solution in the distant future.

A good example of this is when a customer takes a lease on a new car, maybe a three-year lease. The salesperson knows that at the end of three years the customer will definitely be in the market for another car – but for now you do not present a sales opportunity. This is a sure case for creating a long-term lead in the sales automation system, which can then remind the salesperson to make regular interactions with the customer in the future with a view to making another sale.

PROPOSITION:

ALL LEADS CAN BE QUALIFIED AS POSITIVE, NEGATIVE (OR CLOSED), OR LONG TERM.

Marketing and Sales

The terms sales force automation (SFA) and customer relationship management (CRM) are often confused, which is a pity, as they are quite different. CRM is a **philosophy** of doing business, one which expounds that all people in the company should work in unison to provide the best value to the customer. CRM software is a tool that is extremely valuable in working toward fulfilling that vision. Typically CRM software provides a common customer knowledge store for different groups in the company to share, as well as electronic processes to streamline the task of fulfilling customer transactions. The three major functional groups that are integrated using CRM technology are marketing, sales, and after-sales service.

SFA is technology that helps the sales force sell, and there should be no ambiguity about that (*For Palm Pilot users: under this definition Sales Cycle Manager is sales automation*). Part of the functionality of SFA contributes to CRM requirements for knowledge and process —therefore it is definitely part of the CRM technology tool. But, SFA also does something else — it assists the salesperson in the strategy and skills of selling and therefore enables them to sell more.

What has this discussion got to do with sales opportunities? Well, the transition of a lead to an opportunity occurs at the boundary line of responsibilities between the marketing department and the sales department.

Definition: The **MARKETING** department is the functional group within the organization which is charged with finding prospective customers, qualifying them and handing over positively qualified leads (sales opportunities) to the sales team.

Definition: The **SALES** department is the functional group within the organization that is charged with the responsibility of winning as many IBOs as possible!

Sales automation should make a clear distinction between marketing and sales and enforce the boundary between them. The sales team's only mandate is to turn the IBOs into won sales. Sales automation deals only with the opportunity. Marketing automation takes care of finding leads and qualifying them.

In many companies salespeople are asked to qualify their own leads. In this case they are wearing marketing hats – as soon as the lead is qualified as an opportunity it's time to switch to the sales hat and get on with the job of selling.

Opportunity Driven – or not?

In our research we quite often hear the comment from sales managers: "Our business doesn't lend itself to a well-defined sales opportunity. Our salespeople service the accounts and wait for the orders". The natural question to ask is, "Do you have competition?". This question usually provokes laughter with an implied response of, "Are you stupid, of course we do!".

If there is a competitive battle going on, there is always a sales opportunity underneath it and the salesperson who discovered the opportunity first and started a well planned strategy to win it is most likely to be successful. The point is that you can't really develop a strategy for something that you don't recognize is there.

Another comment from sales managers who suspect something is wrong goes like this: "our average sales cycle is one month – but it should be nine months". This is the same thing as saying that the salespeople are discovering the sales opportunity too late in the sales cycle. In competitive selling (is there any other kind?) there is no substitute to beating your competition into the early discovery of an opportunity. How do you achieve this? – by making salespeople tune in to digging out the customer's intentions to buy. As we will see later, the essential sales skill that will make this happen is **probing**.

Points to Remember:

1. Make sure that your sales and marketing team clearly understand the difference between a lead and an opportunity.
2. The unqualified lead belongs to marketing; the Identified Business Opportunity (IBO) belongs to sales.
3. Sales automation should have built-in methodology to guide the sales representative through a questioning process to qualify consistently across the sales team.
4. As soon as the lead becomes an opportunity you are at the beginning of the actual sales cycle (as we will see later, a sales opportunity has more than one sales cycle!).
5. Trying to gain sales by "servicing the account" is not an alternative for aggressively digging out and identifying sales opportunities.

3

DISSECTING THE SALES OPPORTUNITY: WHAT ARE THE IMPORTANT ELEMENTS THAT DEFINE IT?

We've stressed the importance of the sales opportunity. Whether you are using sales automation or not, the number one challenge for any salesperson is staying on top of their portfolio of IBOs. Each IBO will need its own unique sales strategy for winning the sale. Organizing a list of opportunities, as we shall see, is a tough job. Invariably, if times are good, the sales person will have more on their plate than they can handle – it's easy to reach the point where activity is addressed toward "putting out fires" rather than adopting a systematic, calculated approach to making new sales. When a salesperson is operating in this mode, there is always an underlying fear of applying effort in the wrong place and begging the question, "if I had only worked harder on that one would I have got it?"

This is a situation where technology (sales force automation) can help. If we can characterize the essential elements of the sales opportunity, we can load those elements into a computer and get the computer to do what it is best at – sift and sort a lot of information and come up with the best way of doing things. Most salespeople these days have a computer (*even if it is a small one!*), but are they using it effectively – in this kind of direct way – to help them use their precious resources to win more sales?

It turns out that most sales automation solutions concentrate on managing lists – lists of contacts, lists of accounts, price lists, and more. Yes, this can make the salesperson more efficient, although many still prefer to keep their lists in the most flexible format of all – paper. But paper is dangerous, it accumulates fast and things get lost in those lists – it is difficult to distil the information in the list down to basic knowledge.

In fact, we're going to find out in Part Two that understanding the sales opportunity in depth is quite difficult – there are lots of issues to draw together to get a complete picture of what goes on in the sale. However, if we can build an accurate picture of the opportunity that the computer can understand, the pay-off is huge. A great deal of the salesperson's burden of deciding where to go next can be taken care of by the computer assistant. We hope that after reading our analyses in this book that you will wonder how anyone in sales can possibly get control of the myriad of details needed to understand scores of current sales opportunities without a computer. Of course, the human brain is the best computer of all, and good salespeople are effective at organizing their selling priorities in their heads. But most would agree, that if there were a reliable, accurate source of advice that they could lean on – in the shape of a computer – they would use it.

When we look at the sales opportunity in detail there are four basic elements that describe what's going on. They are as follows:

1. The Sales Cycle

We've said before that this is very important, as the definition of a sales cycle implies that we have recognized the existence of an opportunity. The sales cycle defines how much time we have to do our selling and therefore has a bearing on how the opportunity should be prioritized. If we

have four months left before the customer buys we may be able to take a breather – but if we only have one week we need to move. We have to learn to judge the length of the sales cycle, and to be aware that it may change through the sales process.

2. The Probability

Sales opportunities have to be “graded” – some have greater value to the salesperson than others. One of the most important grading devices is the probability. The probability is an assessment of the likelihood that we will ultimately win the order. It is one of the most difficult measurements of the sales opportunity for the salesperson to get right – and so much hinges on it.

3. The Priority

Priority is a measure of the attention that one opportunity needs over another. If you have fifty opportunities to manage, it would be good if you had a dependable way to list them in order of priority, so that you could move from the top to the bottom of the list in order of importance.

Priority should not be equated with probability – some sales automation products do this. They say that opportunities with the highest probability of being won should be worked on with the highest priority. We’ll demonstrate that that is not true. There are other factors that contribute to a correct determination of a priority value. If you can get the priority values right, you confidently work your prioritized opportunity list from top to bottom

4. The Sales Environment

Sales cycle, probability and priority are straightforward to understand, and are described easily in numerical format. For instance, our sales cycle may be six months, our probability is 80%, and our priority is level 3. Things get tougher with the sales environment. Sales environment is a catchall term that describes **everything** that has relevance to the ultimate outcome of the sale.

Knowing the sales environment demands that we have knowledge of all the facts, nuances and uncertainties surrounding the sale. In reality that’s impossible, but the closer we can get to it the better. In fact, it is not such a daunting task because a fairly small number of issues have a big influence on the sales environment and we can get the answers to these issues using the basic selling skill of **probing**.

Once we start to learn what the sales environment is, we can actually start to influence it using our other selling skills – in a way moves it more in our favour. We influence the sales environment using the selling skill of **proving**.

Actually the sales environment contains all of the information necessary to get the data for the sales cycle, probability and priority – the information is contained in just **three** pieces of critical information, which we call the **IBO Essentials**.

If we tell the computer what the sales environment is, it can help us strategize the sale, using a unique piece of technology called the **intelligent response**.

In Part Two we will develop the method that is behind these four important elements of the sales opportunity. It actually forms a logical story that is best read from beginning to end, so read on!

Points to Remember:

1. To use sales automation effectively the sales opportunity has to be described in a way that the computer can understand. This involves breaking down the opportunity into four critical elements.
2. One of these elements is the sales environment, and it provides the data needed to calculate the other three.
3. If the essence of the sales environment can be put into the computer, the computer can assist in developing the strategy to win the sales opportunity.

Part 2

UNDERSTANDING THE SALES OPPORTUNITY:

The Sales Cycle

4

ASSESSING THE SALES CYCLE: HOW MUCH TIME DO I HAVE TO SELL?

Managing the sales cycle is the most important core competency of selling. To do it right means the salesperson has to be very aware of how long the sales cycle is – in fact they should hone their skill of discovering sales opportunities as early in the sales cycle as possible, as well as predicting when the sales cycle will end (when the customer purchases).

The Start of the Sales Cycle

This is when the customer has started the buying process. Figuring out when the sales cycle **starts** is a little easier (although not much) than predicting when it will **end**. Clues from the customer are statements such as: "Please send me literature, I'm going to ask Management for funds to buy something like this." A less obvious indication might be: "I don't know if this is the way to go – I think I will find out what other companies are doing before proceeding." Be careful about this sort of statement from the customer – it looks as if this may not turn out to be a sales opportunity (with an associated sales cycle), but should be recorded as a **long-term lead** for future follow-up.

When the salesperson has decided that the customer has plans to buy something then they have discovered a sales opportunity. The day they discover the opportunity and enter it into the sales automation system is the start of the sales cycle. As we shall see later, this is the start of the **actual** sales cycle.

Predicting the End of the Sales Cycle

Once you've established the start of the sales cycle, it's important to predict when the sale will end (i.e. when the customer will award the order). This sort of evaluation requires some foresight; you may have to guess six or eight months into the future. Not only is it important to determine the length of the sales cycle when it is about to start, it is important to continually update the time remaining as the cycle progresses. Too often this is forgotten, and the sales person risks losing track of when business is going to come to fruition. The further you are from the actual end of the sales cycle, the more difficult it is to forecast it accurately, however, whether it is five, six or seven months from today does not affect the benefits that sales automation can provide. As we get nearer to the end of the cycle (weeks away) accuracy becomes more important, and it is important that you use your probing skills to get the best handle on when the customer will make his decision.

PROPOSITION:

PREDICTING THE END OF THE SALES CYCLE IS ONE OF THREE IMPORTANT EVALUATIONS OF THE IBO – IBO ESSENTIAL #1 IS "WHEN WILL IT HAPPEN?".

When the salesperson enters the start date of the opportunity into the sales automation system, they also have to enter the date that they **expect** the sale will conclude. With these two dates the computer is able to calculate the duration of the sales cycle. Sometimes the date of

conclusion of the sale is referred to as the **close date**.

The salesperson should always try to ascertain what the sales cycle is for the current sales opportunity that they are working on. In some cases, it will be significantly different than what they've experienced in the past. Although the sales cycle has an **average** or "natural" length, there are cases of abnormally short or long sales cycles for the same product. The sales cycle tends to be shorter when the customer expresses a sense of urgency. The signal for this might be: "my color copier just blew up after ten years of operation and my business will not survive without a replacement – I have to buy now!" By contrast, a long sales cycle might occur when funds are difficult to get, or when the customer's needs are low.

Sales automation done right will always require you to enter the **expected date** that the sale will conclude at the point that you first enter the opportunity. It should also require you to continually update the expected date as the sales cycle develops.

Why do we need to know the Sales Cycle Length?

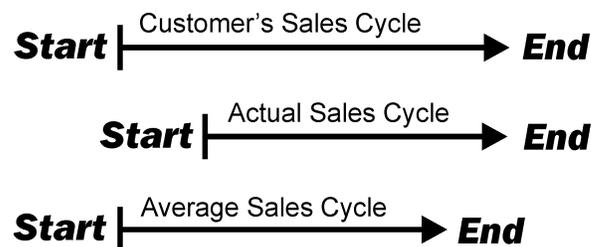
Why does your sales automation software need to know the sales cycle length? The most obvious answer is for accurate forecasting – any company worth its salt is forecasting at least three months in advance and some go further. It's tough to get precise forecasts out further than three months. But beyond that estimates of future business, although out by a month or two, are still very useful for planning purposes.

But, we propose the most important reason is that if your computer knows the amount of time that you have available to sell your product it can understand what fundamental skills you should be using at a given point in the sales cycle and advise you accordingly.

As mentioned earlier it's easy for the sales person to lose track of his opportunities if he is not sure of where he is at in the sale. Sales automation is able to provide much added functionality and usefulness if the sales cycle length is updated and accurate.

The Three Sales Cycles:

Three? – I can hardly cope with one! It is important to recognize that the "**actual**" sales cycle, the one the sales person sees, may be different than the "**customer's**" sales cycle. The customer's sales cycle is the full duration between the date the customer became interested and the expected date that a buying decision will be made.



There Are Three Sales Cycle Lengths – Make Sure That You Are Aware Of Which One You Are In

Since your sales cycle begins only when you become aware of the customer's intention to buy (they may have made this determination months before you came onto the scene), your sales cycle length may be **shorter** than the customer's sales cycle. For example, if the customer

waited two months before contacting you about a product with a six-month sales cycle, the “actual” sales cycle will be six months, and the customer’s sales cycle would be eight months. A shortened sales cycle means that you must have less time to sell – and makes your life more difficult. This is why continual interactions with your potential customers are necessary – to discover new opportunities early.

No salesperson is perfect. It is not always possible to discover the sales opportunity in its very early stages. For this reason, even if the salesperson is selling a the same product over and over again, the sales cycle of each opportunity will vary greatly – this has a great impact on the way we prioritize opportunities, as we will see later.

One more sales cycle is worth remembering. The **average** sales cycle length is the average length it takes to complete the buying process taken over historical data for a product. Usually the sales team gets a feel for this. The sales automation system makes it easy to accumulate data that continually updates this parameter based on historical data. In which case the computer is able to warn you if the sales cycle length that you have entered is way different to the average. There could be reasons that this is the case. You could be late into the sale. You could also be too early into the sale – maybe this is not really the start of the buying process. Or, more importantly, you may have made an error in entering the expected date of conclusion into the computer.

Influencing the Length of the Sales Cycle?

Can the salesperson use his skills to change the length of the sales cycle – specifically shorten it? Many sales automation systems claim to assist in doing just that. Shortened sales cycles mean more orders won. But be careful, in most cases it is not possible for the salesperson to have a significant impact on when the sales cycle will finish. Why, because the customer is in charge – and they are determined to get the best deal. This means that in the majority of cases the customer will invite competition. The competitive sales process plays out in its own time – proposals have to be reviewed, products evaluated and careful buying procedures followed. Most often it is not possible to circumvent this process.

There are situations where the sales cycle can be shortened. For instance, you may have a solution that is unique and stands head and shoulders above the competition’s. You may have an outstanding differentiator that cannot be matched – in which case the customer may be prepared to stop the normal procurement process and quickly make the decision to decide on your product. You can also affect the sales cycle by being there first, before the customer realizes there are competitors – the customer may like you and your product so much that he decides to go no further and awards you the business.

Points to Remember:

1. For sales automation to return maximum benefit, it is critical for the sales person to gauge the length of the sales cycle as accurately as possible - at the start of the sales cycle.
2. Also the salesperson must be always conscious that the date that the sales cycle concludes may change, and should enter in revised predictions of this date as the sales opportunity develops.
3. The sales cycle that we are selling in is the actual sales cycle – if the customer started the buying process months earlier, we may have a hard road ahead.

5

CUSTOMER INTERACTIONS: A KEY ELEMENT OF THE SALES PROCESS

Time is the essential element of the sales cycle. The length of the sales cycle is measured in time, and what happens during this period of time totally determines whether or not we win the sale. This is why management of the sales cycle is so important – this is the **only** time we have to win this opportunity. So often, because of late discovery, the opportunity presents us with a shortened, compressed sales cycle in which we have to demonstrate our selling skills.

The Sales Process

What happens in the sales cycle is referred to as the “sales process” – a term much overused and misunderstood. The essence of the sales process happens in **communication** between the salesperson and the customer. The communication takes place in a well-defined set of customer **interactions** at certain points of time throughout the sales cycle. Through these interactions the salesperson should use his sales skills to follow strategies that have been put in place to win the sale. Many customer interactions will occur outside the scope of the sales opportunity. An example would be if the salesperson makes a routine call to find out if the customer is happy with the latest delivery of product. This interaction is not directly affecting a current sales opportunity, although it may be improving the salesperson’s chances for future sales. Here we have the first indication that customer interactions may come in different flavours.

The clock starts ticking, signalling the beginning of the sales cycle, and interactions between the salesperson and the customer begin. Selling takes place in these interactions – the salesperson is attempting to do a better job than the competition, the objective being to win the sale. Many interactions are needed to win the sale – sometimes (if you are lucky) you can win a sale with just a few – but in general, the more customer interactions the better. It turns out that in most opportunities a minimum number of interactions are needed to win the sale. This is simply an issue of the need for the customer to learn from you (and your competition) the details of what is being offered – and then to digest and compare all possibilities, in order to make up his mind.

How Interactions Occur

Customer interactions can be classified as one-way or two-way. The most obvious two-way interactions are direct face-to-face meetings with the customer. This is the most preferred way to sell. There is no better way of assessing the true feelings of the customer than face-to-face contact. Each party can address the issues as brought up by the other – in real time. Phone calls are another example of important two-way interaction. It could be argued that a “live chat” via the Internet could also be a two-way interaction – the effectiveness being determined by the typing speed of the participants!

In contrast, a one-way interaction is when one party contacts the other without knowing if and when there will be a response. Examples of this would be letter, e-mail or voice-mail. These

interactions are not as valuable as two-way interactions as it is not possible for those initiating the communication to gauge the response of the other party.

There are other types of important one-way interactions, for instance, sending the customer a quotation or a proposal. This kind of interaction is especially important as it represents a key step in the sales process. As we see next, we need to distinguish this type of interaction from others, in order to leverage the direct benefits of sales automation.

Critical Interactions

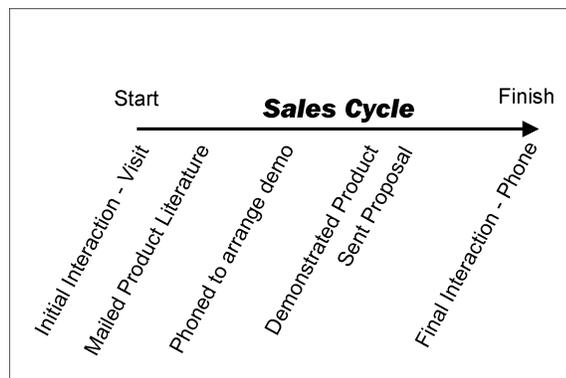
The interaction is the basic building block of our store of knowledge on our customer. Because of this we need to treat the information gained from the interaction with care in our design of our sales automation technology. A hint on how to do this comes from recognizing that not all interactions are created equal.

Some customer interactions have more impact on the usefulness of SFA than others. Remember, we are asking salespeople to record the essence of most interactions they have with the customer. To get the sales team to buy into this extra effort the SFA system should provide some real returns. It can do this more effectively if the salesperson does a simple **classification** of the interaction when he enters it into the computer.

The first category of interaction is the most important – so important that we label it CRITICAL.

Definition: Critical interactions contribute to the understanding of the sale and help shape our strategic direction.

The strategic direction is one that leads to a win for us – **if** we enact the right strategy! So the information that we get from critical interactions with the customer is fundamental to creating knowledge that we use to plan the sale.



The Critical Interactions That Occur Throughout A Typical Sales Cycle

The diagram shows some of the critical interactions that might occur in a typical sales situation. Almost certainly there will be more than this – but with all sales cycles there will be a certain number of critical interactions, of different types, that will form the skeletal framework of the sales process.

Critical interactions are the stepping-stones in the sales process – the information and knowledge that we glean from them provides the intelligence that we use to form the strategy for

winning the sale.

Tagging an interaction as critical gives the computer the ability to associate it with a particular sales opportunity and sales cycle. It's then much easier for you (and the computer) to cut through a clutter of extraneous information to see the essence of the real progress that is happening in the sale. This concept is very important if you want to use sales automation effectively.

(Note to Palm users: We suggest that you store notes on critical interactions in the notepad available from the IBO form – in this way you will be able to quickly see the progress that is occurring in the sales cycle)

A critical interaction does not have to deliver positive information to the salesperson. Consider this example: "I called the customer and he told me the competition did a better demo than us." This information is negative to the cause of the sales team – but that's OK; it's better to know what is going on. The sales team can look at this information and improve or change their strategy. Maybe another demo or the demo of another product will swing things around.

A critical interaction is usually two-way, but there are exceptions. For instance, it's one week away from close in an important sale that you feel that you have lost to the competition. As a desperation measure the sales team decides to call the customer to offer a massive discount on the product that has been proposed. The customer is unavailable by phone. An e-mail is sent outlining the tremendous deal that the customer would now be getting. This e-mail should definitely be recorded as a critical interaction. It has the possibility of affecting the outcome of the sale – although this will not be known until the customer reacts to it.

Non Critical Interactions

It goes without saying that all interactions other than critical must be non-critical – that does not mean in any way that they are not important (although some of them may not be).

Non-critical interactions, on the other hand, don't provide information about a particular sales opportunity, but they can provide useful insight that could affect our overall knowledge of the customer – knowledge that might be valuable in winning future business. Examples of non-critical interactions that would be very important to record: "I found out today that the budget for copiers is doubling over the next twelve months", or, "the engineering department is closing down next year because of the downturn in auto sales". Both these pieces of information could have a profound effect on future sales, and should be recorded so everyone in the company who might be affected can share the news. Once again, the information is important, but under our definition of critical, do not affect the strategic direction of a current sales opportunity.

We're going to take this exercise of classifying interactions one stage further – not all non-critical interactions are important, but we still may want to record them! Often, these are one-way interactions that are uncompleted, "I called Dr. Smith, but he was not there". Many salespeople like to record this kind of information for their own peace of mind – proving they are active, even though there are no tangible results. In general this information is not important for the company or the sales team to see, but may be needed purely for the salesperson's record keeping. The problem is that these unimportant (or trivial) non-critical interactions can quickly subject the system to information overload. Critical interactions get hidden in the mire of too many calls to Dr. Smith, only to find that he is not there!

If this kind of interaction is trivial, why do we need to record it – especially if it clutters up our precious customer knowledge store? The answer is we don't, but be careful. Calling Dr. Smith

between 8:30am and 9:00am for five days in a row, and getting no reply, could present us with the knowledge that Dr. Smith never gets to work until 9:30am, and that he might be easy to reach after that. So, mixed up with all this non-critical unimportant chaff maybe some useful knowledge about the customer. There is a way to deal with the problem of clutter, and that is to tag or classify the interaction when it is entered into the sales automation system – then later we can filter out the stuff that obstructs our view of the big picture of our opportunity or the current status of our company with the contact or the account. This last sentence suggests that there could be two different ways to view our historical store of customer interactions – and indeed there are.

Opportunity or Relationship Focus?

We said earlier that the customer interaction is the basic building block of the company's library of knowledge on the customer – therefore, **every** interaction contributes in some way to the effort to learn more about the customer – the vision spelled out in the Customer Relationship Management philosophy. If we record the interactions and review them regularly, we will get important knowledge on our **relationships** with those people and organizations we want to be our customers. Again this is true of all interactions, critical and non-critical.

Critical interactions are especially important because not only do they contribute to our understanding about relationships, they have been singled out to tell us something about specific sales **opportunities**.

Your sales automation system should know which interactions are critical, and should provide two parallel tracks to ensure selling success – one track monitoring the progress of developing and monitoring the CRM vision of the company – and the other providing a concise picture of the interactions that form the strategic pathway in a sales cycle.

PROPOSITION:

SHOWING THE INTERACTIONS IN THE CONTEXT OF THE SALES OPPORTUNITY TO WHICH THEY BELONG MAKES IT EASIER TO STRATEGIZE THE SALE.

Points to Remember:

1. Not all information is created equal – your sales automation system should be discriminating in accepting, tagging and storing the information you enter. It should question you about the relative value of the data being entered.
2. The most essential interactions to record are those that give you insight as to how the sale is progressing – we call these “critical”. In *sales automation done right* critical means that the interaction is **specific** to a current sales opportunity and produces information necessary to plan a sales strategy for that opportunity.
3. The sales automation system should present the opportunity with its associated critical interactions in a way that reinforces the progress of moving through the sales cycle.
4. In determining which interactions other than critical to record, remember; too much information often blocks the essentials and becomes a data entry nightmare.
6. All customer interactions provide useful information about the company's relationship with the customer (they have a **relationship focus**). Some also provide additional knowledge that we can use in sales strategies for specific opportunities (they have a **relationship focus** and an **opportunity focus**)

6

FUNDAMENTAL SKILLS OF SELLING: ONLY THREE? – TELL ME MORE

We're developing a story about what happens in the sales cycle – a story that can be used in our sales automation system to help us get more sales. We've defined the length of the sales cycle, and proposed that customer interactions are an essential part of the sales process – and that some customer interactions are more important than others. What's next?

The interactions between the sales representative and the customer are where the actual selling happens. In front of the customer we use our selling **skills** to progressively build a case on which to win the sale. Why are we talking about selling skills in a book on sales automation? Because, if your sales automation system does not care about selling skills – it should. The most neglected functionality in sales automation products is the ability to proactively assist the salesperson to hone their selling skills. For this to happen the computer has to know what should be happening in the sales process. A fundamental part of this understanding is knowing which selling skill is called for at any point in the sales cycle.

There are many excellent sales systems – training courses, lectures and books - developed by sales gurus. Each professes to have dreamed up a new way to turn the sales force into a competitive dynamo that will grind down any competition. Some companies send their salespeople for sales training on a regular basis – and a lot of companies don't. Perhaps the reason is that it is not guaranteed to work. If the ideas and methods that were taught were conscientiously used and reinforced through regular ongoing training, the success factor may be more lasting. But often the good advice gradually dissipates a few months after the company has invested in sending the sales force to the classes. We can't escape the fact that underlying any fancy sales system are the basic principles of how to sell, principles that have been proven through years of trial and experience. Unless you master the basic building blocks of the sales process, any methodology "layered" on the top will be useless.

So here's a better way – immerse the sales force in a "**best practice**" selling culture by embedding that culture in the productivity tool that they are all craving for – the computer. The methodology has to be **in-their-face** every day. What better way of achieving this than to have the sales methodology inculcated in the software - the software plays out the method - the method is sympathetic to (in sympathy with) the software.

The Fundamental Skills

What are the skills of selling? In fact there are very few fundamental skills – *sales automation done right* recognizes just **three**.

PROPOSITION:

THERE ARE ONLY THREE FUNDAMENTAL SKILLS OF SELLING, ALL OTHER SKILLS ARE SUBSETS OF THE THREE FUNDAMENTALS.

Of course, life is not so simple, and the ability to implement these skills flawlessly needs practice, experience and the ability of the salesperson to draw on a host of lesser skills needed to

implement the fundamentals. To see the three fundamental skills in action we must realize that all selling follows a well defined sequence as the sales cycle progresses:

First We Probe

Remember we are in sales, and we are talking about an opportunity (or IBO). The marketing department has already done the prospecting, maybe in conjunction with ourselves – if we are wearing our marketing hat. It's here, the preliminary phase of the sales cycle. What we do now will have a big influence on how the rest of the cycle shapes up for us.

We can't try to sell anything to a customer unless we know what he wants. It sounds obvious, but it is surprising how often salespeople do exactly that. To develop a strategy to win the sale you have to know **all** the facts, issues, emotions, politics and everything else that could affect the outcome. To find all this out we need to ask, question, listen, examine and watch. This skill is called **P-R-O-B-E-I-N-G**.

When we probe, we establish the needs of the customer. Then we are in a good position to gauge which of our product offerings would be the best fit (if any). Until we know **exactly** what the customer needs, we cannot set ourselves up for the full impact of the next fundamental skill. As we will see later, we don't suddenly get the essence of what are the needs of the customer. It may take many interactions and a lot of time in the sales cycle to establish this. Then there is the possibility that the customer himself doesn't even know what he wants. If that happens we don the hat of business consultant and assist with formulating the requirement. In general the process of probing takes up a lot of time in the sales cycle – more than each of the other fundamental skills.

Then We Prove

As we move on through the sales cycle the customer's needs become more clearly defined and established – because we are probing. We then have information on which to base the presentation of our product to the customer – the skill with which you do this is called **P-R-O-V-E-I-N-G**.

Proving means **telling** our story. The impact of the story depends on our ability to satisfy the customer's requirement with the product or service we are offering. Proving also involves the techniques of persuading and convincing. To do this effectively, you must not only be intimate with your own product but also with those of the competition.

The customer is bound to have objections with some of the aspects of your proposed solution. Your proving skills will be needed to unearth the objections, bring them into the open and negate them, if possible.

Then We Close

At some point in the sales cycle, you have proven the majority of the benefits of your product to the customer – and the customer has enough information to make a decision on the product that he likes most. At this point you must overcome any barriers that may exist to the customer awarding **you** the business – “if my product does everything to satisfy your needs, will you give me your business?” This skill of **testing** the customer's final intentions is called **C-L-O-S-E-I-N-G**. The eventual goal of closing, of course, is that the customer indicates that you have the ideal solution for his needs and that he will give you the order. Before this happens, you may have been through a sequence of interactions of **asking** for the order, only to be confronted by barri-

ers that the customer perceives in going ahead with the purchase. These interactions are called Trial Closes – and you need them to seek out and handle any objections that the customer has toward taking your solution.

There we have it, PROBE, PROVE and CLOSE, the three fundamental skills of selling – the better you master them, the greater the chances that you will win – the competition will be using the same skills against you.

Using the Skills in Customer Interactions

More than one skill is invariably used in a single customer interaction. The skills are not used uniquely and independently of one another. Look at this example of a first meeting with a customer:

YOU: “Good morning Mr. Smith, your colleague has told me that you have an immediate need for a high throughput colour copier? (P-R-O-B-I-N-G)– I’m from the Copy Factory and I think I can help you . . .

Mr. SMITH: “Who is the Copy Factory?”

YOU: “The Copy Factory has been in business since 1972 selling high quality copiers to . . . (P-R-O-V-I-N-G)

In this meeting with the customer the probing and proving skills are used - and, notice, this is the first meeting with the customer (he doesn’t know who you are).

As we get to the end of the sale, all three skills are used – but let’s wait until a bit later to talk about that . . .

So the skills are used with different **degrees of focus** during the course of the sales cycle.

Points to Remember:

1. Sales automation systems must take into account selling skills – and the way that they are used in the sales process – as the sales cycle is played out.
2. *Sales automation done right* defines three fundamental skills of selling – the foundation on which all other skills are based.
3. The fundamental skills are used with different degrees of focus at different points in the sales cycle.

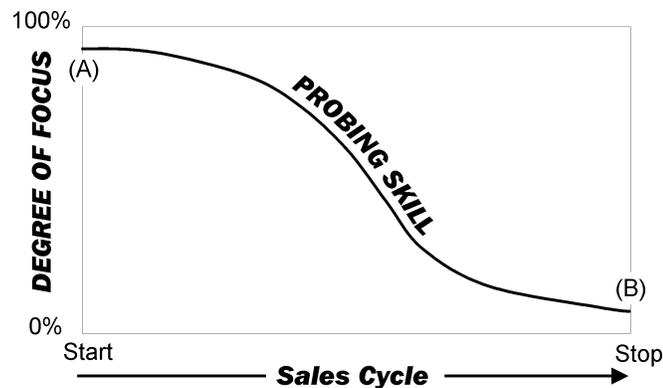
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THE THREE PHASES OF THE SALES CYCLE: AT THIS POINT IN THE SALE, WHICH SKILL SHOULD I BE USING MOST?

How are the three fundamental skills of selling used as the sales cycle evolves? It turns out that each one of the skills is used to a greater or lesser degree according to the where we are in the sales cycle. It's interesting that the pattern in which the skill is used is much the same for all types of selling. Let's investigate this further, beginning with probing.

Probing in the Sales Cycle

Look at the picture: what we are trying to show is "how much" of the probing skill should I use at a point in the sales cycle. This is shown by the vertical axis labelled "Degree of Focus".



The Probe Curve

How much probing skill I use in any one customer interaction is defined by the degree of focus – if it is 50%, then I am probing 50% of the duration of a particular interaction. We can see that at a point roughly halfway through the sales cycle the focus on probing should be about 50%.

Let's assume we visit a customer that we have never dealt with before – we call on him because the marketing department has given us a lead to say that he has an interest in our products. Early in the visit we learn that the marketing department was right, and the customer is indeed planning to buy a product similar to ours. We have discovered a sales opportunity, and this is the start of the sales cycle. *Sales automation done right* defines that an IBO always starts with an initial interaction (for accurate qualification, there has to be discussion between the salesperson and the customer).

We start to ask questions to see what the customer has in mind. Does he know anything about our product? – about us? Does he even know whether this type of product (from us or the competition) will do what he needs to do? We have to P-R-O-B-E. We know nothing about the customer or his application; therefore our degree of focus on probing must be high. On the first

interaction in the diagram (A) it is around 80%.

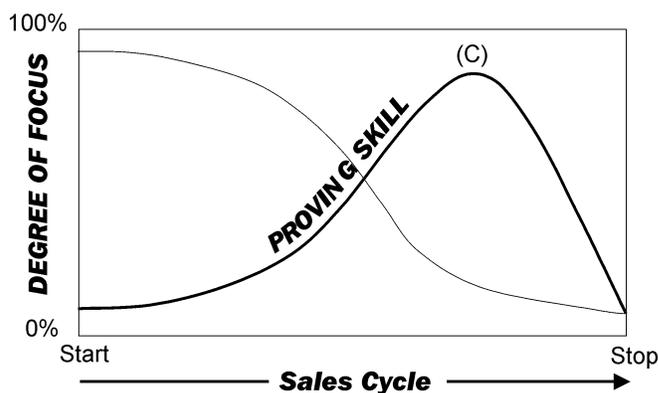
We have more and more interactions with the customer in the sales cycle. As time moves on, we learn more and more about the customer, his requirements and all of the circumstances surrounding the sale. In other words, the more we learn, the less we have to use our probing skill. So usage of the probing skill drops off gradually until it is at a minimum at the end of the cycle – interaction (B), about 10% probing.

Bear in mind we have shown a continuous curve representing the degree of focus – life does not happen that way. The curve means that if you pinpoint a particular interaction in the sales cycle and draw a line vertically to intersect the probe curve, you will get the rough level of probing you should be using at that time in the sales cycle.

There's another feature to note with the probe curve – it doesn't start to fall off rapidly until we get almost half way through the sales cycle. In other words we should spend a lot of time establishing the customers exact needs and all the issues that might influence our chances of getting the sale.

Proving in the Sales Cycle

The next picture shows the way the prove skill is used in the sales cycle – we've left the probe curve in the background as it helps to see what's going on.



The Prove Curve

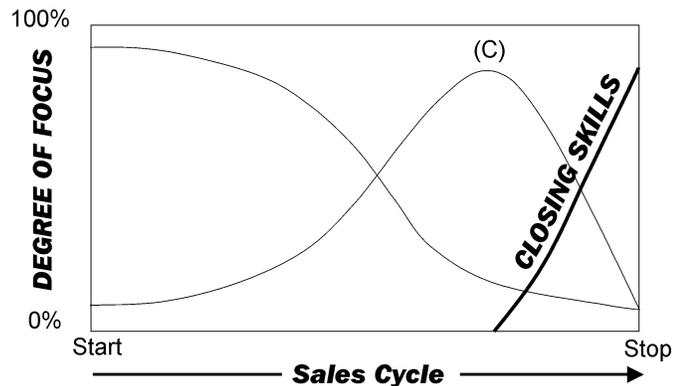
Let's begin again at the first interaction (A). As we saw, probing is the dominant skill used – but there will inevitably be some proving. The customer will ask some questions of you, such as how long has your company been in business, or do you have local service? To answer these questions you must P-R-O-V-E. We can see that the degree of proving in the first interaction is about 15%. As we move along in the sales cycle we are learning more and we can start to use our proving skill. In fact what the diagram shows is that as more and more interactions occur with the customer, we start to increase our use of the proving skill at the same rate as the use of the probing skill decreases. That's not too difficult to understand – as we learn more about what's needed we can start introducing aspects of our ability to fulfil the need.

Soon we find that we are proving more than we are probing. We have to prove until the customer has virtually all the knowledge of our company, product or service to make a decision to buy from us. This happens roughly three quarters through the sales cycle (C). At this point we have reached the point of maximum usage of our proving skills – the customer has learned

enough – so why don't we start to ask him for the order? At this point the amount of proving that we have to do decreases until the lowest level at the end of the sales cycle.

Closing in the Sales Cycle

As soon as we have proved enough for the customer to make a decision to purchase, the skill of closing can begin (C). The diagram shows how the focus on closing continues to rise in the later stages of the sales cycle, until it reaches a maximum when the customer finally decides to award the order. It's interesting to see that while we are closing we are also using the skills of probing and proving. Let's see how. You are visiting the customer and you feel that he should be prepared to place an order for your product:



The Close Curve

YOU: "Now that you have tried the Copier 2000 successfully for a week in your office, can I place an order for you, to get you one before Christmas? . . . (C-L-O-S-I-N-G).

Mr. Smith: It performs very well, but my support manager thinks the footprint is too large for the new copier room . . .

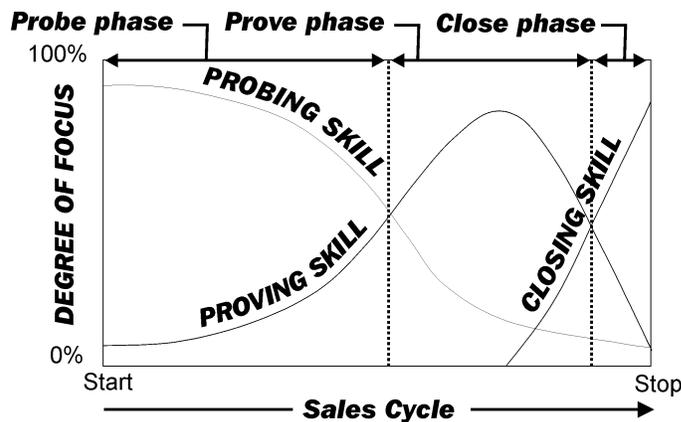
YOU: "Who is your support manager? (P-R-O-B-I-N-G) – maybe you would introduce me so I can describe our moveable Copier 2000 cart that frees up desk space . . . (P-R-O-V-I-N-G).

Actually Mr. Smith raised an objection – the footprint was too large. With some probing you were able to find a way to overcome the objection by proving.

The Three Phases of the Sales Cycle

We've described how the three fundamental skills are used throughout the sales cycle. There is one important fall out from this thinking – one of the three fundamental skills is always dominant in a particular phase of the sale cycle. This idea leads to a very useful concept for the application of technology to sales.

Again let's look at the diagram: As the sales cycle progresses from the starting point, we reach a point where the degree of focus for the proving skill crosses the degree of focus of the probing skill. This point defines a phase transition – we have moved from the first phase of the sales cycle, where probing was dominant, to the second phase where proving is dominant. This first phase is called the PROBE PHASE.



The Three Phases Of The Sales Cycle

The proving skill continues to be dominant until, as the diagram shows, the close skill overtakes it in terms of degree of focus. At this point we have moved from the prove phase to the close phase. During the close phase all three fundamental skills are used, but the closing skill is dominant.

PROPOSITION:

THE SALES CYCLE CAN BE LOGICALLY IS DIVIDED INTO THREE SEQUENTIAL PHASES IN WHICH ONLY ONE OF THE THREE FUNDAMENTAL SKILLS OF PROBE, PROVE AND CLOSE DOMINATES.

Therefore we can divide the sales cycle into three consecutive periods of time called the probe phase, prove phase and close phase. This simplification turns will turn out to be very useful.

The probe phase occurs first and typically is 50% of the sales cycle. Next is the prove phase at 35%, and finally the close phase at 15%. The absolute values of 50%, 35% and 15% are not critical but experience shows that the majority of sales cycles follow this pattern – usually it is sufficient to recognize that the probe phase is longer than the prove phase, which in turn is longer than the close phase.

The Relevance of the Three Skill Phases to Sales Automation

The real importance of the past few pages is that we have developed an elegant way of removing the issue of time from the sales cycle. We've achieved this by saying that all sales cycles, no matter whether it's one that is six weeks long, or one that is six months long will have three distinct phases. In each phase we use one of the fundamental skills. A specific phase is always the same percentage of the sales cycle (50% for probe, 35% for prove, and 15% for close). So, with the six-week sales cycle, the probe phase is three weeks, whereas for the six-month sales cycle the probe cycle is twelve weeks. All the salesperson needs to know is, at this point of time in this sales opportunity where should I be focussing my skills?

Once we have told the computer the sales cycle length by entering the start date and the expected date of completion of the IBO, then the computer will always know which of the three skill phases that we are in and therefore which fundamental skill we should be predominantly

using. This can be one element in a powerful way to organize opportunities to prioritize where we should spend our time.

The logical order for usage of the skills in the sales cycle is to PROBE first, to PROVE second and to CLOSE last. Any pattern that changes this order in the sales cycle inevitably leads to problems. For instance, it is bad to try to prove the benefits of your product before you have sufficiently discovered the customer's needs. It is even more dangerous to start to trial close the customer before he feels comfortable in knowing the benefits of purchasing your product. Proving has to be done gradually and persistently as the sales cycle progresses until at some point the customer has enough information to comfortably make a decision. At this point the skill of closing should come into play, and should be ramped up until the order is won.

This description of the way we handle the sales process is not new – the skills we have described are the natural skills associated with selling something to someone. We have only scratched the surface of defining what the basic skills are – going into detail on how to perfect the skills and their usage is the subject of another book. But what we have done here is describe the way using the fundamental skills in the sales cycle can be understood by the computer. But as we see later this rather idealized way of representing how a sale is conducted lends itself ideally to *sales automation done right* – and provides a big payback in helping us win more sales.

Working consistently through the Sales Cycle

The sales cycle must be worked with the same degree of energy in each of the skill phases. This should not be confused with using the fundamental skills equally throughout the sales cycle – as we have seen, that is not what should be done. But we should be as active in the probe phase as we are in the prove phase and the close phase. Many sales representatives make the mistake of spending too much time in the later stages of the sales cycle and not building a firm foundation for the sales by paying attention to the probe phase.

It goes without saying that mastery of all three fundamental skills is necessary to win the sale. We must allocate our time and resources consistently throughout the sales cycle. This idea also has important implications when reviewing that long list of sales opportunities and deciding which one to work on first.

Points to Remember:

1. Using the idea that there are just three fundamental skills of selling, leads us to the idea that the sales cycle can logically be divided into three phases. In each phase, one of the fundamental skills will be dominant – it will be used more in customer interactions than either of the other two.
2. Dividing the sales cycle into phases in which we use a dominant skill provides a valuable device to “normalize” the effect of time – enabling the sales automation system to make sense of a portfolio of opportunities of widely varying sales cycles, each at a different point in their progress.
3. *Sales automation done right* assumes that you are paying as much attention to the prove phase as you are to the other phases. The three skill phases of the sales cycle must be worked with the same intensity as the sales cycle evolves.

Part 3

UNDERSTANDING THE SALES OPPORTUNITY:

Probability

8

GRADING THE OPPORTUNITY: THE VITAL PERCENTAGE

The idea of the three distinct phases of the sales cycle is a natural fall out from the way the three skills are used, and the three phases turn out to be a convenient way to view a portfolio of opportunities with sales cycles of different durations. As we will see later, most salespeople are faced with managing such a portfolio. What we want to come up with now is a foolproof way of prioritizing this list of opportunities – and the three phase sales cycle is the first element in the equation to get us there. The second element is **probability**.

Each sales opportunity has its own unique value. The assessment of value is determined by the answer to the question, “how much time am I prepared to put into this one?” Our sales opportunities have to be organized using some kind of value system – it turns out that that value system centres around probability. There are many factors that contribute to the value of an opportunity, but the most important is probability. We don’t know that we are going to win a sale until it is won (or lost!) – there is always a level of uncertainty associated with the sales opportunity as to whether it will be won or not. Invariably the sales force will be asked to express this level of uncertainty in numerical format – is it 20%, or is it 80%?

Assigning probabilities to sales opportunities is a **grading** process – low grade being a poor chance of winning, and high grade meaning a good chance, or an easy sale. It is important to understand that the value of an opportunity (or its probability) almost always changes through the sales cycle. A good salesperson will always be working his opportunities to move them higher on the value scale. A sale that we think is hopeless at the start can eventually be won – through good selling and maybe some good luck thrown in.

The Probability

The probability answers the question “are we going to get this sale?” This means that the probability is a percentage number, such as 50%, 80% or 100% (the sales team very rarely puts down 100% as their chance of winning the sale – that would be jumping the gun a bit!). Actually because the probability is a number it poses one of the worst traps to the sales team – trying to get estimates on complex sales issues pinpointed consistently in numerical terms.

Why is everyone so concerned about assigning probabilities? What difference does it make that a potential sale we discovered today, and will finalize one year from now has a 30% or an 80% chance of being won by us – as determined today? Well, one reason we’ve already touched on – we need to attach a value to each of our sales opportunities. It’s important that we understand that some sales will be easier to get than others. A good way to value the opportunity is to assign it with a percentage chance of success. If we have a large list of sales opportunities to work with we have to put some organization into the list to try to determine where to work next. A very important point is that assigning probabilities can help the grading process but it is not all that is needed to reliably sort the opportunity list. We will see what else needs be done as we move into later chapters.

Another reason to introduce the idea of probabilities is because as a salesperson you are

going to be asked to produce **forecasts**. No company likes to work in the dark and will usually want to know how much business can be expected in the next few months, and maybe (less accurately) for the next year. Accuracy is maybe a bad word to be used in conjunction with forecasts, because forecasting is one of the most inexact sciences known to man. Sales opportunities now are the revenue of the future and good financial planning necessitates the sales force putting in their estimate of the amount of business they will book in the future. Companies do their forecasting in dozens of different ways but pretty well all of them mandate that some kind of probability is given to the individual sales opportunity. In fact, as the dynamics in the sales cycle are liable to change frequently, it's not unusual to be forecasting every month. This means that in a six month sales cycle the probability could be reassessed for forecasting at least six times.

It's obvious that the sales team needs a forecasting methodology – guidelines for the salespeople to use when assigning probabilities. Consistency is essential. You don't want the same salesperson forecasting pessimistically on Mondays and optimistically on Fridays. Also you want your forecasting to even out inconsistencies between different salespeople – because some will always be pessimistic and others optimistic.

Sales automation should help with the process of assigning probabilities – *sales automation done right* definitely does.

Problems in Assigning Probabilities

Sales automation programs should make it easier to develop good methods of assigning a probability to the opportunity, but very often don't. Let's take a quick look at the most common ways of handling probabilities:

Take the easy way out – ask the salesperson for a number between one and one hundred. The answers will come in all over the map. What is the difference between 43% and 35%, especially if the answers are from two different salespeople? Many systems operate this way, and the sooner you move away from them the better. The easiest way to smarten up this system is to severely limit the options, such as 20%, 40%, 60%, or 80%. The salespeople should also be guided as to the criteria for a given category. For instance, 20% may mean, "Wants the product – has a low chance of getting the money."

Another way is to "award" a percentage probability on reaching defined milestones in the sales process. For instance, you've done a demonstration, which is the fourth major milestone in the sales cycle – therefore you have an eighty percent chance of winning the sale. The concept of this method is based on past history of similar sales showing that if you get to this point in the sale, there is a certain probability that the sale will end in success. But nothing is taken into account about how well you have actually been selling until this point in this sale. The system might be designed around how well someone else did to get to this point in the sale.

Then there is the method in which the sales representative checks off answers to a series of questions as the sale progresses, such as "have you done a preliminary proposal?" "have you presented to the key decision-maker?" The sales automation program adds up the answers and awards a percentage chance of success based on a magic formula. The problem with this method is that it can become a data entry nightmare. If a salesperson has eighty open opportunities that he must update regularly through the sales cycle, then he cannot afford to enter any one of a possible dozen or so pieces of information to arrive at a probability. The accuracy of this method is also in question.

So, what's needed? Well, some method that depends on the sales representative's personal

evaluation of events surrounding the opportunity is probably best. After all there is no better judge of the results of the interaction than one of the participants! But our method has to “smooth” out all the possible results governed by the personality of the salesperson, his or her emotional state when they submitted their forecast, and dozens of other issues that affect a personal assessment of “will we win this sale.” *Sale automation done right* proposes a way to do this.

A Better Way to Do It

Let’s lean on the salesperson’s ability to judge the sale. And let’s measure his “gut feel” about whether the sale will be won or not. Remember, we are ultimately looking for a numerical value of the probability – but we don’t want to ask the salesperson directly for the number, because it won’t be consistent or accurate. Part of the answer lies in asking the salesperson easy but penetrating questions about crucial elements of the sale and to limit the number of possible replies. The other part of the puzzle is to compose the probability value from two totally unrelated questions concerning the sale. Notice that we are proposing asking questions that need answers in non-numerical terms. The computer will take the answers and compose the numerical probability.

The two unrelated questions are “Will it happen?” and “Will we get it?”

Will it Happen?

“Will it happen?” means, “will this sales opportunity go to completion?” Will it happen at all – even though the competition may win it? Many sales get started into normal sales cycles that do not make it to conclusion, maybe because of funding cuts, change in needs or the politics of the organization. Let’s ask the salesperson to answer the question “will it happen” and **limit** the answer to a choice of a high, medium or low chance. What’s more, we can provide the criteria for determining the answer by using the help system of our sales automation system.

Notice that the issue of “Will it happen” has nothing to do at all about whether we get the sale or the competition gets it. This is an estimation that we provide at various points in the sales cycle as to whether the customer will indeed do what he says, that is, buy something.

Let’s take some examples. This interaction is the initial one, in which the sales representative is first told by the customer of the intention to buy:

Customer: “This new technology looks interesting – I don’t really need it, but I’ll add it as an addendum to my budget for next year.” In this case, “Will it happen” is Low.

Customer: “I really need this new product badly, but my boss is tight with the budget these days – I’ll have to be very persuasive.” In this case “will it happen” is Medium.

Customer: “The automatic puncher died today, we’ll fix it once more, then junk it. We’ll need a new one soon otherwise there is always the threat that the line will go down” In this case “Will it happen?” is High.

A common question here is; if the “Will it happen” is Low, why worry about working on this sales opportunity at all? Because it’s an enormous gamble not to. If you stay away from this opportunity, and the competition doesn’t, you are effectively shortening your sales cycle. When you next get involved you have a lot of catch up to do. The “will it happen” can change, i.e., move from Low to Medium or High. You have to spend some time in the sales to monitor if this happens. In chapter four we defined the first of the three important ways to characterize an IBO

- the first of the IBO Essentials was "When will it happen?".

PROPOSITION:
THE SECOND OF THE IBO ESSENTIALS IS "WILL THIS SALE HAPPEN?"

Will we get it?

The other question that supplements "Will it happen?" has to be "If it does happen - will we get it?" Again the choice is a High, Medium or Low chance.

The answer to this question takes into account the degree of competition surrounding the sale and how well you can sell against the competition. We get consistency because we are asking for just one of three possible answers to a simple question. Again let's look at some examples using the initial interaction with the customer:

Customer: "I have two of your machines both of which have given me a load of trouble - this time I'm going to give the competition a chance" In this case "Will we get it" is Low. You have your work cut out for you to turn this customer around.

Customer: "I'm new to this game - it seems from your product information that your solution is the same as the competition's." In this case "will we get it" is Medium. We have to prove that we are better than the competition - if we are successful, the "Will we get it" moves up to a High.

Customer: "Our old machine died yesterday - I've got six of yours, I'm immediately starting the process of buying another one" In this case "Will we get it?" is High. But don't get complacent!

PROPOSITION:
THE THIRD OF THE IBO ESSENTIALS IS "WILL WE WIN THIS SALE OVER THE COMPETITION?"

Using this method, we have separated the issue of winning the sale into two separate and independent parts - each of which can only be answered in one of three ways. We've vastly improved our ability to get consistency from a wide spectrum of sales people.

IBO Essentials - is that all I have to record?

There are **a few** very important aspects of the opportunity that all sales people using sales automation should be always consciously aware of as the sales progresses. Actually, there are just two - "When will the sale end?", and, "What is the probability that it will be won by us?". As *sales automation done right* divides the second question into two parts, "Will it happen?" and "Will it we get it?" there are **three**. So the answer to "Is that all I have to record?" is YES. Provided that you update these three vital pieces of information regularly through the sales cycle as the dynamics of the sales changes, the computer will be able to really perform magic behind the scenes.

Why are the three IBO Essentials so important, and what does the computer give back to us when it crunches the essentials? We are going to summarize some of the answers now but also ask the reader to wait for a few more chapters before the full picture becomes clear.

- **When will the sale happen?** Determines the actual length of the sales cycle and enables the computer to calculate which of the **three** phases of the cycle you are in - probe, prove or close.

- The answers to **"Will it happen?"** and **"Will it we get it?"** provide the raw informa-

tion for the computer to calculate a percentage probability.

As the sale unfolds the IBO Essentials will change. If you are man-handling scores of opportunities at any one time you need the power of the computer to put some organization and order into the opportunity list – **it can do that for you if you stay on top of the IBO Essentials.**

It is important to recognize that the IBO Essentials are **estimated** by the salesperson. All the factors that surround the sale govern the way that the IBO Essentials are assessed. When you are determining these three critical pieces of information, you are in fact **integrating** all the many pieces of information that you have gathered about the sale during your interactions with your contacts. More on that later . . .

Probability Matrix:

A simple way to assess it – one out of nine.

We’ve just said that the answers to “Will it happen?” and “Will we get it?” give the raw data to the computer to calculate the percentage probability. The easiest way to see how this is done is to plot the answers on a three by three grid called the **probability matrix**. One axis of the grid represents the three possible answers to “Will it happen?” and the other axis represents the three possible choices for “Will we get it?”.

You can see that there are nine possible answers to the two questions, each answer is a unique point on the grid and is called the **probability index**. When you get used to this system it’s useful to adopt a standard way of referring to a particular square – you can do this by referring to the answer to “Will it happen?” first. So this makes square (index) number 3 a High-Low, or High “Will it happen?” and Low “Will we get it?” Following this idea, squares 9 and 7 are High-High and Low-High respectively. Let’s hope we don’t get too many of probability index 1, which is a Low-Low.

Will we get it?	High	7	8	9
	Medium	4	5	6
	Low	1	2	3
		Low	Medium	High
		Will it happen?		

The Probability Matrix – Each Square Is Unique And Called The Probability Index

Putting Percentages onto the Probability Matrix

This sounds fine, but where are the numbers? Every sales team needs a number to define the percentage probability. It’s no use filling in High-High, or Med-Low on the forecast sheets at the end of every month. Actually with *sales automation done right* there will be no more forecast sheets – the forecast is assembled daily in the computer with the ebb and flow of our portfolio of

sales cycles. But we still need a number like 50%, or 80% - after all a \$50,000 order with a probability of 50% is worth only \$25,000, isn't it? Actually there are a few myths to debunk with this logic - but later.

Here's a way to get numbers from the probability matrix. Let's say Low is 20%, Medium is 50% and High is 80%. For each square we can then multiply the two probabilities together (High-Low is 80% multiplied by 20%). After normalizing we get the grid of numbers shown in the next diagram. You can see that this method distills the nine possibilities down to six - that's OK, because six possibilities are about as much as we need or can handle. What's good is that with *sales automation done right* the computer does all of this background work for you. Just decide whether your sales opportunity is a Medium "Will it happen?" and a Medium "Will we get it?" and the computer will calculate that that is a 40% probability!

The method behind the probability matrix has a much better chance of getting sales opportunities consistently tagged with percentage probability numbers - one of the most important steps to making forecasting accurate and straightforward across the whole sales organization.

Will we get it?	High	25%	60%	80%
	Medium	15%	40%	60%
	Low	10%	15%	25%
		Low	Medium	High

Will it happen?

Real Percentage Probabilities Assigned To The Probability Indices

A Few Words on Forecasting

Many companies use a "weighted" value for their forecast. This simply means taking the actual value of the IBO and multiplying by the percentage probability. For example a salesperson submits one IBO on his forecast for "On-Line Copier, value \$40,000, High "Will it happen" and Medium "Will we get it" - expected date July 2000. The computer calculates the percentage probability to be 25% and weights the actual value by this number. In other words 25% of \$40,000 or \$10,000 is entered for July 2000.

This thinking is OK if your business has a product line where each sale is more or less the same value and a lot of sales are processed per month. If you have a wide mix of product values with some IBO values going very high, you will get errors with this method. A small percentage probability of a very large order can skew your overall weighted forecast - a 10% chance of getting a one million dollar sale still puts \$100,000 into the forecast.

If you are faced with this problem it is worth supplementing the weighted forecast with a "binary" forecast from the salesperson. A binary forecast is just what it says - it is either on or off. The sales person is required to make a gut decision - is he going to win the sale or not. Theoretically these forecasts should be only with a "Will it happen" of High. With this type of

forecasting the example of the one million dollar IBO with the low chance of happening would not make the forecast.

Sales automation done right provides a number of different ways to forecast. You can choose the best one to fit the needs of your company and its products. For instance if you choose to use both the binary and the weighted methods you can test one against the other over time to prove their accuracy over actual performance

Points to Remember:

1. Asking a salesperson for a numerical assessment as to the percentage chance he or she will win the sale is asking for trouble. The results will be inconsistent and inaccurate.
2. Measuring forecasts using historical data on reaching various points in the sales cycle is dangerous – history does not always repeat itself!
3. Ask the sales person to answer a few questions that test his gut feel about the sale – and let the computer calculate the probability numbers.
4. The essential information on the IBO – just the answers to three simple questions: When will it happen? Will it happen? and, if it does happen, Will we get it?
5. Be careful which method of forecasting you choose. Test weighted forecasts against binary estimates.

Part 4

UNDERSTANDING THE SALES OPPORTUNITY:

Priority

9

PRIORITIES: WORKING THE LIST

The method that we have worked out to calculate a probability will inject some forecasting consistency across the sales team. A reliable probability value is also essential to a new way that we will suggest to assign a **priority** to the sales opportunity.

Probability and priority are quite different, but very often they are confused - which can lead to trouble.

What do we mean by Priority?

In sales we are constantly faced with the question of where do we allocate our time, which by default means where do we go to use our selling skills in the optimum way to produce the highest sales. We need to allocate priorities on our time. The most pressing demands on our time and skills come from our portfolio of sales opportunities – we have to **work the list**.

To work the list you have to assign a priority to each and every opportunity in the list. If you have fifty opportunities it obviously becomes unworkable to assign fifty unique priority values – instead you will probably assign a few classifications of priority and divide the opportunities up accordingly. Everyone is familiar with the terms used in sales to define where we go to work first; “This one is hot – you had better set up an appointment now!” or “This one is cold, come back to it in a month!” Hot, cold, warm – terms used by many sales systems to determine the priority with which to allocate their time to their opportunity list. How much science is used to determine hot, warm or cold? – in our experience, not much.

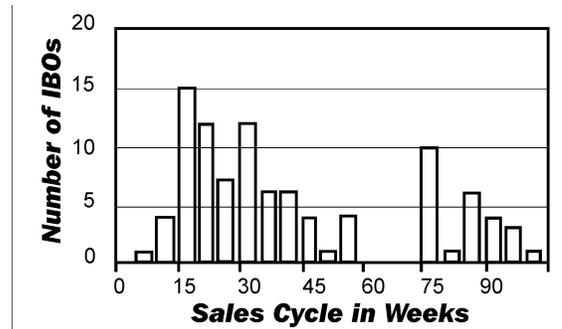
One possibility that is often used is to ask the salesperson directly what priority to assign a priority, i.e., “is this one hot, warm or cold?” It doesn’t take much thought to realise that this method is not the best! Another way is to use probability as a means of allocating resources. For example, here is your opportunity list sorted by probability – highest at the top, lowest at the bottom. Start at the top and work to the bottom until you have finished the list. This way you will have used your time most effectively. No, No, No – this is dangerous! Don’t do it, you can actually lose sales this way.

Let’s look at two issues associated with the portfolio list that makes assigning priorities tricky. This will give us insight into which other aspect of the opportunity contributes with probability toward calculating a priority.

Problem – Wide Distribution of Sales Cycles

The next diagram looks like it came from a textbook on statistics, but it shows real information of the sales opportunity portfolio of a salesman working in the field of high technology instrumentation. What this information is showing us is how many of his IBOs have sales cycles with a duration of 0-5weeks, how many with 5-10weeks and so on. We chart the results with the number of IBOs in the vertical axis, and the sales cycle length on the horizontal axis.

Firstly this data was taken at a snapshot in time where the salesperson had roughly one hundred open opportunities. Open, meaning ones that range from recently identified (at the start of their sales cycle), to ones that are about to close and at the end of their sales cycle.



The opportunity load of a high tech salesperson, with sales cycle lengths falling around 30 weeks and 80 weeks.

The first thing we notice is that this salesman has a wide range of sales cycle lengths to be dealing with at any one time – from three weeks to almost two years! Why is this? The number one reason is that the products he sells range in price from \$5,000 to \$250,000 and of course, the low priced product has a short cycle and the high priced product has a long sales cycle. The salesman has to be alert – he can close four sales of the shorter cycle length within one sales cycle of the larger product.

There is another effect to consider; remember when we discussed the length of the sales cycle, we made a clear distinction of the **actual** sales cycle. If the typical sales cycle is six months and you discover the opportunity three weeks before close, your actual sales cycle is three weeks. All salespeople will have a certain number of opportunities that they will be late in on – and this partly contributes to the spread in sales cycles that the diagram shows.

PROPOSITION:

A SALESPERSON ALWAYS HAS A WIDE SPREAD IN THE SALES CYCLE LENGTHS IN HIS OPPORTUNITY PORTFOLIO – PARTLY DUE TO THE PRODUCT MIX, AND PARTLY DUE TO FINDING OPPORTUNITIES LATE IN THE SALES CYCLE.

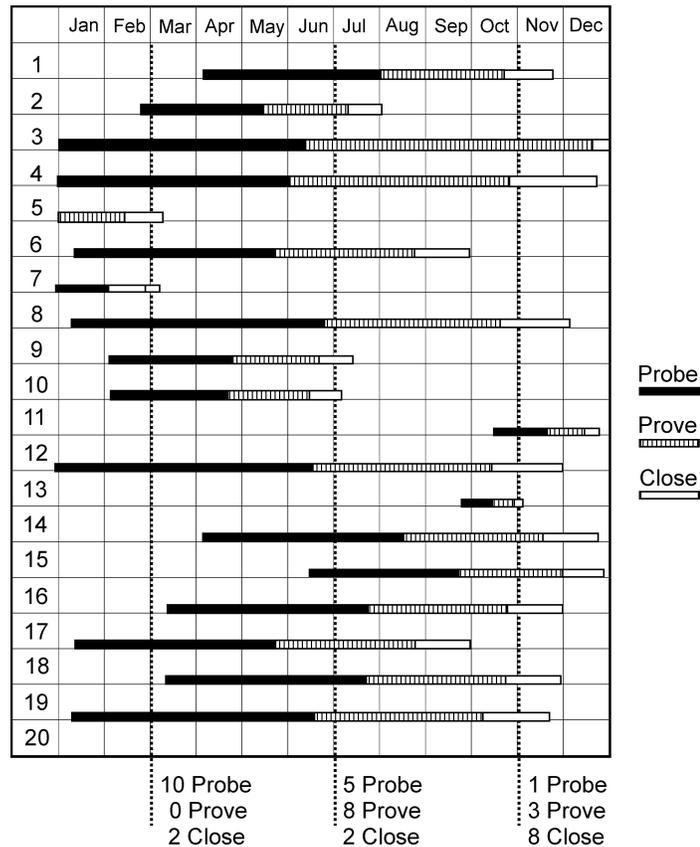
Problem – Where are my Skills Needed?

Another problem the salesperson is faced with is that his open opportunities are at different phases of the sales cycle – some are in probe, some in prove and some in close. The next diagram shows this. We have taken just a small number of sales cycles to make the picture clearer, but it is still possible to see the point.

We are looking at a year of time. Some sales cycles start and finish in the year, but some are incomplete – they either started in the previous year, or finish in the following year. One of the opportunities is ongoing from the previous year – and does not finish in this year! We have also marked on the probe, prove and close phases using the rule that we developed earlier, that is probe is 50% of the cycle, prove is 35% and close is 15%.

Three lines are drawn on the diagram – one at the end of February, one at the end of June and the other at the end of October. Let’s just take the first “time slice” which is the end of

February. The sales person has to concentrate on probing – ten opportunities are in the probe phase, none are in prove, and in close only two. At the end of June however, his focus is changed toward proving – he is now probing in five opportunities, proving in eight and closing in two. Closing month is October – here we have just one opportunity in the probe phase, three in prove and eight in close.



At any one time the salesperson’s focus can be on different selling skills

Here we’ve considered just eighteen opportunities – the usual number for a hard working salesperson is fifty to one hundred! So the sales person constantly has to adjust his emphasis on specific skills depending on the dynamics of his portfolio of opportunities. The obvious question will be; “which ones shall I work on first – ones in probe, prove or close?” The easy answer adopted by many systems, is go to the ones that are closing first. But we’ve already pointed out that consistent effort across the probe, prove and close phases is the way to go. If you don’t probe, you can’t prove effectively, and if you haven’t proven there is no way you will close. This situation imposes another difficulty in finding a good way to prioritize a list of opportunities.

The Importance of Phases

In an earlier chapter we stated that dividing the sales cycle into three skill phases led to an easier way to handle sales cycles with varying duration. Let’s pick up on this again and see how

it becomes an important contribution to establishing priorities.

What we proposed earlier was that any sales cycle, be it six weeks or six months, has three phases – in each phase one fundamental skill of selling is used dominantly. We also said that this concept had the effect of normalizing time – what do we mean by that? Let's take the six-week sales cycle – its probe phase will be 50% of the six weeks, or three weeks. With the six-month sales cycle, the probe phase is three months or twelve weeks.

This idea makes it easier to define “at what point are you in the sales cycle.” Why don't I just say I'm two weeks into the sales cycle? This doesn't tell you much until you fill in the other parameter – the length of the sales cycle. Am I two weeks into a six-month sales cycle or two weeks into a three-week sales cycle? Each has a very different meaning and implication. Two weeks into a six-month sales cycle means that I am in the early stage of probe. Two weeks into a three-week sales cycle means that I am in the late stages of prove.

PROPOSITION:

EVERY SALES CYCLE, NO MATTER HOW LONG OR SHORT HAS THREE SKILL PHASES – WE CAN USE THIS FACT TO NORMALIZE (MAKE UNIFORM) SALES CYCLES OF DIFFERENT LENGTHS.

Instead of asking “where am I in the sales cycle” it makes more sense to say, “which phase am I in, probe, prove or close?”

Assembling the Priority

We can now start putting the components together that will give us a meaningful priority. We already discussed in detail one component – probability.

Obviously the probability that we will get a sale has a bearing on the amount of resource that we give the sale – but be careful, there is a trap here. We pointed out the mistake of going to the opportunity with the highest probability first and then working down the list in descending order of probability. The other influence in our decision must be **time**.

The probability must be assessed regularly through the sales cycle – because it invariably changes. If we have just found a sales opportunity and we rate it a low probability then it would go to the bottom of our list that is categorized with high probabilities at the top. Does it make sense for us to pay it low attention – of course not – we should work on it as it is only at the beginning of the cycle. We have an opportunity to move the probability higher. The same opportunity found at the end of the cycle, should be given low priority because there is little time left to turn things around.

Does an eighty percent opportunity deserve the same amount of focus one week into it's six-month sales cycle as it does one week before it closes. No – in the first case you have over five more months to go – put enough into it to maintain your position and cover your bases. In the second case give it high attention and book the business, there's only one week left, and the customer has made up his mind.

These examples point out that probability considered in the context of time, or at which point we are in the sales cycle, will give us a method to tag our sales opportunities with a meaningful estimate of priority. But there is one more nuance. Because, as we've seen, our sales cycle lengths will be all over the place, let's do as we suggested, normalize the effect of time by using **phase**.

PROPOSITION:

THE PRIORITY THAT WE AS SALESPEOPLE HAVE TO ATTACH TO A SALES OPPORTUNITY IS DETERMINED BY THE PROBABILITY WE ASSIGN IT AND THE PHASE OF THE SALES CYCLE WE ARE CURRENTLY IN.

Revisiting the IBO Essentials

In the previous chapter we stated that the answers to the three IBO Essentials; “Will it happen?”, “Will we get it?”, and “When will it happen?” provide enormous return in understanding the value of the sales opportunity. We saw how at any point in the sales cycle we could determine two key issues; which fundamental selling skill we should be using, and the probability that we will win the order.

We now have the final punch to add to the value of the IBO Essentials. Combining these two pieces of information already collected, we can now assign a priority to the sales opportunity.

The IBO Essentials are an exciting tool for managing the list of sales opportunities, especially from the point of view of *sales automation done right*. As we see in later chapters, there is still much more to leverage off the simple ideas behind the Essentials.

Points to Remember:

1. One of the most important requirements of a sales automation solution should be to assist in prioritizing the sales person’s workload, specifically the allocation of time. This centers on prioritizing the list of open sales opportunities.
2. Confronted with your current list of fifty to one hundred open sales opportunities – which one do you work on first? Assign a **PRIORITY** to each sales opportunity to make the job of allocating your selling time easier and more effective. *Sales automation done right* does this.
3. If your current sales automation methodology handles priority purely by sorting your opportunity list from high probability to low probability and asking you to work from top to bottom – throw it out!
4. Low probability sales **early** in the sales cycle need attention – there is a chance that, with work, they can be moved to higher to a higher chance of success.
5. Prioritizing depends not only on the probability but also on **where you are in the sales cycle**.
6. Normalize time: rather than talking about being six weeks into the sales cycle, get used to saying “which skill phase am I in? I am in the probe phase, I am in the prove phase or I am in the close phase.” This gets rid of the problem of dealing with widely different sales cycle lengths.
7. PROBABILITY + SKILL PHASE = PRIORITY

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THE PRIORITY CUBE WHAT IS THIS – THE THEORY OF RELATIVITY?

How do we derive a sensible priority number from probability combined with skill phase? This is an area where we get as close to Physics as we dare without scaring off our audience who presumably wants to hear how technology benefits sales. Yes, we are going to explore three-dimensional space! I can just hear the moans and groans, but actually this part of the book introduces an excellent way for the computer to pack in a lot of value in organizing that opportunity list. Just like the best physicists we will take a look at a few extreme conditions before we come up with a general answer.

Examples of Calculating Priorities

To categorize the opportunity list by priority, it's best, as with probabilities, to keep the number of categories on the low side rather than going for too many. With probabilities we finished up with six possible numerical values for the probability percentage. In the case of priorities we will settle for four initially, but will find a special case later to put the number of priorities up to **five**. Let's look at some examples.

Example one: We've discovered a sales opportunity in which the sales cycle is six months long. We are in the early stages – or as we would rather say, we are in the probe phase. Our principal selling skill in this phase is probing, but we are also doing a little proving. The probability matrix looks like the next diagram.

Will we get it?	High			
	Medium			
	Low			
		Low	Medium	High

Will it happen?

Example 1 – Salesperson Evaluates Opportunity To A Low-Low

The salesperson has found out that the sale has a low chance of happening – the customer has a history of applying for stuff in his budget, which he does not get. **If** the customer does get funding for his project, the salesperson has assessed his chances of getting the sale as low – the customer has traditionally purchased the competition's product in the past. A Low-Low remember, has a scant 10% probability. What priority should the salesperson assign this opportunity in

relation to the other forty-nine that he has?

Well, under the simple schemes of some sales automation systems this one would go to the bottom of the pile (list). With *sales automation done right* this situation is awarded a number **two** priority, not a number one, but still pretty high up there! Why?

Even if we have assessed that the sale has a low chance of happening, there is still a small chance that it will. Can we totally ignore it? It is still early in this six-month cycle – if we are not present throughout the cycle, the competition might be. If we back away from the sale then for sure we are killing any chance we may have. Even though the competition at this point appears to have an edge, anything is possible in the next six months – one of their products may give the customer trouble, or their best salesperson may quit! In other words, this sales opportunity has **potential** value, and by using our best selling skills now we may be able to increase that value – we want to work at getting the “Will we get it?” to a Medium or a High. That’s why we give this one a **PRIORITY TWO** – some work put in now will pay off later.

The advice from intelligent sales automation is: “Even though your chances look slim – invest in some work at this early stage to try to improve the situation should this sale go to completion”.

Let’s look at the same opportunity again, but now we are in the close phase. You still assess the probability as a Low-Low – even though you have the probe and the prove phases behind you. There is little opportunity to make up time, and you still rate the chances that the customer will purchase anything as Low. This opportunity has little value – and *sales automation done right* assesses this as a **PRIORITY FOUR**. In other words, move on to a potentially more lucrative opportunity.

We are convinced that if you, the salesperson, judges the sale to be a Low-Low in the close phase **you should not spend any more time on it**. So, we don’t use the PRIORITY FOUR designation, rather, we call this priority “**Leave it alone!**” to reinforce the futility and waste of time in staying in this sale. Be careful to be one hundred percent sure that your assessment of the IBO Essentials are correct before you take this step.

The advice from intelligent sales automation is: “You are confident that this sale won’t happen and if it did your chances are poor – check your assessment once more, and if no change – walk away!”

Example two: In the second example the sales person has just found another sales opportunity, again with a six-month sales cycle. The opportunity matrix is shown in the next diagram.

In this case the customer has her funding but is forced by purchasing to go through a competitive evaluation process. But this customer has six of our online copiers already and has been very happy with them. Our salesperson thinks that this opportunity warrants a High “Will it happen?” and a High “Will we get it?” This translates to a probability percentage of 80%.

This is the probe phase – things look good for us. We are sure that as she has already made a commitment to our product that she will, in fact, buy again. She has her money so this sale will happen. We assign this opportunity a PRIORITY TWO. Why not a PRIORITY ONE? Well, things are heavily stacked in our favor, we don’t have any heavy selling to do as the customer already knows our product. We need to go into maintenance mode. Make sure that we stay close enough to know that the competition is not succeeding in making inroads – the sale will be ours if we put in enough effort to keep the customer moving in our direction. We have a few months to go – at the sign of any problem, maybe a new product from the competition, we pull the “Will we get it?” back to a Medium, and the computer recalculates the opportunity to a PRIORITY ONE.

The advice from intelligent sales automation is: “ This customer wants your product and will probably go ahead. But don’t get complacent – this is just the early stages of the sales cycle”.

Will we get it?	High			
	Medium			
	Low			
		Low	Medium	High

Will it happen?

Example 2 – Salesperson Evaluates Opportunity To A High-High

Now let’s move to the close phase – time is running out. After deliberation we still are prepared to rate this opportunity as a High-High, that is, we are still sure that the customer is going to buy from us. Don’t wait around! The priority should be to close the sales as quickly as possible and move on to something else – this is a **PRIORITY ONE**.

The advice from intelligent sales automation is: “The customer wants your product and is ready to buy. Waste no time - close this sale and move onto then next”.

A special case: Consider an opportunity where “Will it happen?” is High, and “Will we get it?” is Low and we are in the prove or the close phase. This opportunity has particular value because the chances are high that the customer will buy something, even though it probably won’t be from you. This is a situation where you need a **breakthrough**. Examples of breakthroughs? You could bring in a brand new product that has leapfrogged the competition in performance. You can bring in a factory expert – or offer to send the customer to the factory to prove your capability. You can give the product away! That sounds far fetched, but is often a strategy in a closely protected and dominated market.

The advice from intelligent sales automation is: “ Time is running out and this customer will almost certainly buy something from the competition – you need to do something special to turn things around”. The priority assigned is **“Breaktrough Needed!”**

Intelligent Advice

In each of the examples we have been able to come up with a piece of advice that is useful to the salesperson regarding his or her global strategy in the sale – global meaning “the big picture”. Let’s revisit some of the messages to see how they were constructed:

“Time is running out (**you are in the close phase**) and this customer will almost certainly buy something (**“Will it happen?” is High**) from the competition (**“Will we get it?” is Low**) – you need to do something to turn things around (**breakthrough strategy needed**)”.

“The customer wants your product (**“Will we get it?” is High**) and is ready to buy (**“Will it happen?” is High**). Waste no time (**you are in the close phase**) - close this sale and move onto then next”.

" This customer wants your product (**"Will we get it?" is High**) and will probably go ahead (**"Will it happen?" is High**). But don't get complacent (**you are in the probe phase**) – this is just the early stages of the sales cycle".

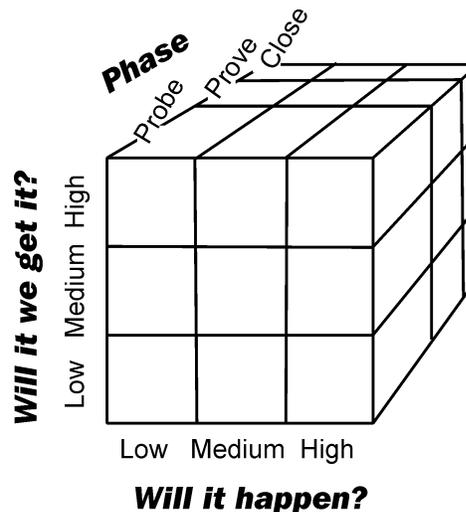
"You are confident that this sale won't happen (**"Will it happen?" is Low**) and if it did your chances are poor (**"Will we get it?" is Low**) – check your assessment once more, and if no change – walk away! (**you are in the close phase**)"

Notice the different nuances in the messages that are possible by looking at the context of the two probability components, "Will it happen?" and "Will we get it?", in the **context** of whether we are in probe, prove or close.

We've pulled out just a few instances of the unique combinations of "Will it happen?", "Will we get it?" and skill phase – just how many of them are there? The answer lies in the priority cube.

The Priority Cube

How many unique combinations of these three pieces of crucial information are there? Well, we have three options for "Will it happen?", three options for "Will we get it?" and three options for skill phase. So the answer is **three times three times three**, or twenty-seven. Which leads us into the idea of the priority cube.



The Twenty Seven Point Priority Cube

The priority cube is just a **device** to illustrate what we have been talking about so far – the importance you assign to an opportunity is dependent on the probability of getting the sale and where you are in the sales cycle. The device is convenient for us to visualize the method we have developed, but, more importantly, to show how the sales automation system can be programmed to provide us benefits by analyzing our sales opportunities in this way.

The front face of the cube is divided into nine squares which are determined by the three possible answers to the questions "Will it happen?" and "Will we get it?" – the components that determine probability. Then we add a third dimension, which is the skill phase, with the three possible options of probe, prove or close.

It's easy to see that the priority cube is composed of twenty-seven sub cubes, each one representing a unique combination of "Will it happen?", "Will we get it?" and phase. At any point in the sales cycle you can be only in one of the sub cubes – and this cube contains the core information about where you are positioned in the sale, and the global strategy you need to implement to go forward.

We've already discussed the meaning behind a few of those sub cubes. For instance we've talked about Low-Low/probe and Low-Low/close and what they mean to the sales person. For each of the twenty-seven sub cubes it is possible to derive the following:

- A priority value. As we said earlier, we don't need twenty-seven priority values – five will suit us fine.
- An advice message to put to the sales person to remind him or her of the global aspects of the sale.

The advice messages that we have been discussing are the first simple example of what we will later refer to as the "intelligent response" from the computer. Can the computer talk to us intelligently about something as complex as the sales process? Yes, if we are concentrating our discussion on the science of selling. With the technology behind the priority cube we are teaching the computer to evaluate the salesperson's responses to questions concerning his gut feel on the sale – in the context of where he is in the sales cycle. As we have seen, there are some specific issues to beware of if you do this, and these issues are not always apparent to the salesperson. The computer can easily track the circumstances determining these issues and flag the salesperson with an appropriate message.

Summary – Priority Values

Before the information hidden in the priority cube can be put into a form that the computer can understand, each of the twenty-seven components has to be analyzed in terms of what is valuable knowledge for the salesperson. As we mentioned earlier, twenty-seven distinct priorities are unnecessary – we can get good value in prioritizing our opportunity list by using many fewer priority categories. In fact, when you look closely at the twenty-seven distinct possibilities contained in the cube groups of them tend to fall under the same priority value. Five separate priority values are sufficient to distinguish between the groups. In our earlier examples we have referenced all of them. They are:

- Priority One
- Priority Two
- Priority Three
- Leave It Alone (really Priority 4)
- Breakthrough Needed (a special case)

Let's not forget that we are able to get to this point through those **three** vitally important parameters of the sales opportunity, which are called, appropriately, the IBO Essentials. If the salesperson can consciously update the Essentials throughout the sales cycle, the computer is going to automatically generate a probability, from a possibility of six values, and a priority, from a possibility of five values. That's two out of thirty – it's difficult for even the best brains to do that – but this is where computers are invaluable.

Another interesting thing about this technology is that even if you don't enter any changes to the IBO essentials throughout the sales cycle, the computer will still change the priority for

you – it knows which phase you are in!

If you have a large portfolio of sales opportunities, you may find a dozen under priority one – what happens then? Well, there are other factors that may affect priority, such as the total cash value of the sale, or the strategic value of the product being sold, or the time elapsed since the last customer interaction. *Sales automation done right* will provide secondary sorting within the priority list to accommodate these extra factors – so it will literally boil down to starting at the top of the list and working your way to the bottom!

Points to Remember:

1. Deriving a true priority means not only considering probability in the context of the phase of the sales cycle – but also blending in the influence of how the probability is constructed from **“Will it happen?”** and **“Will I get it?”**.
2. *Sales automation done right* can even be smart enough to provide some valuable coaching. Each one of the twenty-seven points on the priority cube has a hidden reminder to keep the salesperson on track!

Part 5

UNDERSTANDING THE SALES OPPORTUNITY:

Sales Environment

11

THE SALES ENVIRONMENT: EVERYTHING WE HAVE TO KNOW TO WIN!

We've delved into methods of characterizing the sales opportunity. Although written with sales automation in mind, all this material is vital to the salesperson's everyday understanding of the sales opportunity – yes, even outside of the framework of the computer. It is developed from the science of selling – we've taken some of the essentials of the science and reformatted them in a way that makes sense to the computer.

Now the discussion continues in a direction that is the most important in determining success or failure for the salesperson – what happens in the sales cycle?

The Importance of Information

In an earlier chapter, we saw that critical interactions form the backbone of the sales cycle. Critical interactions are the dialogue between the customer and the salesperson in which the process of selling occurs. The defining purpose of the critical interaction is to gather **information** which can be used to determine the strategic direction of the sale – the direction that leads to a win.

Strategy is central to good selling. Strategy means developing a well-defined plan to get from where we are now to where we want to go. The plan will be a series of action steps, forming a strategic pathway – leading in a strategic direction. For a salesperson, the objective is always to win the sale – the strategy is formulated, enacted, and reshaped as the sales cycle progresses.

If you don't have information about everything that is going on in the sale, you are flying blind – and you can't develop a winning strategy. Information and knowledge are intimately connected – knowledge is the understanding built up from accumulation and analysis of information. The salesperson needs knowledge of everything that might affect his chances of winning the sale. Everything? – yes, **EVERYTHING**. Who is making the decision? Is more than one person involved? How much funding is available? Is there any competition? Who are they? How well am I doing in this sale? How do politics work in the customer's organization? How important a player is the customer in these politics? And so on, and so on. There is an awful lot of stuff to know. For convenience sake we throw all of these facts about the sale into a grab bag that we call the **SALES ENVIRONMENT**.

The Sales Environment

Definition: "Sales Environment" describes all aspects and circumstances surrounding the sales situation that determine the outcome of the sale for **YOU**, the sales person.

This definition skirts the word "facts" and substitutes "aspects and circumstances" – but we really mean "facts". The sales environment is the **factual** description of all the issues that affect winning the sale. Of course, no one person, the sales representative, the customer, or anyone,

knows the facts one hundred percent. The customer may believe that he can secure funding, but the CEO of the company may have absolutely no intention of giving it to him. As well, the salesperson may think that he is going to win the sale, even though he doesn't realize that the customer thoroughly dislikes him, and has no intention of buying his product.

PROPOSITION:

ALL OTHER THINGS BEING EQUAL, THE SALESPERSON WITH THE MOST KNOWLEDGE ABOUT THE SALES ENVIRONMENT WILL WIN THE SALE.

The caveat here is "all other things being equal", because even the sales team with in-depth knowledge of the sale will not win if they don't know how to formulate and execute a strategy.

Some important features of the sales environment are:

1. The sales environment will usually **change** as the sales cycle progresses. As the salesperson makes his way through the sales cycle, the issues that determine the outcome of the sale will constantly change – and therefore the sales environment will change.
2. The salesperson's perception of the sales environment may be quite **different** to what the sales environment really is. In their interactions with the customer, salespeople should constantly try to ascertain the facts of the sales environment. The closer we can figure it out, the better.
3. The salesperson has the power to **influence**, or change the sales environment. That's a given – he is one half of the sales equation (along with his competitors)
4. Contained in the sales environment are the answers to the questions "Will it happen?" , "Will it we get it?" and "When will it happen?" – the **IBO Essentials**. As we see later, this turns out to be important for the computer to directly assist in the sales process.

Discovering the Sales Environment

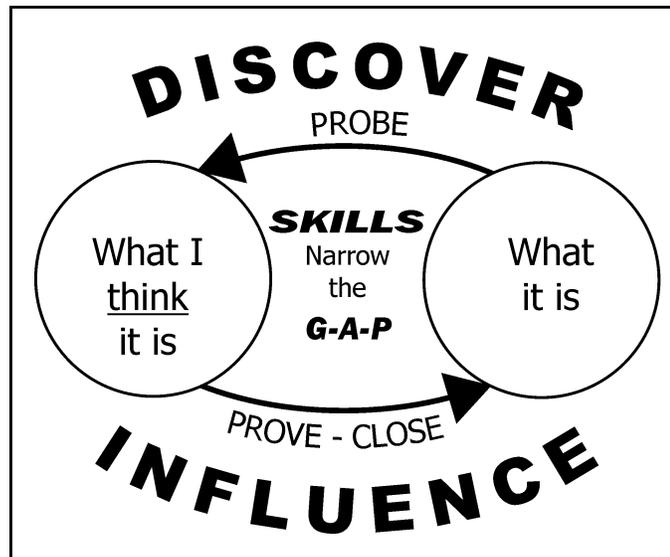
The salesperson **functions** within the sales environment. He is an intimate part of it, as are all the other players, such as the customer(s), the competitors, the advisors, the users, and more. When the sales cycle starts, interactions between these various parties begin, and the complex dynamics of the sales environment begin to unfold.

As we said, the job of the salesperson is to figure out, as exactly as possible, what the sales environment is. The story now links back to our earlier discussion on the three fundamental skills – the skill of **probing** is used to DISCOVER all the facts surrounding the sales cycle. The diagram shows this in a simplistic way – the circle on the right represents what the sales environment really is. The circle on the left represents what the salesperson thinks it is. The gap between the two represents the amount of knowledge separating perception from reality – the salesperson has to work as hard as possible to **narrow** this gap. One way to narrow the gap is to probe as much as possible to get the facts of the sale. Earlier, we talked about one essential use of the probing skill – to establish the customer's needs. Just as important – probing to build an accurate picture of the sales environment.

Influencing the Sales Environment

Another look at the diagram shows that the salesperson can also INFLUENCE the sales environment. How does this work? Well, if the customer has a lack of understanding about an important feature of your product, then the outcome of the sale may tip toward the competition. You must **prove** to the customer the value of the feature – the sale then balances more in your favor. What you have done, in fact, is change the sales environment. The skill of proving is the

most important agent of change within the sales environment, and is imperative to master. The skill of **closing** can have a more dramatic effect on the sale – if you are successful, it can end it – there is no more sales environment. If you are not successful at closing the first time, you should still determine why – this information will help reshape your selling strategy.



How The Salesperson Interacts With The Sales Environment

Successful proving and closing puts your mark on the sales environment; you are trying to influence or make change in your favor. If you are successful, you move the sales environment toward where you want it to be. The more successful you are at this, the better your understanding of the situation, and the more the gap narrows.

PROPOSITION:

THE FUNDAMENTAL SELLING SKILLS ARE USED TO NARROW THE GAP BETWEEN THE SALESPERSON'S PERCEPTION OF THE SALES ENVIRONMENT AND THE WAY THE SALES ENVIRONMENT REALLY IS.

A final word on the importance of strategy. To **develop** a strategy that works, you need as much information on the sales environment as possible; probing is the way you get it. Then you **execute** the strategy by proving and closing. This strategic selling takes place in the sales environment.

Unearthing the IBO Essentials

Back again to the IBO Essentials? These are the three critical questions, whose answers provide so much value in maintaining control of the sales opportunity and it's sales cycle.

We've strongly recommended that the salesperson is always consciously re-evaluating the Essentials and updating them, as needed, as the sale unfolds. This way, the computer can help keep tabs on a long opportunity list, updating probabilities, priorities, and skill phases.

When the salesperson is asked to answer the question "Will it happen?" (possible answers – High, Medium or Low), he looks to the sales environment for the answer. His knowledge of the

sales environment provides him with all of the pieces of information that will be integrated in his mind to come up with the answer.

PROPOSITION:

YOU CAN DETERMINE THE ANSWERS TO THE IBO ESSENTIALS "WILL IT HAPPEN?", "WILL WE GET IT?", AND "WHEN WILL IT HAPPEN?", FROM KNOWLEDGE OF THE SALES ENVIRONMENT
- THE MORE KNOWLEDGE YOU HAVE, THE MORE ACCURATE THE ANSWERS TO THE IBO ESSENTIALS.

Answering the IBO Essentials is not easy – many issues within the sales environment can collectively contribute to the answer. Also the issues may not be factual – there may be some interpretation needed by the salesperson. In fact, requiring the IBO Essentials to be updated regularly is a good exercise, in that it **forces a rethink** of the sales environment by the individual salesperson and the sales team.

Now, if only there were a way for the computer to test our interpretations of the three Essentials using its knowledge of the sales environment. Actually, that is not so far fetched – let's move on to the technology of *sales automation done right*.

Points to Remember:

1. The sales environment contains all the information that you need to develop strategies to win the sale.
2. If you are ahead of the competition in understanding the sales environment, you are on the road to winning the sale.
3. The salesperson DISCOVERS the sales environment using the skill of PROBING.
4. The salesperson INFLUENCES the sales environment using the skills of PROVING and CLOSING.
5. The IBO ESSENTIALS are contained in the sales environment
6. Answering the IBO Essentials FORCES the sales team to reevaluate their perception of the sales environment.

Part 6

THE TECHNOLOGY OF SALES AUTOMATION DONE RIGHT

12

INTRODUCTION

The theme we have struck is one of “techniques and technology” – blending sound selling principles with the power of modern computer technology. We make no excuses for concentrating on the fine points of the sales opportunity. Mastering the opportunity is a foundation for being a successful salesperson. But, remember, this is a book on sales automation – and, by design, the techniques we have developed can be implemented nicely into a computer based sales automation system. Part six takes these ideas (techniques) and describes how they can be used to leverage the power of the computer (technology) to assist directly in the selling process.

Lessons Learned

First, a brief recap on the ideas that were developed on the sales opportunity, and how they fit well to being understood by the computer.

Recognizing the sales opportunity as early as possible in its existence is of really important. It is unfortunate that many sales teams don't pay heed to this – sometimes, the first hint of a sales opportunity is when the customer's request for quotation lands up at their door. Getting into the sales cycle as early as possible is one of the most determining factors to ensure success over the competition. Don't be **reactive** in addressing customer's needs – be **proactive**. Pinning down the answer to “When will it happen?” determines the length of the actual sales cycle. Providing the computer with the start and the projected end dates of the sales cycle allows it to take the chore of monitoring the passage of time away from the salesperson. This is important when the opportunity load is high, and the sales cycle lengths are varying all over the place.

The computer has the salesperson's estimate of the length of the sales cycle – so now it can assign the three skill phases. Wherever you are in the sales cycle, the computer is aware of which fundamental skill you should be concentrating on. We're making headway – most sales automation solutions don't go this far!

Now we're going to switch the order from the way we covered things in Part Three. The salesperson needs to get the opportunity list in to a logical order that he can work through, knowing that he is doing the right amount of work (probing, proving, and closing) for each opportunity. He needs to make a fundamental assessment for each opportunity – to do this he needs to pin a value on the chances that he will win, AND, he must make sure that he updates this evaluation throughout the entire sales cycle. To do this, he must thoroughly understand the **sales environment**.

The salesperson assesses the sales environment and comes up with a probability that the sale will be won. We have constructed a method for him to do this that is centered on getting two values into the computer – the answers to “Will it happen?” and “Will we get it?” – High/Med, High/High, Low/High, and so on. These two values are easily entered into the computer which then converts them to a **percentage number** that can be tagged to the opportunity.

But the computer also knows which skill phase we are in (probe, prove, or close) and through the technique we have developed that links probability and skill phase, can determine the **pri-**

ority to be given to a particular opportunity.

You've noticed that this story is very interconnected. Probability alone is not much help in sorting the opportunity list – you also need a estimate of the sales cycle. To do that you have to have defined it, and redefined it along the way. If you do this, you can get to the priority, which provides an accurate way to know where to go first.

All this comes from the three short questions on the sale (the IBO Essentials). Take away one of the essentials, and most of the value disappears. But the short questions are really not so simple, are they? The answers depend on the salespersons knowledge of the sales environment. Not only that, has to correctly interpret his answers from the knowledge (his gut feel) – what if he gets it wrong?

The gut feel is based on intuition gathered through experience. A seasoned sales rep will usually get the right answer to “Will it happen?” – High, Medium or Low? But a rookie may not.

Checking the Gut Feel

A sales rep usually checks his gut feel by discussion with one of the other members of the sales team, often his direct manager. The sales environment for the opportunity in question is dissected under close scrutiny by both parties, with each trying to poke holes in the other's interpretation. The objective is to get down to the facts, and to challenge the assumptions that have been made, to see if they hold water. Typical issues that might be addressed are:

“Are you sure that you have talked to all of the decision-makers?” (Affects “Will we get it?”)

“Do we know all the competition involved in this sale?” (Affects “Will we get it?”)

“The customer says we will get the order – will purchasing let him award it to us without going to tender?” (Affects “Will we get it?”)

“Will he get board approval for this purchase this time around?” (Affects “Will it happen?”)

“Are you sure that we will get an order in May?” (Affects “When will it happen?”)

“Have you had enough face to face meetings with this customer to do some serious selling?” (Affects “Will we get it?”)

“Are you sure that the customer has an urgent need for our product?” (Affects “Will it happen?”)

Notice that there is a mix of facts and perception here. The number of meetings with the customer is fact – and it is either enough or not, as judged by the sales team. How well the competition is doing is perception, put together from the information bytes that have been picked up by the salesperson. The urgency of the customer's need is also perception. All of these perceived notions about what is going on in the sales are, in fact, the result of integrating within the salesperson's mind, the myriad of issues that affect the final answer. It turns out that the human mind is especially good at this. The best salespeople observe the sales environment, are sensitive to it, and build the insight necessary to assess it correctly. They then develop their strategies to manage it.

But, as we said, the salesperson should constantly bounce his views on what is happening in the sale off a willing listener – he cannot conduct his strategies in a vacuum.

Now here's a proposition that will cause a murmur in the crowd;

PROPOSITION:

THE COMPUTER CAN BE USED AS A USEFUL TOOL TO QUESTION ASSUMPTIONS THAT ARE BEING MADE BY THE SALES TEAM ABOUT THE SALES ENVIRONMENT.

This infers that computer can take the place of the “willing listener”. To do this, the computer must have a certain level of understanding about the performance of the salesperson in the current sales opportunity. Is this possible? Again, the answer is yes – if we narrow the scope to the “science” of selling. In fact, we are not narrowing the scope too much – the “science” provides most of the building blocks needed for successful strategic selling.

First, however, we must develop the technology to provide the understanding (intelligence?) that the computer requires.

Points to Remember:

1. To provide the answer to an IBO Essential, the salesperson evaluates and considers all contributing issues from the sales environment, and then forms a final conclusion.
2. With *sales automation done right*, it is possible for the computer to do the same thing – and confirm or challenge the salesperson’s conclusions.

13

INTELLIGENT RESPONSE TECHNOLOGY: THE COMPUTER UNDERSTANDS WHAT WE ARE UP AGAINST!

The previous chapter left us concept that was thought provoking – maybe a computer based sales automation system could understand what the salesperson is up against in his everyday selling. The computer could act as a coach or a sounding board for the routine evaluation of the salesperson’s performance in the sale. To do this we have to teach it the sales environment. This chapter describes the kind of thinking behind a technology that does a pretty good job at doing just that.

The salesperson in a progressive company uses his computer to enter important information regarding sales activities – and is, in turn, downloads new leads, completed sales requests, and communications from the rest of the team. Most of this information flow is about sales opportunities. Why can’t we enable the computer to sift this information, understand it, and return some advice back to the user? That could be useful in mapping out the next sales strategy to beat the competition.

Information, Knowledge and Intelligence

We’ve hit on a couple of these words – information and knowledge – before. They must be important words – just think of the number of times you hear the magic buzzwords of Information Technology and Knowledge Management. It turns out that sales automation is a perfect example of how both of these new ideas can be used effectively.

The all important customer interaction is about gathering information (about the sales environment), from which we construct the knowledge to formulate our strategies.

PROPOSITION:

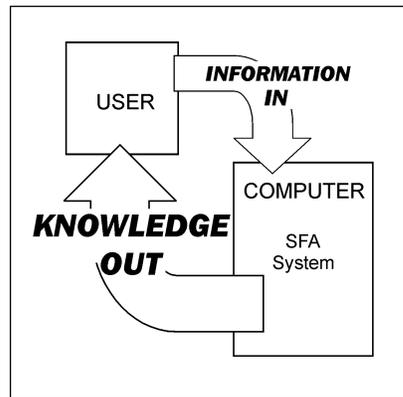
KNOWLEDGE IS INFORMATION WHICH HAS BEEN FILTERED, ANALYZED, DISSECTED, BEATEN INTO SHAPE, AND STORED FOR FUTURE USE.

Information is just facts – it need not even be facts, but rather, our perception of facts. Knowledge, on the other hand, is understanding. We need the facts to give us the understanding. Once we have the knowledge, what do we do with it? That’s where intelligence comes in – intelligence is the capacity to acquire and **apply** knowledge.

We pound information into our sales automation system daily – how can we get the computer to use some of this information to understand (acquire knowledge)? It can then apply the knowledge, and can assist in the sales process. If we can do this, we have made the computer system intelligent.

Conventional SFA Systems

First, let’s look at a simple picture of how conventional sales automation works.



Conventional Sales Automation

The salesperson enters information into the computer. There are a few factors that drive what kind of information needs to be entered – we’ve touched on all of them in earlier chapters:

- Administration – stuff such as e-mail, quotations, support requests etc. Hopefully the sales automation system conveniently links this material with the sales opportunities it pertains to. The salesperson can then easily see what work has been done for a given IBO.
- Customer Relationship Management: information that contributes to the development of the customer knowledge database. This will be accounts, contacts, and contact interactions.
- Sales opportunity information – at a minimum, the IBO Essentials. The list of all opportunities currently being worked on, together with the critical interactions associated with each opportunity.

How do we get value for the effort that it takes to put all this information into the sales automation system?

PROPOSITION:

A GOOD COMPUTER BASED SALES AUTOMATION SYSTEM TAKES INFORMATION FROM THE SALESPERSON AND PRESENTS IT BACK TO HIM AS KNOWLEDGE.

Computers are good at sifting, sorting, and analyzing. This is the most common way that sales automation creates value – by passing knowledge back to the salesperson. An example would be “Over eighty percent of your forecasted revenue is going to come from the south-east sector of your territory”, or “You have visited the top performing account in your territory only once in the past six months”. Another example, based on the analytical capability of the computer is “Your sales of the Model 50i copier are one half what they were at this time last year”.

You usually have to go into your sales information system to find this out – it doesn’t hit you in the face. It is definitely knowledge, produced mainly by filtering facts, but at a lower level than other types of knowledge. Most conventional sales automation systems produce knowledge by using the sorting/sifting/analyzing route. There is nothing wrong with that, but there is much more to be gained by pushing the technology further.

For instance, consider this piece of knowledge – “You are two months into a six month sales cycle, and your main task should be probing the customer’s needs”. This message implies some form of **understanding**. There is nothing magical here; we have told the computer that the first half of the sales cycle should be devoted to probing – it can calculate that “two months in”

means that we are in the probe phase. We have **given** the computer this understanding by telling it something about the nature of the sales cycle, which it is able to memorize. We are beginning to push the technology further!

Actually, we started to break from the conventional in chapter 10, when we looked at the intelligent advice that resulted from the priority cube. Consider this piece of knowledge (called the "intelligent message" in chapter 10) – "Time is running out and this customer will almost certainly buy something from the competition – you need to do something to turn things around".

It's different than any other examples we covered. Why? It shows that the computer knows that there is little time left, and the customer will buy. But significantly, the computer is beginning to be proactive with its knowledge – it recommends that the salesperson does something to turn things around. OK, so that is not too specific, but it is better than the salesperson burying their head in the sand, refusing to believe the inevitable!

Remember how this intelligent message was determined? – "Time is running out (**you are in the close phase**) and this customer will almost certainly buy something ("**Will it happen?" is High**) from the competition ("**Will we get it?" is Low**) – you need to do something to turn things around (**breakthrough strategy needed**)". We **taught** the computer that with certain combinations of "Will it happen?", and "Will we get it?", coupled with phase of the sales cycle, certain reminding messages were appropriate for the computer to present to the salesperson. What we were in fact doing, was passing on our **experience** in past sales situations to the computer, which it understood and kept in memory. When the same set of circumstances arise again, the computer flashes out the same message.

We can get further if we pass on more of our experience to the computer – in the form of the science (or rules) of selling. The computer can then review this experience as the salesperson enters information about what's happening in the sales cycle. If this information is different from the computer's knowledge about what should be happening, then the salesperson can be flagged, and advised that maybe something needs to be done. If the salesperson's information matches the "experience" stored in the computer's memory, everything is OK. The process we have just described is called **intelligent response technology**.

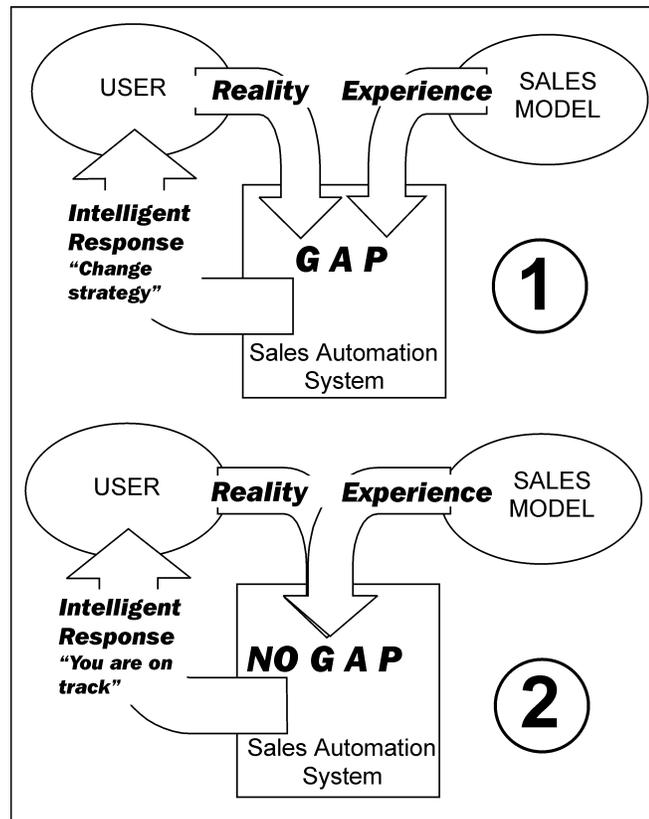
At the heart of the intelligent response is a simple idea: the critical interactions between the salesperson and the customer are summarized into the computer as they happen. The computer compares this information with knowledge that has been given to it about what should happen (based on experience). The difference between reality and what should happen is referred to as the **gap**. The computer constructs a message for the salesperson on how to modify critical activities to **minimize** the gap.

The next diagram shows how this works – compare it to the previous diagram that shows the conventional set-up. Notice that it's the same, except the computer can now consult (or look up) the experience that we have programmed into it. Note also that we are calling that bank of knowledge, based on experience, the **sales model**.

Part 1 of the diagram shows the situation that we have described – there is a gap between what has happened in the sale – and what should have happened. This gap gives the computer the information necessary to put together the advice given to the salesperson to help them modify their plan of action – to shrink the gap. What if there is no gap (Part 2)? This means that the information that the salesperson provides regarding the current status of the sale matches with previous experience selling this product in the same circumstances. The intelligent response is a **careful** reaffirmation that the salesperson is OK.

The sceptics are going to say "what use is this – we know what we are doing, everything is

under control". But is it? We know that the average salesperson has scores of open sales opportunities at one time – isn't it possible that something could slip through the net? Wouldn't it be great to have an assistant to review our sales situations and remind us of the basics – and when those basics are not being followed? If we can accept the computer's help as just this – a reminder of when we are not quite up to snuff – then *sales automation done right* can pay off in spades.



The Addition Of The Sales Model To Conventional Sales Automation

More about the Sales Model

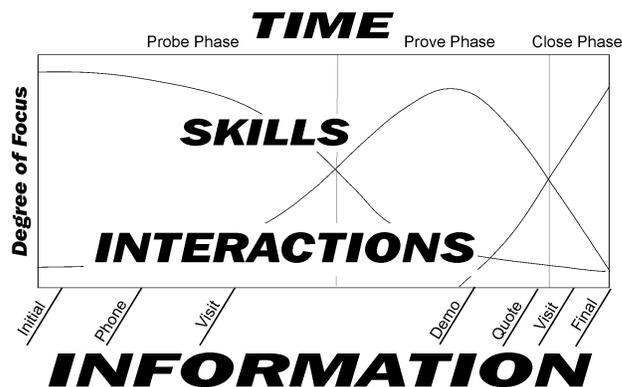
What is a model? As used by scientists, a model is a set of descriptions that define a real life experience such that the experience can be tested and proven in the computer. The corollary is that the computer, having understood the model, will be able to pass on some useful knowledge to the outside world.

PROPOSITION:

IT IS POSSIBLE TO BUILD A MODEL OF THE SALES PROCESS FOR A GIVEN SALES OPPORTUNITY THAT CAN BE SUCCESSFULLY UNDERSTOOD BY THE COMPUTER.

In fact, we have already developed all of the components that are needed to fulfill our mission – there are four raw ingredients used in the construction of the sales model: Time,

Skills, Interactions, and Information. The diagram sums it all up.



The Sales Model

- Raw Ingredient 1 – **Time**
- Raw Ingredient 2 – **Skills**
- Raw Ingredient 3 – **Interactions**
- Raw Ingredient 4 – **Information**

Let's take a look at each of the four ingredients.

Time

Our model understands all of the time related issues that define the sales process; the beginning and the end – and therefore the length of the sales cycle. When interactions occur – and when they should occur.

Skills

The model knows that we have defined three fundamental skills, and that those skills lead to three distinct phases (here we go back to time) during which each skill is predominantly used. In the model described here the probe phase is fifty percent of the sales cycle, the prove phase is thirty-five percent, and the close phase is fifteen percent. The model also knows how the three skills should be used as the sales cycle progresses, that probing and proving are always used together but in varying degrees, closing can only start after you have done the majority of proving, and in the close phase all skills are used together in each interaction.

Interactions

We said earlier in Chapter 5 that interactions between the salesperson (company) and the customer were the key component of the computer understanding the sales process. We made a clear distinction between interactions that produced important knowledge about the sale (critical interactions), and those that did not (non-critical interactions).

In the sales model we store the critical interactions that we think are typically found necessary to maximize our chances of securing the sale. It is up to the sales team to determine these,

based on their knowledge of previous sales opportunities for the same product. The type of interaction (visit, phone, demo, proposal, etc.) and the rough time of occurrence in the sales cycle, are both plugged into the model. Again we don't have to be concerned with trying to be too accurate or specific here in order for the model to be of value in the intelligent response technology. The kind of thing we are looking for is "a demonstration of the product usually happens two thirds of the way through the prove phase", or "after the initial contact is made, a visit with the customer should occur within two weeks".

Information

To find out about the sales environment we need information – as much as we can get, gathered through our interactions with the customer. This information has to be fed into the model so that the computer has an understanding of what the sales environment is.

The Sales Model and the Sales Environment

PROPOSITION:

THE SALES MODEL IS A FRAMEWORK FOR THE COMPUTER TO UNDERSTAND THE SALES ENVIRONMENT.

How can the sales model store a picture of all of the information, and therefore the knowledge associated with a complex sale? The answer is that it can't. But based on the eighty/twenty rule it is safe to say that twenty percent of the information gathered by the salesperson contributes eighty percent of the knowledge that determines the strategic direction to follow in the sale. *Sales automation done right!* can prod the salesperson to get this vital information that establishes the outcome of the sale – and feed it into the sales model. We information is gathered by probing (discovering the sales environment).

Remember that our sales model says that probing should occur throughout the entire sales cycle, but with varying degrees of focus. So a questioning process is used in the probe, prove and close phases. The questions are determined from our familiar science of selling, and the answers lead to the knowledge we need for our strategy. We've already mentioned a few of the pieces of information that we need; Who is the decision maker? When is the product of service needed? Will this sale happen? What is the degree of competition? By providing this information to the sales model we are providing it with the raw ingredient for knowledge – it can then use the knowledge to proactively tell us what might be the next move in the sale.

In the next chapter we'll dig deeper on how to get to grips with the sales environment, through an appropriate questioning process – and how to load up the sales model with the right ammunition to test out our feel for the IBO Essentials.

Points to Remember:

1. Good conventional sales automation turns the salesperson's informational input into knowledge
2. The computer can use knowledge proactively to assist in selling, if it understands what the sales process is.
3. The selling process can be completely described (in terms of the science of selling) using the four aspects of time, skills, interactions, and information. This is called the sales model.
4. The sales model provides the understanding that the computer needs to become intelligent.

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