BEAGLE RESEARCH GROUP, LLC
INSIGHT + ADVICE + RESULTS

The Sales Web

Linking new applications to form integrated sales processes

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Introduction

The monolithic sales process is fracturing into multiple similar but distinct practices and as the process fractures, many new business applications are growing up between the cracks. It may be incorrect to even call it a "sales process," a more exact description may be "the lead-to-cash process" or even the "customer buying process." New technologies take these subtleties into account and help vendors adjust how they sell to the needs of the customer and the requirements of the market.

Many companies whose categories and brands were initiated in the last decade or two now find they face more demanding customers and fewer opportunities to make the large profit margins they became used to when markets were new and customers bought their first, relatively undifferentiated, versions of new products. These realities put additional pressure on sales representatives to do the right thing at the right time.

To succeed in this new market reality, savvy companies are awakening to the importance of understanding the customer and delivering products that fit specific needs. All this has resulted in a rethinking of the way products and services are sold and, with that, opportunities have opened up for point solution providers who can contribute specialized solutions that enable the fragmented processes.

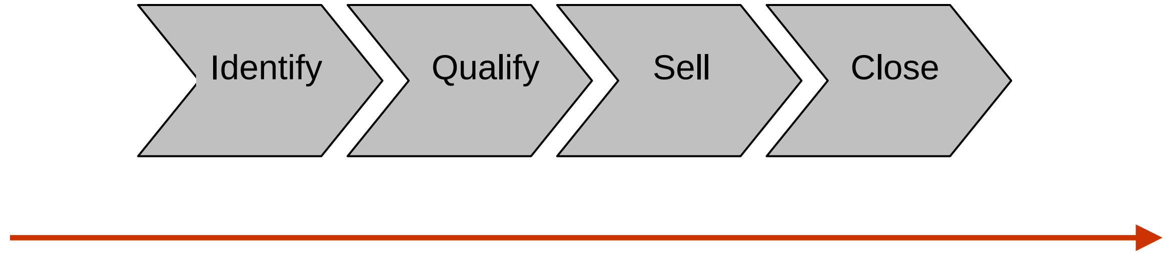
This Beagle Research Executive White Paper examines the modern lead-to-cash or customer buying process and its variations and points out new niches for solutions that inter-operate with SFA.

No longer a single process

The lead-to-cash process is more complex today than it was even a few years ago. When markets are new, a one-dimensional sales tool such as SFA is sufficient to track opportunities through to closure, but sales representatives frequently make up for shortcomings with manual labor. As markets age, however, more labor goes into each deal because product complexity and variety increase consequently the number of products that can meet a particular need also increases giving rise to more choices for customers to evaluate. More choices give customers more reasons to shop and more reasons to say "No." making it harder for vendors to keep their sales processes on track.

Although the outline of the sales process remains as it has been for a very long time (Figure 1), the elements of the process are unique to each organization. Multiple overlapping technologies have come to market that promise to give users an advantage but too often those advantages boil down to an incremental improvement in one stage of the process rather than improving the end-to-end process.

Figure 1. The lead-to-cash process



Understanding which technologies to use can be a serious challenge with significant impacts. Selling in this environment means paying greater attention to parts of the process that may have been neglected earlier or addressed manually, and success is dependent on effectively stringing together support for all of the elements such that as in a relay race, the baton is passed from one runner or phase producing a seamless effort that gets to the finish line first.

Reasons for sales process fragmentation

In early market phases, identification and qualification are relatively simple processes: almost anyone with a budget and a pulse is a target. Early market vendors offer a single version of relatively undifferentiated products that customers, more often than not, must customize and integrate to fit their specific needs. As markets age customers entering the market tend to be more conservative and they expect to see complete solutions for their specific requirements, not a set of capabilities that require expensive services to pull together.

Complete solutions centered on a loose set of specifications derived from experience with a segment or vertical market frequently marks the beginning of mainstream adoption because, with this standardization, products become somewhat less expensive to buy and easier to implement, both of which appeal to more conservative buyers. But in this process specification occurs—vendors make choices about which customer needs to address with the result that products are more capable of doing narrower range of things better—and with that, vendors must begin to be more selective about who they sell to.

Much of what was once referred to as the “high-tech” market can be described this way today. With few, if any, new market niches for large systems to exploit, vendors are forced to address questions about how to serve large numbers of customers who want well defined solutions at well defined price points. The eminent business analyst and author, Geoffrey Moore, has commented on this point frequently, most recently in his book “Dealing with Darwin.” Moore refers to this stage of market evolution as “Main Street” and suggests that most buyers require significant proof that a solution will fit their individual needs very well before investing in it.

The market response

Fragmentation forces vendors to work harder to meet evolving customer demand up to the point where automation is introduced to alleviate some of the heaviest lifting. Without automation to streamline the process of dealing with individual customer requirements, markets would never get beyond the early adopter stage. The commoditization of popular product categories relies on substituting automation for human labor to make customers happy.

Shrink wrap represents the ultimate in marketing automation—it represents a great deal of effort at standardizing products, processes, and outputs as well as documenting them to the point where products can be sold at retail and adopted by users with little or no outside help, at a very modest price point. Between early adopters and shrink wrap there is a broad horizon populated by vendors that need to automate away many of the labor intensive parts of the lead-to-cash process on their way to shrink wrapped solutions.

The CRM market evolved during the early adopter phase of the high tech era; for a moment in time, many markets were synchronized around market share battles that were mediated largely by Sales Force Automation (SFA) alone.

Today as markets fragment there is a plethora of products designed to aid in some part of the lead-to-cash process and finding the right ones for a vendor’s purpose can be a challenge that requires first understanding the market and the customer so that the best process can be constructed. In the next sections we discuss processes and the tools that automate them.

The sales process: major fault lines

General terms like “sales effectiveness” and “customer experience management” have been used to describe ancillary solutions that, in some cases, can do a lot to accelerate selling in a particular field. Each solution type reflects the beliefs of its originators about what is involved in customer facing processes. For example:

- Sales effectiveness—it’s a SALES process
- Customer experience management—it’s a BUYING process
- Partner relationship management (PRM)—let the PARTNER handle it

Depending on a variety of parameters including who the customer is, what the product does, what it costs, how much education is needed to help the customer understand the solution, and much more, each orientation has some validity. What all of these ideas have in common is that the vendor has responsibility for managing and improving the process, but they also encompass a fatal flaw—the assumption that improvement comes from within the sales process itself. This is not entirely accurate.

Above the rim

There are two ways to improve any process. First, practitioners can find deficiencies in each processing step and work to correct them incrementally over time. The second way is to improve the inputs to the process, which is summed up in the famous and somewhat cynical acronym, GIGO, which stands for “garbage in, garbage out”. For many years sales departments have focused almost exclusively on improving the steps in their sales processes. With that goal in mind, companies have, over time, invested in a variety of solutions from SFA and CRM to methodologies, sales training, coaching, and more.

Over time, the level of professionalism exhibited by sales representatives has improved yet according to CSO Insights, a respected sales research group based in Boulder, CO, a significant sub-set of sales representatives still fails to make quota. CSO Insights’ most recent annual survey covering the calendar year 2005, shows that just over 59% of sales representatives surveyed made or exceeded quota leaving more than 40% who for various reasons did not.

After a long period in which sales organizations have tried to improve their internal processes, it may be time to focus on the inputs to the process to achieve the next level of performance improvement. Those inputs are developed above the rim of the sales funnel and they are frequently considered the responsibility of other departments, typically marketing. Yet, while marketing is a prime contributor of above the rim inputs to the sales funnel, there are other inputs within the funnel to explore as we consider the full range of the lead-to-cash process.

For example, according to CSO Insights, organizations that cultivate and nurture leads in a methodical way can improve their close rates by up to 10%. Not only does the improved close rate reflect on the top line but it also means that organizations can use their resources—including people—more effectively to achieve superior results.

Supporting the new process

New tools manage the details of the sales process; sales intelligence, quoting, pricing and configuration, document generation, and compensation management all play a part in moving the process from identifying the best prospects and deals to closure (Figure 2). A sampling follows.

1. **Sales Intelligence** captures information about companies from public domain sources such as SEC filings, databases, and news wires. Sales intelligence tools can filter information from these and other sources to provide in-depth information on company movements that may offer insights that sales representatives can use to initiate or support sales processes.

2. **Analytics** are frequently used to help organizations understand past events and forecast future events by building key performance indicators (KPIs). Analyzing sales activity for the best sales person in the organization can provide insights into how others might perform their jobs better.
3. **Partner Relationship Management (PRM)** is more of a category made up of multiple technologies. PRM enables OEMs to gain visibility into the activities of their distributors and resellers. Using analytics OEMs can identify best practices and KPIs that can apply across the channel. Partners also find value in PRM's ability to let them register leads thus establishing primacy over other partners in a particular deal. PRM also provides a conduit for partners to receive leads and market development funds (MDF) from OEMs and PRM establishes a bi-directional communications channel for both groups. PRM can also encompass configuration, pricing, and quoting, planning, education, certification and more for the channel.
4. **Compensation Management** is used by both direct and indirect sales groups to track and clarify compensation, bonuses, SPIFs and other incentives for sales representatives. Organizations are increasingly using incentive management to track many more parameters than gross revenue—for example, P&L, new product introductions, customer retention, and satisfaction. Many companies find that tracking multiple incentives, their time frames, and accelerators is too difficult using traditional spreadsheets. The best incentive compensation management systems are built on a database and use a reporting engine not only to track compensation, but to identify the deals that representatives and managers should concentrate their efforts on when performing account planning.
5. **CPQ**, **Configuration, Pricing** and **Quotation**. As the name implies, CPQ systems accelerate the correct configuration of orders along with pricing and quotation and in some cases they provide workflow for management approval. The benefits to this kind of solution are several including:
    - Improving accuracy along the chain from configuration to quote
    - Providing an audit trail for each step to help ensure and enforce discount policies and SOX compliance
    - Providing workflow automation to enable managers to routinely review and approve all quotes in a timely manner
    - Accelerating the basic process of configuring complex orders
6. **Sales Methodologies** generally fall into two buckets—planning and process analysis. While each category offers benefits, if we could only choose one, it would probably be the process analysis type for the simple reason that the best laid plans can still go awry, then what? Then you analyze the situation and come up with Plan B, or Plan Q for that matter. Some of the knocks against methodologies over the years have been that they were developed for paper and never really transitioned to automated systems. One consequence was that rather than being a solid prescription for success, methodologies tended to be "tailored" to the individual organization or sales manager which too frequently led to retention of worst practices. The new crop of sales methodologies is better integrated into sales automation platforms. Nonetheless, we advise organizations to evaluate solutions carefully and make selections with an open mind knowing that adoption means adapting to a new way of doing things, not wholesale mapping existing processes to a new tool.
7. **Lead Development** and nurturing provides a methodical way to identify leads that are ready to sell to, those that will be at some point in the future, and those that will never be suitable to pass onto the sales staff. Since sales representatives can only deal with active leads, many often discard leads that might be actionable in the future because they have no capacity for dealing with them in the current time frame. Establishing a lead maturation process is as important as establishing a sales process for a company and we expect this area will receive a lot of attention in the near term.

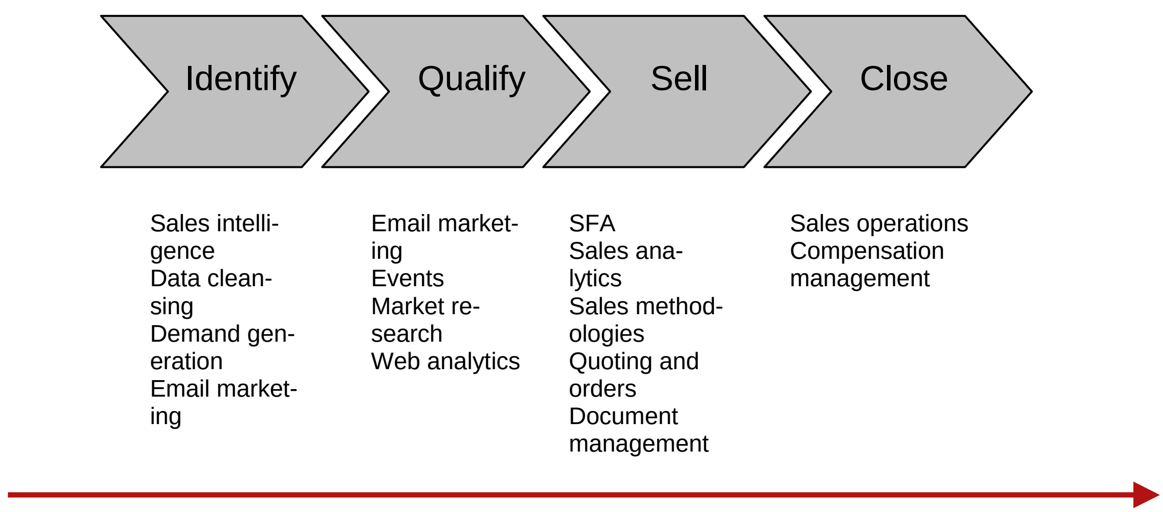
8. **Sales Operations** is a category that is too generalized to be of much use, though individual products may, in fact, deliver significant benefits. Some define Sales Operations to include outbound email, customized landing pages, credit approval initiation, wireless access, and this list goes on and on. Our advice to companies setting up shop in this category is to think again and come up with a more focused category in which they can derive some differentiation. As always for buyers, know what you need before you go looking.

9. **Event Management** is the last thing that most companies think about when planning events is the overhead involved in the process. Event planning is one of the last areas where access to Internet based information has not resulted in significant decreases in the cost of event development. Think about the effect of having cost information on-demand has had on the travel or retail industries and you get a glimpse of the potential for events management. If you generate market presence and leads through industry events—especially if you plan and host the events—you should investigate how good event planning technology can reduce your costs by eliminating one or more levels of overhead.

10. **Integration Technology**. The current trend is to expect that all applications in a solution family be built and supported by a single platform consisting of operating system, data base, development tools and hosting technology. While this approach might have its advantages, it is a somewhat unrealistic in today's market to expect that the totality of any company's sales needs can be met by a single vendor. A strong set of APIs or a platform approach that enables partners to put unique solutions together will be a staple of this category into the indefinite future.

    Integrating on-demand applications with legacy systems must be dealt with on a case by case basis, much as integration has always been done. However, there are several approaches worth looking at. New integration server technology can be pre-built and installed quickly with which the integration vendor provides hardware and software that maps the relationships between applications and programs those relationships into a rack mounted server. Other software-only solutions pre-integrate off the shelf on-demand applications for clients. Again buyers must take some responsibility for the selection process.

Figure 2 The lead-to-cash process and some supporting technologies



Different versions of the same basic process

Putting together the components that will drive sales success for an organization requires correct identification of the elements of the organization's sales process and then incorporating products that support each part of the process. For example, a company that sells a new category product for a previously undiagnosed business pain might utilize sales intelligence to identify potential early adopters of the solution. Other vendors selling into well established markets might instead rely more heavily on demand generation and lead maturation strategies to build a pipeline. Understanding the sales process enables vendors to configure the most appropriate technical solutions which we refer to as a Sales Web.

In the sections that follow we examine several situations that each call for somewhat different constellations of sales automation beyond traditional SFA to achieve an end-to-end lead-to-cash process.

- An emerging technology company with a new category product.
- An established company with repeat business
- The established company with an indirect channel
- An SMB company with a small geographic territory as part of the channel or as an independent

New category product

Some of the traditional challenges companies in this position face include building a reputation in the market, which we refer to as "getting oxygen," identifying latent pain in prospective customers that they can convert into an active need, and identifying buyers and budgets.

Frequently, new category companies need to sell to a C-level officer or someone very high in the organization because their products do not fit a defined business need or, most importantly, a line item in a budget. Without a champion who believes in the solution and who can find money in the budget, there will be no sale. And even a champion will likely have other people to convince within the organization.

This sales process is highly consultative because, frequently, emerging companies in new categories rely on early adopter customers to help them turn a good idea into a marketable product. There is a great deal of back and forth between the vendor and customer and the product more resembles a tool kit than a specific solution. Once the problem is identified, communication becomes vital to a successful close; there is little need to manage the compensation angle since each sales representative will work with a relatively small pipeline extending a lot of services to each prospect.

To be successful in this kind of process requires a Sales Web that is front-end loaded, meaning that most of the automation assistance needs to come in identifying opportunities and within opportunities the likely champions. Some tools that can help in this type of process include:

- **Events Management (EM)** if trade shows or other industry gatherings are an important way of meeting buyers. Also, EM can be very useful when introducing a new product or a product line extension to a large captive customer base, which happens on Main Street all the time.
- **Sales Intelligence** will help identify specific companies and sometimes specific executives with business problems that emerging category companies can uniquely solve.
- **Sales Methodology** is important in helping sales representatives in early markets to systematically approach and sell to early adopter customers which tend to be large corporations with multiple layers of management.
- **Market Intelligence** is similar to sales intelligence in that it can help the emerging vendor identify and concentrate on evolving trends.

- **SFA** will, for the foreseeable future be the glue that holds everything together at least from the perspective that the SFA database should contain the superset of all information a company tracks about its customers and prospects.

Established company and channel organization

The established company selling a product must be conscious of several requirements: the constant imperative to lower costs, the need to innovate around the core offering as well as the need to innovate new products to replace those that are commoditizing, and the need to increase sales volume year over year.

Many companies find it possible to meet all of these needs using an in-house sales force while at a later stage the same company might farm out at least part of its selling to a community of partners which includes distributors and resellers. Adding an indirect channel to the mix can add significant reach to an organization at a relatively low cost, but it also introduces complexity into sales and sales management that must be successfully addressed before the benefits of an added channel can be realized. Failure can cause a company to stagnate as its sales forces fight over deals.

Some of the challenges of running a hybrid organization containing both direct and indirect selling include territory management, lead security, marketing, and partner recruitment and development, as well as sales for the direct sales representatives and marketing for all parties. The Sales Web for this kind of company is the most complex of all the examples and includes three levels direct, indirect, and corporate Sales Webs.

Direct selling

Direct selling in an established company is similar to selling in an emerging category with the difference that an established salesforce spends less effort in identifying opportunities—that job is for marketing—and more effort conducting a sales process requiring adherence to company standards in a variety of areas. The tools listed below support these additional requirements.

SFA is a given.

Lead Development and nurturing. Most sales representatives bemoan the lack of qualified leads while discarding any lead that is not actionable in the current reporting period. Lead nurturing is a very useful tool to enable marketing to both cultivate and recycle leads that are immature for any reason. Lead nurturing develops a dialog between the seller and the buyer which serves to educate the buyer and reduces the barriers between vendor and customer.

Configuration, Pricing, Quoting (CPQ) is needed in many situations to ensure consistency in pricing and discounting and to reduce errors caused through omission of a component. Sarbanes-Oxley compliance is another good reason to invest in CPQ which enables complete and accurate audit trails for decisions made around price and discount.

Incentive or Compensation Management is very useful in a direct situation where sales representatives manage large pipelines. With incentive management systems, sales representatives and their managers can identify the deals in the pipeline that both have the best chances of closing and which provide the greatest benefits to the company and the individual representative. Incentive management can provide the needed pull that deals in the pipeline sometimes need.

Indirect selling

The indirect channel is often populated by smaller SMB companies that add value to OEM products through intense customer focus. Channel partners often add services, training, and extensions of the OEM solution to earn their keep. On one level the partner functions in a direct sales mode, though with fewer resources and often fewer needs for all of the support that a direct vendor has. Consequently, the channel partner relies in part on the OEM for things like marketing and leads (delivered through PRM), and partners frequently operate with less automation.

The SMB company shows the greatest variability among sales types since it can be part of a larger indirect channel or it can operate as a freestanding supplier of a product or service. For a pure SMB, SFA alone or even contact management might be enough to support sales activity, not because other functions are not needed, they are simply performed manually and information is kept in people's heads. In either case, the company usually lacks significant geographic reach making it important for the organization to have effective methods of acquiring leads within its geographic or other range.

Our recommendations for Indirect or SMB Sales Webs include:

- **SFA**
- **Configuration, pricing, quoting (CPQ**) since compliance with the OEM's guidelines is imperative in many situations for the SMB to remain a solid citizen and the SMB also shares many of the reporting and audit responsibilities with the OEM.
- **PRM** for lead registration as well as lead and MDF sharing. This is a two way street, the partner needs the information and money that PRM can efficiently deliver and also the lead registration that is becoming increasingly common. The OEM requires information from the field to enable it to alter the supply chain to changes in production schedules.
- **Compensation management**. This is a low cost way for the SMB to boost performance by helping the often overworked sales manager to identify leads with the greatest potential. For example, if the OEM is offering extra margin or a spiff for specific business, having compensation management to help zero in on the best opportunities makes a lot of sense. Moreover, some compensation systems give the OEM visibility into deals without revealing sensitive identity information to reassure the SMBs.

OEM to partner

The second sales channel every OEM has to master is the one that recruits, trains, and rewards new partners and that job has usually fallen to PRM. The OEM has a big job to do on behalf of the indirect sales channel. While the OEM may not be involved in the details of each deal, it is nevertheless necessary for the OEM to continue to capture market intelligence, market the brand, generate and distribute leads, and "feed the channel." Below are some examples of solutions that both help make and save the OEM's money.

- **Events management**. OEMs do a lot of recruiting and partner management through regional events and user groups and many generate large volumes of leads for the channel through events. Events are important but also one of the last parts of business that are relatively unregulated by automation that helps users control costs. EM can save OEMs considerably on their event expenses.
- **PRM** to manage channel and gain visibility into activities. We've discussed PRM above and it is important to reiterate the need for good bi-directional communication between OEM, reseller, and the people in the reseller organization who do the deals. Many resellers will object to the potential for intrusiveness that PRM can exhibit, but the fact of the matter is that the channel is no longer a backwater and for OEM's to base their business on what the channel generates requires greater insight and standardization. Good PRM systems take this into account and provide safeguards.
- **SFA see above**
- **Market Research** and market intelligence. The OEM must be constantly on the lookout for new and better ways to gather information about market momentum and shifts both to share with the channel and to contribute to internal decision making.
- **Compensation management see above.**

Analysis and Conclusions

SFA is still necessary but no longer sufficient as a solution to what is arguably the most important business process in any corporation—reliably turning leads into revenue. Sales force automation has been used effectively in many settings that have a common background of introducing new category products to a marketplace where demand is high but not very specific. Often in such markets product specifications are not well established in the early going and the competition is a market share battle won with basic marketing and public relations.

But when selling into a later stage and more crowded market where customers have more leverage because there are more equal choices, vendors must do a better job of educating and identifying likely prospects and selling to their specific needs. In this setting vendors are forced to be more focused in how they sell and to whom they sell. Failing to observe this requirement can cost a company and a sales force a great deal in delayed or missed opportunities. Consequently, the business process of finding business and closing it, which was once mediated by SFA alone, must expand and with that expansion comes the realization that one product and indeed one software company alone cannot support all of the functions within the process.

This reality highlights the necessity of superior integration technology to support a best of breed approach that is becoming commonplace. The emergence of platform technology that enables disparate applications to interoperate is an important accelerator to the movement that brings together solutions from multiple vendors and demands an integrated process as a result.

In this new environment, it becomes necessary for each company to analyze its sales process to ensure it is maximizing the information it gathers—which is the raw material for the process—at every stage. Better inputs to the sales cycle have been shown to be critical success factors in many scenarios. Embracing the idea of improving inputs is the first step.

About Beagle Research Group

Beagle Research Group is a consulting and market research organization focused on emerging technologies and companies that will have an important impact on the way business is conducted in the years ahead. Our work is based on professional standards of quantitative and qualitative research which informs all of our publications.

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