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The Effect of the Enterprise on Sales Success

A white paper that outlines what gets in the way of sales and why CRM may be an answer to your problems.

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The Effect of the Enterprise on Sales Success

A white paper for determining what gets in the way of sales and why CRM may be an answer to your problems.

What is getting in the way of sales in your organization? And what is it costing you?

It is amazing to me how many companies my sales force and I speak to, where the management is not embracing CRM, or even a contact management solution, to make salespeople more efficient, protect the firm, and increase sales. Granted, CRM has gotten a tarnished image in some companies, because they've overspent on solutions and features, without an understanding of the payback and the real issues they need to solve before implementing CRM. In addition, far too many senior managers buy a CRM package, thinking that its installation alone will solve their problems and get one more monkey off their backs. Not true!

The firm that installs CRM must also commit to organization-wide use of it, to derive the promised benefits of CRM by tracking the metrics that may not have been the culture in the past. The new economy demands that you understand the metrics of your firm and your employee performance. This concept has been around for years, since SPC (Statistical Process Control) and the total quality management movement (TQM). But, does your firm know how many calls it takes for a salesperson to get an appointment or close a sale? Do you know how productive one advertisement is over another, or how many problems are reported for each of the products you sell? I didn't think so ...or maybe you think that Bob in QA is supposed to be tracking that. Thank your lucky stars if you are in a rare company that is tracking these results (or lack thereof). All too often, however, salespeople are forced to spend far too much time doing *whatever it takes* to close the deal, and they don't have the support of the rest of the organization!

How the Enterprise gets in the way of Sales

Isn't the sales force supposed to get orders and the rest of the organization counts the money or produces the product? Of course! But many things get in the way of sales success, and often senior management does not look at the rest of the organization as supporting the sales organization and the customer's needs.

The enterprise can get in the way of sales in a number of ways:

- Not communicating credit problems
- Lack of communication between inside and outside sales or customer service departments
- Failure to remedy product problems
- Poor customer or technical support after sales are culminated
- Poor customer service by administrative, accounting, operations or shipping staff
- Billing or credit mistakes with critical customers or prospects
- Various company departments with "no clue" as to who the best customers are, how much they buy, or how important they are to the organization

What is this costing me?

Track your costs!

Examine your last 12 months of operation and estimate the following numbers for your organization:

- Revenue per rep
- Win, loss and no decision rates
- Lead turnaround time
- Number of sales calls completed per rep
- Average amount of time required to complete each selling step
- Tasks performed by sales reps that could or should be done by others

- Number of calls required to close an opportunity
- Numbers of existing customer contacts and repeat business orders
- Average order size and order frequency
- Average order discount percentage
- Margin contribution per deal

By gathering these metrics before implementing your CRM initiative, you can calculate changes in these and other performance areas, as compared to your original baseline after your CRM system is implemented. This analysis will provide you facts you can use to determine the ROI of your CRM program, as well as how effectively your sales people are doing their jobs. In addition, you may uncover other surprising data such as that your sales people don't have enough time to make the requisite contacts to close enough business to meet their quotas. If you further supplement your data with additional business analysis, you will also be able to start to determine such factors as:

- Marketing program effectiveness
- Win-rate comparisons for different prospect types
- Profitability comparisons for different prospect types
- Sales rep success conversion rates for each sell cycle step
- Sales and customer service training needs to boost productivity and sales
- Profitability comparisons for orders from different channels
- Success rates and profitability comparisons for individual products

If you can determine the impact of the elements above, it will help you improve the ROI you are getting on your investments in marketing, product development, channel partner management and the like. Armed with this new performance data, you will be able to plan for the future more effectively. Once your CRM system is up and running effectively, you should be able to calculate all of these factors without adding to the workload of your sales team. They simply continue to manage their pipelines, and the CRM system will track their performance.

Effect on the Sales Department

By having the sales department track a number of other factors, such as the impact of the CRM system on sales management time, you can:

- Improve sales forecasting
- Increase time spent coaching versus compiling or reviewing reports
- Adjust the quantity of customer or prospect calls managers make with their salespeople
- Improvements in other areas

It will also be advantageous to track the impact your CRM project has on voluntary and involuntary sales rep turnover. The cost of having an unstaffed sales territory can be tremendous when you consider:

- Average number of clients lost when a salesperson leaves
- Amount of revenue lost while the job is vacant
- Recruitment costs incurred to find, interview and hire quality people
- Training expenses to educate new people about your products and company (new salespeople can often take six to twelve months to reach full productivity)

Many companies report that, after implementing an effective CRM system, voluntary turnover decreases, and the ramp-up time required for a new sales rep to be effective is substantially reduced. Your CRM system should enable you to measure improvements and quantify those effects.

The Impact on the Rest of the Company

Other functional departments should also track a number of metrics. Some things to track include:

- Marketing: collateral printing and distribution costs
- Sales: overnight mailing costs for last minute proposal and literature shipments
- Order entry: order processing and write-off costs
- Administration: time spent on account history look-up and information retrieval
- Expenses: travel and phone related to servicing customers.

Implementation of your CRM initiative should enable you to see improvements in all of these areas. A well-executed CRM program should result in increased employee satisfaction, renewed sales confidence and improved personal productivity. Conducting surveys with your distribution partners and customers can also help show the impact your system has on customer satisfaction.

Assessing your current baseline will give you clear insight into the return on investment that you are generating. It will also provide valuable direction for what actions you need to take next. CRM should help improve every aspect of your sales process. If you see only marginal or no improvement in a given area, further investigation is warranted, just as it would be in a TQM program, as mentioned earlier.

You should use your CRM performance metric data to help prioritize what to do next. Solicit and implement the recommendations you have received from users of the CRM system. Analyze what improvements have and have not been made in that area, propose process re-design steps you could take and what the potential ROI might be. This focus will help guarantee your future CRM investments are used to solve the most pressing problems.

Take the plunge!

It is fairly easy to see where the benefits of CRM are in most organizations. If you are close to the processes that turns a prospect into a customer, then manages that customer through his lifecycle, and guarantees his satisfaction, you know what would help your company be more successful and make your customer happier with your services and products. The next step is to take action to document, justify and convince management that the investment in CRM will help guarantee your firm's long term success. If your company's operating system is the IBM iSeries (AS/400), then we encourage you to consider the Wintouch eCRM Solution from Touchtone Corporation. Wintouch eCRM has all of the features you need to capitalize on your investment in CRM, track customer activities and staff time, as well as to service customers better. Wintouch can also quickly connect you to your green screen systems by simply clicking on an icon. Call Touchtone Corporation for more information at 1-800-786-8663 or Wintouch.com.

About the author...

Rich Hall is the Vice President of Sales and Marketing for Touchtone Corporation. Rich has over 18 years of experience in sales and marketing and has done extensive research on CRM as well as product development and marketing of CRM products. Rich has an MBA from the University of Southern California and has worked for firms such as TRW, Experian, Parker Hannifin, Pitney Bowes, HNC Software and Cooper Industries.