BOOK 4

SMstudy
Targeting success

SMstudy® Guide

CORPORATE SALES

2017 Edition

A Guide to the SMstudy® Sales and Marketing Body of Knowledge (SMstudy® Guide)

SMstudy® Guide

CORPORATE SALES

2017 Edition

A Comprehensive Guide to Corporate Sales

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PREFACE

The SMstudy® Guide (also referred to as a Guide to the Sales and Marketing Body of Knowledge, or *SMBOK® Guide)* is a comprehensive process-oriented framework for the planning and execution of activities associated with all facets of Sales and Marketing. It can be used as a reference source for experienced Sales and Marketing professionals or as a detailed guide for individuals or students with little prior Sales and Marketing knowledge or experience. The *SMstudy® Guide* can be applied in any organization or industry—from small companies with only a few employees to large, complex organizations with numerous business units, multiple product lines, and thousands of employees across many countries.

The *SMstudy® Guide* series consists of six books for all the aspects of Sales and Marketing: Marketing Strategy, Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing. Each book addresses a key component of Marketing and can be used as a standalone resource or as part of a more comprehensive program that utilizes any number of the six books as required by the business. In this way the *SMstudy® Guide* series offers a flexible framework that can be tailored to address the specific needs of each organization.

This fourth book provides a framework for use in the planning and execution of Corporate Sales. It outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company's products and services; understanding procurement management; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. It also emphasizes how corporate sales should interface with the other Sales and Marketing Aspects.

Effective use of the Corporate Sales framework is expected to lead to greater thought and deliberation in the planning and execution of Corporate Sales initiatives. Further consideration and practical use of the processes and tools detailed in the SMstudy® Guide will in turn contribute to expanding and enriching the Sales and Marketing body of knowledge and consequently lead to future additions and enhancements to this framework.

I would like to thank the 42 co-authors, subject matter experts, and reviewers who greatly contributed to the creation of this body of knowledge. Their combined efforts and collaborations have resulted in a comprehensive, highly effective, and unique approach to understanding, planning, and implementing Sales and Marketing initiatives.

Tridibesh Satpathy
CEO, SMstudy®

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1. INTRODUCTION

A Guide to the SMstudy Sales and Marketing Body of Knowledge (SMBOK® Guide), also referred to as the "*SMstudy® Guide,*" is a series of books that provide guidelines for the Sales and Marketing of products and services. It offers a comprehensive framework that can be used to effectively manage Sales and Marketing efforts in any organization. The objective of the *SMstudy® Guide* is to provide a practical and process-oriented approach to Sales and Marketing that emphasizes how various elements of Sales and Marketing can be integrated to develop a comprehensive and effective organizational Sales and Marketing Plan.

The concepts in the *SMstudy® Guide* can be applied effectively to any company in any industry—from small companies with only a few employees to large, complex organizations with numerous business units, multiple product lines, and thousands of employees across many countries. The term "product" in the *SMstudy® Guide* may refer to either a product or a service of a company.

This introduction chapter includes definitions of key terms, the purpose and framework of the *SMstudy® Guide*, the SMstudy® certification schema, the evolution of Sales and Marketing, an overview of the Aspects of Sales and Marketing discussed throughout the *SMstudy® Guide*, and a general overview of the contents of this first book on Marketing Strategy. This chapter also briefly discusses Corporate Strategy and its relationship to Sales and Marketing.

This chapter is divided into the following sections:

1.1 How to Use the *SMstudy® Guide?*

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1.3 A Brief History of Corporate Sales

1.4 Corporate Strategy and its Relationship to Sales and Marketing

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1.1 How to Use the SMstudy® Guide?

The *SMstudy® Guide* can be used as a reference and knowledge guide by experienced Sales and Marketing practitioners, as well as by persons with little prior knowledge or experience in Sales or Marketing roles. Because the *SMstudy® Guide* offers a comprehensive Sales and Marketing framework, many will find value in using this resource to guide decision making and planning across all facets of Sales and Marketing; however, the contents of the Guide are organized to enable quick and easy reference for individuals who may be interested in, or studying, only one or two specific facets of Sales or Marketing. Similarly, the *SMstudy® Guide* provides a valuable tool for individuals already in distinct Sales or Marketing roles (e.g., Digital Marketing Manager), as its design enables such individuals to focus on the specific Aspects that are most relevant to such roles.

1.1.1 Process-Oriented Approach with Defined Inputs, Tools, and Outputs

In order to facilitate the best application of the *SMstudy® Guide* framework, the *SMstudy® Guide* defines a process-oriented approach to Sales and Marketing, which provides specific guidance to Sales and Marketing professionals about how to most effectively and efficiently manage their sales and marketing activities. The *SMstudy® Guide* defines Sales and Marketing in terms of processes that comprise a series of actions that leads to a particular result. Each process requires specific inputs and then uses tools to create specific outputs. To cater to the needs of a diverse audience with varying levels of expertise in Sales and Marketing, the *SMstudy® Guide* has differentiated highly recommended inputs, tools, and outputs from recommended, but optional ones. Inputs, tools, and outputs denoted by asterisks (*) are highly recommended, while others with no asterisks are recommended, but optional. It is suggested that those individuals being introduced to Sales and Marketing focus primarily on the highly recommended inputs, tools, and outputs for each process, while more experienced practitioners should thoroughly understand all of the relevant inputs, tools, and outputs for each process.

1.1.2 Using SMstudy® Guide with SMstudy.com Website and VMEdu® Mobile App

The SMstudy.com website and the VMEdu® mobile app provide additional resources to help individuals better understand and apply the Sales and Marketing framework defined in the *SMstudy® Guide.* The website and app include the following:

- A certification schema, which helps students study marketing subjects in a structured manner, get tested on relevant concepts through proctored certification exams, and gain relevant certifications, which demonstrate their knowledge and experience in different areas of Sales and Marketing (see section 1.1.3 for a description of the certification schema)
- High-quality videos with relevant and interesting examples that help individuals gain a thorough understanding of specific concepts.

- Case studies that illustrate how the *SMstudy® Guide* framework can be used in real-life scenarios.
- Additional resources for students to obtain expert training through physical classrooms, virtual instructor-led sessions, and high-quality online courses.
- A glossary of terms, flashcards, study guides, and more.

1.1.3 Certification Schema for SMstudy® Certifications

The certifications related to the *SMstudy® Guide* are managed by SMstudy.com. The certification schema is outlined in Figure 1-1.

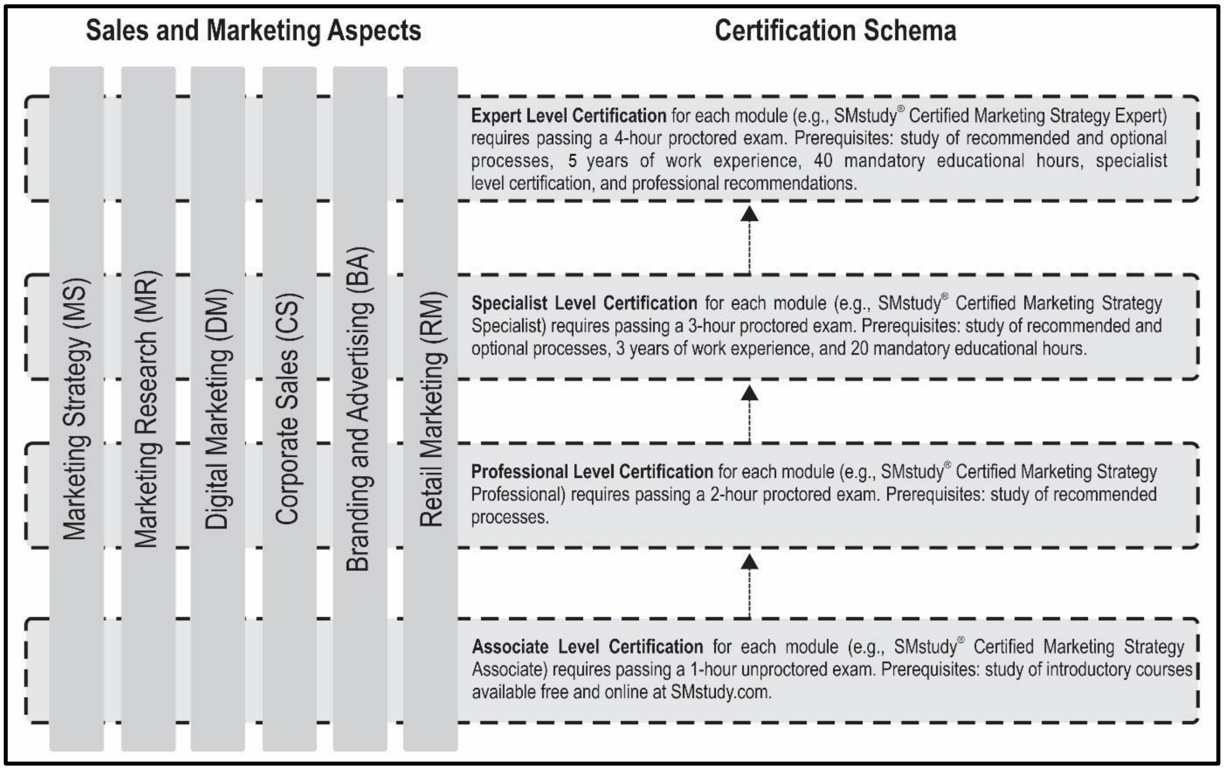

Figure 1-1: SMstudy® Certification Schema

The following is a brief description of each level of certification:

- **Associate Level Certifications**—The introduction modules are available at no charge to interested individuals. All Aspects of Sales and Marketing have an applicable Associate-level certification (e.g., "SMstudy® Certified Marketing Strategy Associate"). The certification exams are free and not proctored; and candidates have one hour to complete each exam. The prerequisite is an understanding of the highly recommended inputs, tools, and outputs for each process relevant to the particular Aspect of Sales and Marketing. There is no work experience requirement and no mandatory educational hours in addition to the recommended study.

- **Professional Level Certifications**—All Aspects of Sales and Marketing have an applicable Professional-level certification (e.g., "SMstudy® Certified Marketing Strategy Professional").The certification exams are proctored and candidates have two hours to complete each exam. The prerequisite is a study of the relevant *SMstudy® Guide* book with more emphasis on the highly recommended inputs, tools, and outputs for each process relevant to the particular Marketing Aspect. There is no work experience requirement and no mandatory educational hours in addition to the recommended study. Individuals who pass the certification exams for three or more Professional modules are awarded an additional certification called "SMstudy® Certified Sales and Marketing Professional."

- **Specialist Level Certifications**—All Aspects of Sales and Marketing have an associated Specialist-level certification (e.g., "SMstudy® Certified Marketing Strategy Specialist"). The certification exams are proctored and candidates have three hours to complete each exam. The prerequisites are a study of all of the relevant inputs, tools, and outputs for each process, three years of related work experience, and twenty mandatory educational hours. Individuals who pass the certification exams for three or more Specialist modules are awarded an additional certification called "SMstudy® Certified Sales and Marketing Specialist."

- **Expert Level Certifications**—All Aspects of Sales and Marketing have an associated Expert-level certification (e.g., "SMstudy® Certified Marketing Strategy Expert"). The certification exams are proctored and candidates have four hours to complete each exam. The prerequisites are attaining the Specialist level certification for that specific Aspect, a study of all of the relevant inputs, tools, and outputs for each process, five years of related work experience, forty mandatory educational hours, and recommendations from two peers and a manager. Individuals who pass the certification exams for three or more Expert modules are awarded an additional certification called "SMstudy® Certified Sales and Marketing Expert."

Other than the certifications mentioned above, SMstudy® offers additional certifications in fields related to Sales and Marketing such as Affiliate Marketing, E-mail Marketing, Search Engine Optimization, Search Marketing, Social Media and Web Analytics. Information about these certifications is available in the SMstudy.com website.

1.2 Why Use the SMstudy® Guide?

Some of the key benefits of using the *SMstudy® Guide* are as follows:

1. **Consolidated Expertise**—The *SMstudy® Guide* is developed by VMEdu, Inc., a global certification course provider that has educated over 400,000 students world-wide in more than 3,500 companies. It provides practical, industry-proven best practices, rather than purely theoretical advice.

2. **Process-Oriented Approach**—The *SMstudy® Guide* explains Sales and Marketing concepts through a practical, process-oriented approach. This helps Sales and Marketing professionals understand the specific processes they should follow to be effective in their Sales and Marketing roles. Each process has associated inputs, tools, and outputs that are recommended for use. Highly recommended inputs, tools, and outputs are noted with an asterisk (*) beside the concept in each process box and then again when each process is discussed throughout that section.

3. **Applicable to All Industries**—The many authors, advisers, and reviewers of the *SMstudy® Guide* have worked in numerous Sales and Marketing areas and geographic regions across a variety of industries. Thus, insights provided by them make this body of knowledge industry independent.

4. **Applicable to Companies of All Sizes**—The *SMstudy® Guide* has been written to meet the needs of all companies regardless of size. Small start-up companies with fewer than ten employees, or large organizations with several thousand employees and multiple product lines and business units, can equally benefit from the information in this guide. Additionally, the content provided in the *SMstudy® Guide* is highly relevant to for-profit and non-profit organizations alike.

5. **Comprehensiveness**—The *SMstudy® Guide* is organized into six Sales and Marketing Aspects: Marketing Strategy (MS), Marketing Research (MR), Digital Marketing (DM), Corporate Sales (CS), Branding and Advertising (BA), and Retail Marketing (RM). Each Aspect is detailed in a separate book. Taken together, the series provides a comprehensive and complete understanding of Sales and Marketing. The concepts covered in the *SMstudy® Guide* are further reinforced through videos and case studies available at SMstudy.com.

6. **Applicable to Beginners and Experts**—The *SMstudy® Guide* presents recommended concepts that beginners should know and also highlights advanced concepts for individuals who have more experience and who are on their way to becoming experts in the field. Readers can decide which of the six Sales and Marketing Aspects are most relevant to them and select from the available books accordingly.

7. **Alignment with Job Roles**—The Aspects included in the *SMstudy® Guide* are organized to align with the most common or typical job roles or career fields of Sales and Marketing.

8. **Continuous Improvement**—Concepts related to Sales and Marketing continue to evolve; therefore, the *SMstudy® Guide* will be continuously reviewed and updated to ensure that it remains relevant.

1.3 A Brief History of Corporate Sales

Corporate Sales has evolved concurrently with Sales and Marketing. It is important to present a high-level overview of the history of Sales and Marketing in order to understand and appreciate the changes that have taken place over time. Figure 1-2 illustrates the evolution of Sales and Marketing models over time. All of the models described below are relevant to business-to-business (B2B) sales as well and continue to be used even today.

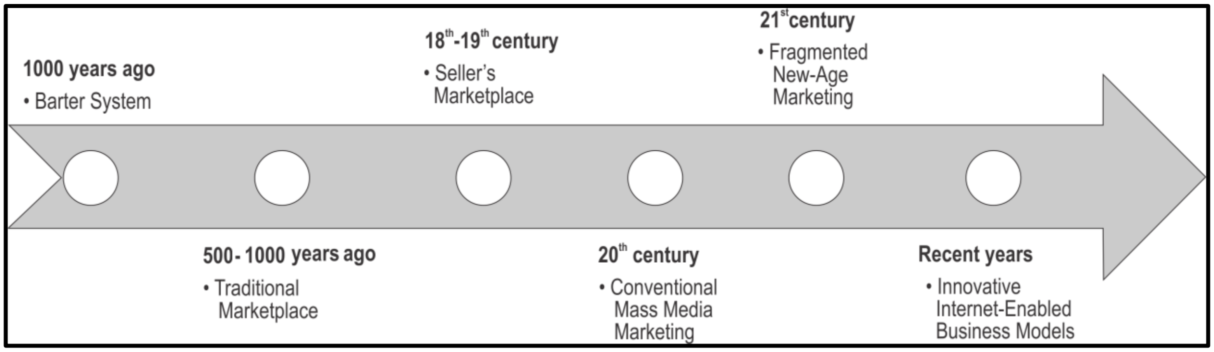

Figure 1-2: Evolution of Sales and Marketing Timeline

1.3.1 Barter System

More than a thousand years ago, when coins and other forms of money were not yet popular, the typical and most common way people procured their products or services was through the barter system—the direct exchange of goods or services without the use of money. For example, a farmer might exchange some of his harvest with a carpenter for some wooden furniture. Sales and Marketing with the barter system is dependent on having access to the appropriate persons with whom things can be exchanged for mutual value to both parties.

Barter continues to be used today—people and countries still exchange some goods and services without the use of money. The barter system may replace money in times of monetary crisis, when the usual exchange currency is unavailable, or when currency is unstable (e.g., due to high inflation).

Examples of Barter System:

- A tradesperson, such as a carpenter or electrician, operating his or her own business, might provide services free of charge to his or her accountant in exchange for professional accounting services.
- Today, many websites provide a space for individuals to offer goods for bartering purposes. An individual planning to relocate to a crowded downtown location might offer his or her car in exchange for a more appropriate vehicle for downtown transportation, such as a motorcycle or a scooter.

1.3.2 Traditional Marketplace

Five hundred to thousand years ago, coins and other forms of money started becoming popular as a medium of exchange between people. This led to the creation of the traditional marketplace where producers, such as farmers, craftsmen, and carpenters, create products, stay in their shop with their wares, and shout out to a crowd of potential customers in the marketplace in order to promote and sell their products.

Traditional marketplaces are usually small markets where price negotiations and other decisions related to sales are made quickly—often by one or two persons. There may be significant flexibility regarding discounts and additional product benefits. The focus is more on short-term gains and less on long-term transactions and relationships. There is negligible branding and advertising; rather the objective is to sell what has been produced.

Example of the Traditional Marketplace:

- The traditional marketplace is still in use today, in some cases, under unique labels such as the bazaars of Turkey, the haats of India, the floating markets in Thailand, the wet markets in Hong Kong, the flea markets in Germany, the souks of the Middle East, the farmers' markets in the US, and the tianguis of Mexico.

1.3.3 Seller's Marketplace

The Industrial Revolution in the eighteenth and nineteenth centuries marked a shift to mass production in factories (e.g., textile manufacturing). During this time, transportation infrastructure improved significantly with inventions such as the steam engine and more efficient ships. The banking system was further developed and the exchange of money became easier. Communication was also substantially improved through the development of the postal system and the use of telegraphs. Furthermore, goods were produced more efficiently and economically in factories and could be sold to a wider market. This created the seller's marketplace.

The main objective of the seller's marketplace is to establish a supply chain to procure products, and then establish a distribution channel to sell the products to a wide variety of customers, often referred to as "mass marketing." The practice of using channel partners to sell products was established during this period. Emphasis on branding and advertising is minimal in a seller's marketplace.

Examples of the Seller's Marketplace:

- The seller's marketplace continues to be used today in some countries where agricultural produce is often procured by the government. The government in turn manages the distribution of the produce to the different markets.
- The seller's marketplace is also prevalent in industries where the government controls the competition of private companies, for example, the distribution of petroleum products, or licenses that allow only a select few companies to manufacture a particular product in the country.
- If a natural disaster or unfavorable weather conditions cause widespread crop failure in a particular region, a seller who has stores of that particular crop in that location could capitalize on a seller's marketplace because there would be more buyers than available product.

1.3.4 Conventional Mass Media Marketing

In the twentieth century, as the number of manufacturers or industries for specific products grew, consumers had the option to buy from multiple manufacturers. Unlike a seller's marketplace where sellers have the advantage over customers, mass media marketing features multiple manufacturers, thus shifting the balance of power in favor of consumers. Manufacturers created differentiated perceptions for their products by developing brands or names for their specific products or services with a specific message or positioning. They also began advertising their products or brands for a wider reach.

Primary channels used for mass media marketing are print advertising (newspapers, magazines, inserts, or run of paper), mass mailers (flyers, postcards), television (network, cable, or syndication), radio (national, local, satellite, or podcast), and outdoor advertising (billboards, bus shelters, stadiums). The viable channels for conventional mass media marketing may be restricted in some instances (i.e., some channels may be cost prohibitive or simply unavailable in some markets); however, a company can reach a wide segment of consumers using one or more channels effectively. For example, a business may choose to use only newspaper advertising and mass mailers to advertise the launch of a new business. It is also important to note that identifying the revenue generated from mass media marketing spend can help assess the success or failure of specific mass media marketing campaigns.

The objective of conventional mass media marketing is for organizations to create strong brands and differentiated brand perceptions so that consumers will desire and purchase their products rather than those available from competitors. Thus, mass media marketing usually uses cumulative repetition over time to influence consumer attitudes and purchase actions. Mass media marketing also involves creating distribution channels and appropriate pricing and positioning strategies to ensure that desirable products are available to customers at specific price points. With respect to Corporate Sales, companies started using basic Customer Relationship Management (CRM) systems to store customer data and improve communication with customers.

In recent years, some of these companies have decreased their budgets for conventional mass media marketing, and have in turn increased allocations towards fragmented new-age marketing and/or innovative Internet-enabled business models. One of the key drivers for this change is the fact that consumers generally spend significantly more time online (i.e., using computers, tablets, and cell phones) than they used to, so targeting them through conventional mass media marketing would be sub-optimal.

Example of Conventional Mass Media Marketing:

- Conventional mass media marketing continues to be used today, particularly by companies with established brands with relatively high marketing budgets and a broad target market. Companies such as PepsiCo, Coca-Cola, Procter & Gamble, Unilever, McDonald's, and Walmart, continue to primarily use mass media marketing for marketing their products and brands.

1.3.5 Fragmented New-Age Marketing

In recent times, the media has become increasingly fragmented with several hundred television and radio channels, as well as a large variety of print media, including newspapers, magazines, and trade publications. Moreover, since the late nineteen nineties, with the increasing popularity of the Internet and, more recently, smartphones, many options now exist for advertisers to reach a global audience using digital media marketing methods such as cell phone apps, Google, Facebook, Twitter, LinkedIn, YouTube, QR codes, gamification, and proximity marketing (e.g., Foursquare). With all of these options, many marketers find it beneficial to use an integrated approach to marketing by leveraging the strengths of various types of media. Companies must evaluate all media in terms of who the target audience is and what media resonates with them best. In many cases, assumptions will need to be made and incorporated into the media-testing framework (e.g., for each planning period a company might allocate a certain amount of its marketing budget to test new methods).

Some characteristics of fragmented new-age marketing are as follows:

- It is a fact that people now spend more time on the Internet using smartphones, tablets, or computers than they spend through conventional mass media, such as television, radio, or newspapers. This is especially true for the thirty-year-old and younger market segment. Since Sales and Marketing is most successful when it meets the demands of consumers, this change in consumer preferences is significantly altering the Sales and Marketing landscape for established companies. Businesses are discovering that conventional mass media marketing has limited effectiveness and some customer segments are not even reachable using these traditional media forms.

- Fragmented new-age marketing generally supports new, small brands with much smaller budgets targeted directly to customers in a global marketplace. This represents a significant distinction from conventional mass media marketing, where achieving a global reach for a small company may have been prohibitively expensive.

- While mass media marketing is less targeted and primarily focused on affecting emotional attitudes about the brand, new-age marketing is data-driven and more focused on driving specific calls to action. Also, while mass media marketing typically involves interruption (e.g., people watching a television program which is "interrupted" by an advertisement), new-age marketing is about engagement (e.g., offering relevant content that is of value to people).

- Unlike older media options where Sales and Marketing communications were primarily uni-directional (i.e., from producers to end-consumers), communications have increasingly become multi-directional (i.e., from producers to consumers, consumers to producers, and consumers to consumers). For example, there are multiple rating websites available where customers can provide independent ratings of a company's products or services, and others, including the company itself, can respond or elaborate on these ratings. Although generally a benefit to both producers and consumers, this trend can make brand management challenging for companies if actual or potential customers perceive that a product does not reflect the brand message intended by marketing efforts.

- Due to the nature of new-age marketing, consisting of multiple media forms and the ability to generate significant information, huge amounts of data (commonly referred to as "big data") are now available to companies. The ability to process this data through proper marketing analytics, and assimilate such data to generate valuable insights, can become a significant differentiator for ensuring that companies engage in "smart marketing" (i.e., to generate greater revenues with relatively smaller marketing budgets).

Examples of Fragmented New-Age Marketing:

- Social media (e.g., Facebook, Google+, YouTube) and company websites allow small companies to showcase their products at a low cost or at times, even for free. Companies can share engaging content, which can go viral, thus promoting their brand and reaching a global audience. Brands can also produce informative, instructional content via blog posts, forums, and so forth.
- Online paid advertising (e.g., Google AdWords, LinkedIn Sponsored Updates, Facebook Ads) allows companies to market their products or services to their target audiences at smaller budgets compared to conventional mass media marketing. For many companies, online paid advertising is replacing conventional mass media marketing. It may be important to note that unlike mass media, which is a one-way broadcast from brand to consumer, new-age marketing involves a two-way interaction between brand and consumer. For example, in the case of Google AdWords, the consumer clicks on an ad that takes him/her to the landing page of the brand's website. At that point, the brand will likely ask that the consumer do something (i.e., a specific call to action to download material or place an order). If the consumer accepts the call to action, the company provides additional information on the product itself. Thus, the transaction is usually a back-and-forth engagement between the company and its potential customers.
- Multi-directional communication is facilitated using fragmented new-age marketing. Customers can provide their own feedback or research what others have to say about particular products through blogs, Twitter feeds, Google reviews, and so on. TripAdvisor provides a forum for travel enthusiasts to share feedback about their experiences staying in particular hotels. Such feedback can significantly impact the buying behavior of future tourists who read customer reviews before deciding their travel options.

1.3.6 Innovative Internet-Enabled Business Models

The growing popularity of the Internet, smartphones, and digital media provide opportunities for a company to not only use fragmented new-age marketing effectively to promote existing products, but also to come up with innovative business models where product demo, customer acquisition, and order fulfillment can also take place online.

Innovative business models may include the following:

- **Online Marketplaces**—Several e-commerce companies have created global online marketplaces for selling books, consumer goods, and other products. In such business models, customer acquisition is usually initiated through the company's website. The company coordinates with its multiple suppliers to source products; samples, demos and product reviews are provided on the website; customers make their purchases online; and items are shipped directly to customers.

Examples of Online Marketplaces:

- Book publishing and retail businesses, which historically gained much success using traditional business models, have been significantly affected by the advent of online marketplaces such as Amazon, eBay, Alibaba, and Flipkart.
- Online payment processors such as PayPal, Stripe, Braintree, and Google Wallet have simplified the way in which payments can be processed by businesses, and have enabled even small start-up companies to sell their products globally.

- **Online Services**—Online services have significantly impacted many traditional product and service industries by transforming existing business models and creating new ways to conduct business.

Examples of Online Services:

- Global Positioning Systems (GPS) and online maps have made physical maps redundant.
- Online learning tools have gained popularity and, at times, can complement or even replace physical classroom training.
- The gaming industry has transformed predominantly to the online community with options for participants to play against opponents from various locations.
- Many travel bookings are now made through online travel portals rather than through traditional travel agencies.

- **Online Networking**—The Internet has made the world a smaller place. People can now have access to their networks at all times. These changes have significantly impacted the way in which people communicate with each other and, in turn, have created new possibilities for innovative business models.

Examples of Online Networking:

- Social media channels such as LinkedIn, Twitter, WhatsApp, Facebook, and Google+, have significantly changed the way in which people communicate with each other.
- Online search engines such as Google, Yahoo, and Bing make it easy to find information and locate businesses globally.
- Internet calling, messaging, and conferencing apps such as Skype, WhatsApp, Viber, and WebEx have made communicating across almost any location much easier and more economical than before.

- **Business Models Using Smartphones**—Smartphones are Internet-enabled cell phones that also allow people to have an ongoing connection to the Internet. Since individuals usually carry their smartphones with them, mobile apps are becoming increasingly popular. Innovative business models based on the use of smartphones can disrupt several existing business models—more so in industries that rely on other forms of communications and networking.

Examples of Business Models Using Smartphones:

- Several airlines and travel portals have mobile apps to facilitate the ability to book flight tickets using smartphones.
- Social media channels such as Instagram, Twitter, Facebook, and LinkedIn provide mobile apps that enable users to easily share photos and updates, or chat with friends.
- Some mobile apps allow users to locate nearby restaurants, read reviews, and also post reviews based on their own experience.
- Banking mobile apps allow customers to view their bank account balances, transfer funds, pay bills, and complete other common banking activities.
- Smartphones can be used to scan QR codes used for various marketing purposes.

1.3.7 Sales and Marketing as a Continuum

It is important for us to note that the fact that we are in the twenty-first century does not make all the earlier avenues of Sales and Marketing obsolete. Some companies marketing consumer goods continue to spend a significant proportion of their marketing budget on conventional mass media marketing. In some cases a seller's marketplace continues to be the reality for certain commodities that have a limited number of producers, or where the production is highly regulated by the government or controlled by monopolies or duopolies. Similarly, in some regions or countries, traditional marketplaces continue to flourish.

Rather than viewing the changes as completely replacing the earlier practices, Sales and Marketing approaches should be viewed as a continuum where recent innovations can co-exist with earlier practices. It is the responsibility of a company's Sales and Marketing teams to make the strategic decisions that will work best to achieve the desired outcomes, given the reality of the markets and particular consumer preferences.

Sales and Marketing students, who read material on the subject, often find it confusing because authors offer varied perspectives that may be difficult to assimilate and comprehend in the present day. Each author's perspective can also vary depending on when the material was written (i.e., where he or she was on the Sales and Marketing timeline), his or her individual or industry preferences and experiences, and other factors. Conversely, the concepts covered in this Sales and Marketing Body of Knowledge (*SMstudy® Guide)* are not limited to the perspective of any particular author or industry. The *SMstudy® Guide* was developed by VMEdu, Inc., a professional education provider which has educated over 400,000 students world-wide in more than 3,500 companies. The fifty plus authors, advisors, and reviewers of this book have worked in multiple marketing environments and geographic regions across an eclectic variety of industries. Thus, the insights provided in this book provide a comprehensive detail of the principles and concepts related to Sales and Marketing and specifically to Corporate Sales. It also articulates an action-oriented process approach that can be used by Sales and Marketing practitioners to gain a better understanding of the subject, and then construct a comprehensive and effective Corporate Sales Strategy that supports both the marketing objectives as set out in the Marketing Strategy and the business goals as established in the Corporate Strategy

1.4 Corporate Strategy and its Relationship to Sales and Marketing

Corporate Strategy is the overall direction of the company (as defined by senior management) that takes into consideration an assessment of the existing capabilities of the company and external opportunities and threats. Corporate Strategy usually coincides with the immediate future fiscal period or it could be developed with a longer-term view (e.g., a three-year plan). It is important to understand the overall Corporate Strategy and its relationship to all areas of the business in order to ensure that activities at all levels are aligned and aimed at achieving overall corporate goals. Corporate Sales is one component of the overall Marketing Strategy, and the Marketing Strategy is established using direction provided by the overall Corporate Strategy of the company. Without a clear understanding of where the company plans to be in the near and far future, it is difficult for the Corporate Sales efforts to be crafted to contribute to the sales and marketing objectives or the overall goals of the business.

Corporate Strategy is a combination of the following:

1. **Senior Management Direction and Insights**—This is provided by senior management based on their experience and insights related to the business.

2. **Corporate Product Strategy**—This defines the products or services the company offers, and the research and development (R&D) efforts required to create them.

3. **Corporate Marketing Strategy**—This defines how the company will target, position, market, and sell the planned products, and defines metrics, targets, and budgets for all marketing activities.

4. **Corporate Operations Strategy**—This defines how the company will manage operational activities, manufacture its products (or provide services), and provide the corresponding customer support and warranty.

5. **Corporate Finance Strategy**—This defines how the company will manage its finances, attain funding, and financially sustain its operations. The Finance Strategy should include forecasts and projections and summarize costs, income, and investments.

6. **Corporate Human Resource Strategy**—This maps the human resource capabilities within the company and considers talent management and acquisition needs to sustain growth.

Figure 1-3 shows the components of Corporate Strategy.

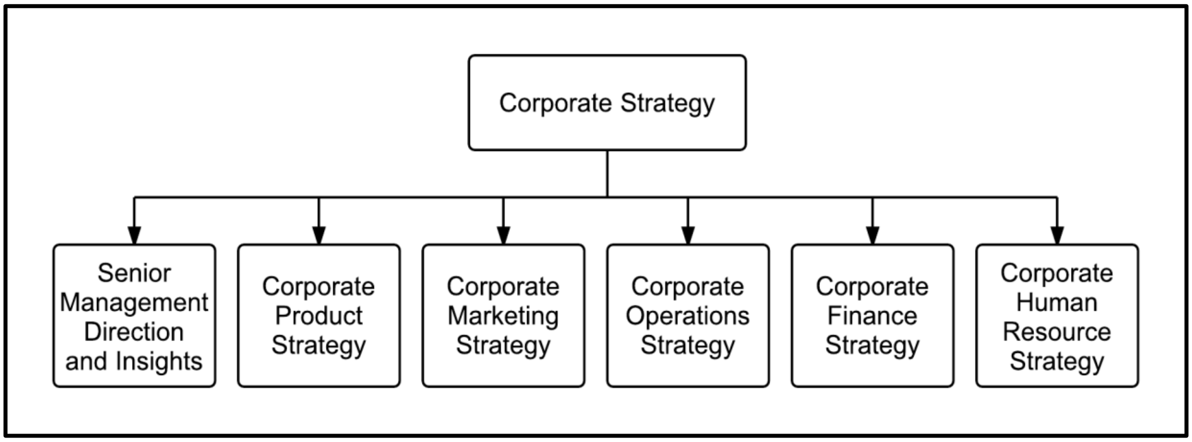

Figure 1-3: Components of Corporate Strategy

Typically, companies have existing documentation regarding their Corporate Product Strategy, Corporate Marketing Strategy, Corporate Operations Strategy, Corporate Finance Strategy, and Corporate Human Resource Strategy; these must be considered in an integrated manner to define a coherent Corporate Strategy. The level and complexity of documentation for these strategies may vary depending on the size of the company and the breadth of its product portfolio and geographic reach. If formal documentation of these strategies is not available (e.g., as with a start-up company), the teams involved in strategic planning should consider the various strategies using the *SMstudy® Guide* framework and decide on an overall Corporate Strategy, which can then become a benchmark to execute future plans.

Finalizing the company's Corporate Strategy can be a time-consuming and rigorous exercise that requires inputs from multiple stakeholders, particularly senior management. It is advisable to execute strategic planning exercises at appropriate and specific time intervals (e.g., once or twice a year), and then finalize a Corporate Strategy on which senior management and the heads of strategy teams agree. Following this process will help to ensure that the leadership team has coherently defined goals and strategies that align with the overall strategic goals of the organization.

Corporate Strategy can in turn be further divided into lower level strategies depending on the complexity of the organization. For example, the Corporate Strategy for an entire company can be divided into strategies for each business unit or geographic region (e.g., country, state, or city), and then subdivided further into a Product or Brand Strategy for each product or brand in a business unit or geographic region. The Product or Brand Strategy is the lowest level in this hierarchy.

Figure 1-4 illustrates the relationship between Corporate Strategy, Business Unit/Geographic Strategy, and Product/Brand Strategy.

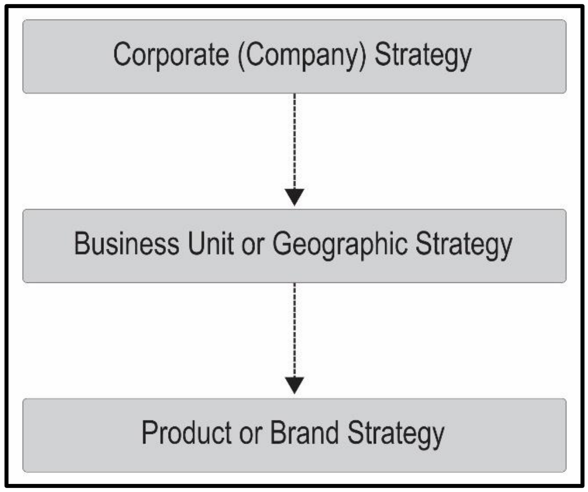

Figure 1-4: Levels of Strategy

While each of the various strategies established in an organization has its own goals and expectations, it is important to note that all activities must align in order to ensure that teams are focused on achieving targets that will contribute to the overall business goals. For Corporate Sales, which is the focus of this book, specific targets are set that will enable the team to measure its own success. However, when goals are aligned across brands, functional areas, and business units, achieving Corporate Sales goals also contributes to the attainment of overall marketing objectives and ultimately assists the business in the successful execution of the Corporate Strategy and, therefore, the achievement of business goals.

Additional information about Corporate Strategy is available in the SMstudy® Guide–Book 1, Marketing Strategy (section A).

1.5 Aspects of Sales and Marketing

The *SMstudy® Guide* describes six Aspects of Sales and Marketing as follows:

1. Marketing Strategy (MS)
2. Marketing Research (MR)
3. Digital Marketing (DM)
4. Corporate Sales (CS)
5. Branding and Advertising (BA)
6. Retail Marketing (RM)

Since the *SMstudy® Guide* is geared towards Sales and Marketing professionals or those who desire to work in this field, the six Aspects are based on the six most common and often distinct career fields related to Sales and Marketing. Figure 1-5 illustrates the six Aspects of Sales and Marketing and how they interact with each other.

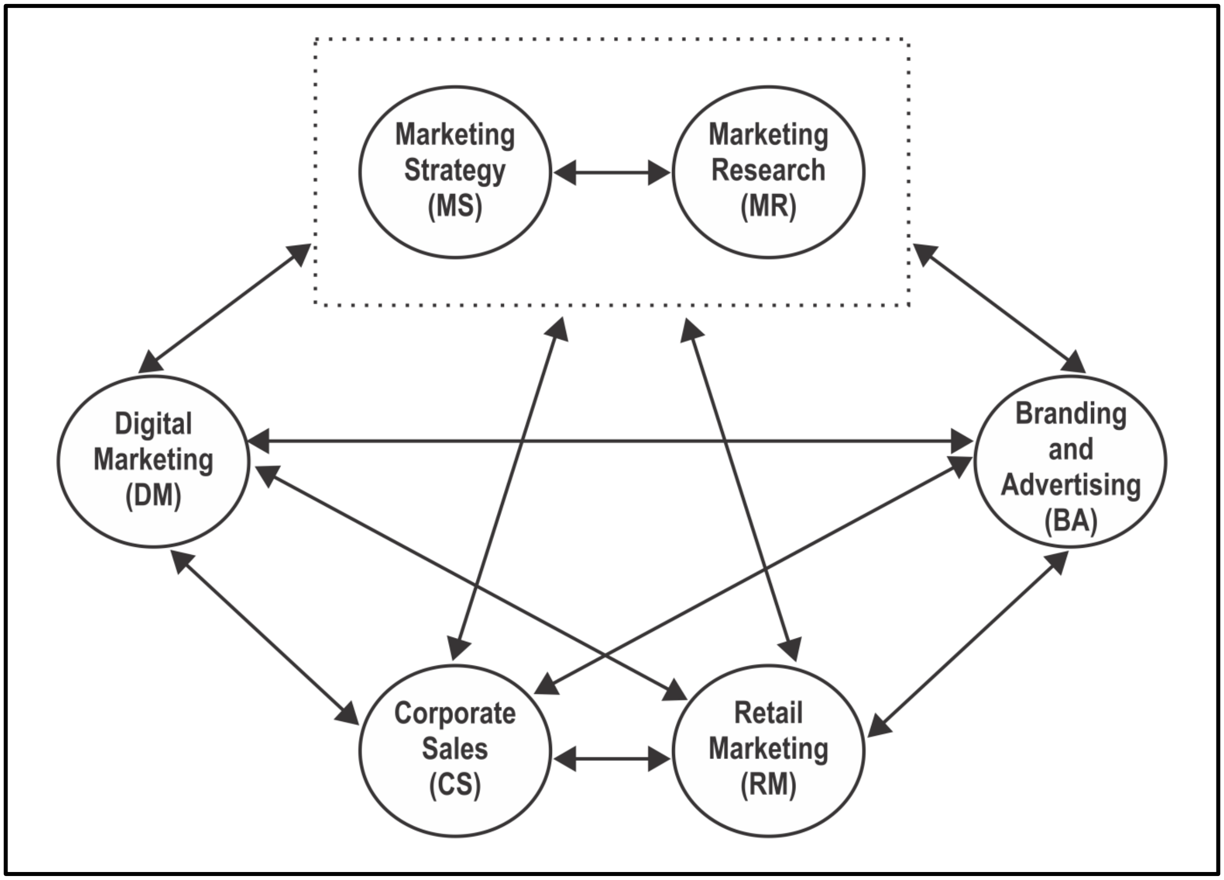

Figure 1-5: Aspects of Sales and Marketing

The two marketing Aspects that are shown in dotted lines at the top of Figure 1-5 (i.e., Marketing Strategy and Marketing Research) are referred to as “Essential Marketing Aspects.” Both of these Aspects are mandatory and should be used to define, measure, and provide direction for the overall marketing efforts of a company.

The four remaining Aspects (i.e., Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing) are referred to as “Optional Marketing Aspects” because one or more of them could be used by a company to reach its marketing goals and, in some instances, not all are applicable. For example, a small company creating phone apps or online games may decide to solely use Digital Marketing; another company manufacturing heavy equipment may use only Corporate Sales; and a large consumer goods company or global fashion chain may decide to use all four Optional Marketing Aspects to reach its marketing goals.

Marketing Strategy (MS), describes how the Aspect of Marketing Strategy aligns with a company’s overall Corporate Strategy and acts as a unifying framework to define and analyze the other Aspects of Sales and Marketing. It also supports the alignment of all marketing resources among all Aspects. Marketing Strategy includes determining internal organizational strengths and weaknesses, as well as external opportunities and threats; identifying and segregating prospective buyers into market segments based on common needs; defining competitive positioning to satisfy specific customer needs; creating pricing and distribution strategies; and defining the metrics, objectives and corresponding budgets for implementation, evaluation, and improvement of all marketing activities.

Marketing Research (MR) explains the concepts of Marketing Research and provides a framework to conduct marketing research and to analyze Sales and Marketing data. It also demonstrates how marketing research findings can help the marketing team conceptualize and finalize product features and other components of a company’s Marketing Strategy. In addition, Marketing Research discusses assessment tools that can be used to measure factors that can help drive better corporate decision making, and in turn more decisive marketing actions. Marketing Research can be conducted for any other Aspect of Sales and Marketing. It is commonly used to test multiple marketing hypotheses in order to better understand consumer behavior, finalize product features, define metrics for measuring marketing efforts, and track and improve marketing activities.

Digital Marketing (DM) includes all marketing activities that use electronic devices connected to the Internet to engage with customers (e.g., computers, tablets, smartphones). These include activities related to creating and managing effective websites and mobile apps as well as promoting a company’s products and brand through various online channels that help meet marketing objectives. Some of the tools pertaining to Digital Marketing include Search Engine Optimization, Search Engine Marketing, Mobile Device Marketing, Social Media Marketing, and E-mail Marketing. This Aspect also demonstrates how an effective Digital Marketing Strategy can be a force multiplier for the other Sales and Marketing Aspects.

Corporate Sales (CS), which is the focus of this book, outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company's products and services; understanding procurement management; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. It also emphasizes how corporate sales should interface with the other Sales and Marketing Aspects.

Branding and Advertising (BA) includes concepts of product branding, consumer behavior, marketing communication, and public relations. Branding is the process of creating a distinct image of a product or range of products in the customer's mind. This image communicates the promise of value the customer will receive from the product or products. Branding should remain consistent across all channels of communications with the customer. Advertising is defined in the *SMstudy®* Guide as any paid form of non-personal communications to existing and potential customers that promote the company's products through all types of media—such as radio, television, and print. Online advertising is discussed in the book on Digital Marketing.

Retail Marketing (RM) presents concepts of all marketing activities related to persuading the end customer to purchase a company's products at a physical retail outlet or store, and efficiently managing the supply chain and distribution channels to improve the reach and sales for a company's products. This Aspect also discusses how Retail Marketing interfaces with the other Sales and Marketing Aspects.

1.6 Levels of Sales and Marketing Strategy

The Corporate Marketing Strategy, which is a component of the overall Corporate Strategy, is further divided into various Business Unit or Geographic Strategies, which in turn is further divided into particular Product or Brand Strategies for each product or brand. Figure 1-6 illustrates the relationship between Corporate Marketing Strategy, Business Unit/Geographic Marketing Strategy, and Product/Brand Marketing Strategy.

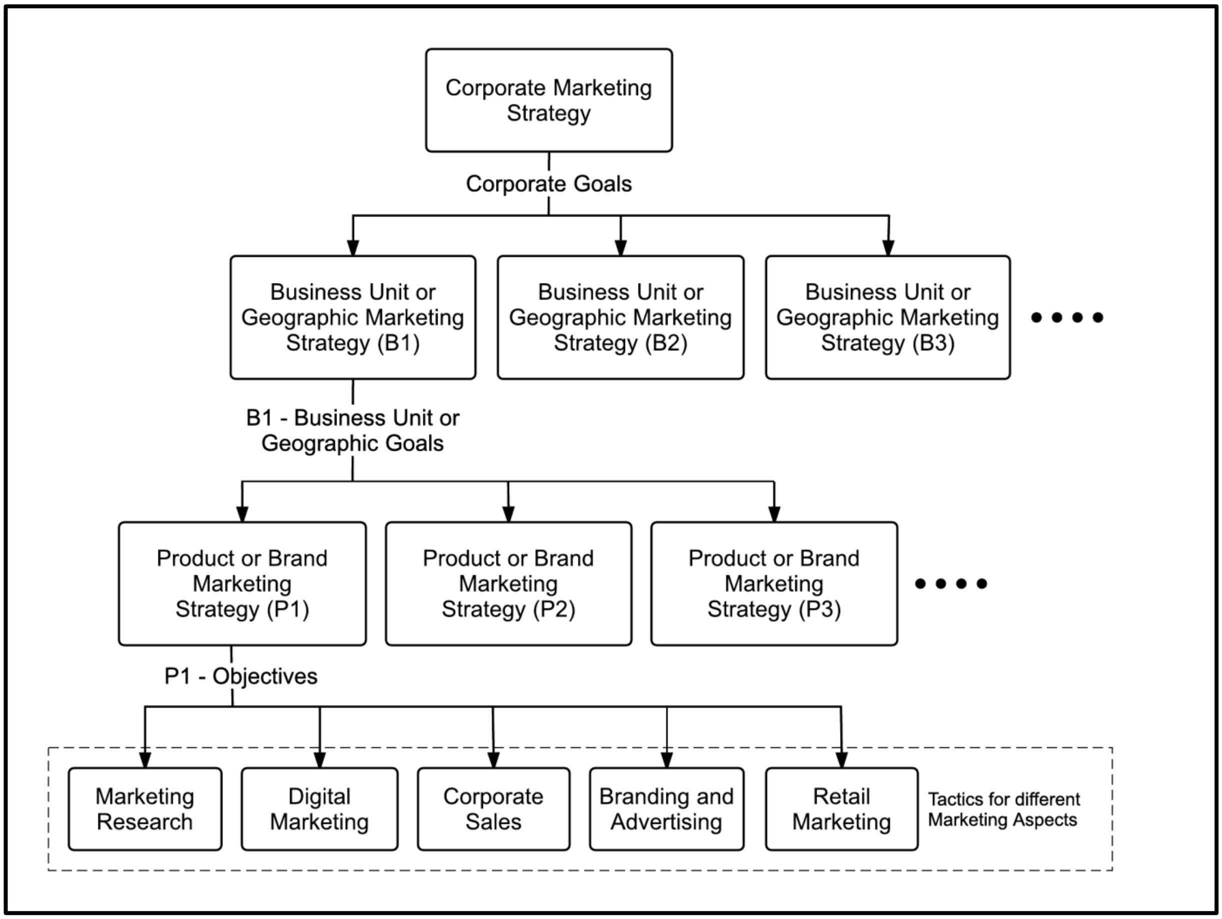

Figure 1-6: Relationship between Levels of Sales and Marketing Strategy

The Corporate Marketing Strategy is defined at a corporate level. It defines the overall marketing goals for the company. These general marketing goals drive more specific marketing strategies for each of the company's business units or geographies. Each business unit or geography in turn defines its own goals, which are relevant inputs for each area's particular Product or Brand Marketing Strategies. Each Product or Brand Marketing Strategy (also referred to as 'Marketing Strategy' in the *SMstudy® Guide*) defines Sales and Marketing objectives for each product or brand, which drive specific tactics that align with and often rely on other Marketing Aspects. The marketing activities across all Aspects of Marketing are designed with the marketing objectives in mind. Within the strategy for each Aspect, including Corporate Sales which is the focus of this book, various activities are designed to meet specific targets that the team establishes will provide a measure of success and enable the team to contribute to the overall marketing objectives and, ultimately, to the business goals.

Example of Levels of Sales and Marketing Strategy:

Global Automobile Company

- **Corporate Level**—A global automobile company specializing in manufacturing luxury automobiles has a corporate goal to grow the revenue of the company by 8% in the upcoming year by launching new models of cars in its existing locations and entering new market segments.
- **Business Unit/Geographic Level**—The automobile company has been organized into multiple business units based on geographies where it conducts business. Each business unit has business unit goals that contribute to the company's overall corporate goals. The business unit goals for next year are 5% growth in revenue in the United States, 10% growth in China, 4% growth in the United Kingdom, 12% growth in India, and 6% growth in Germany.
- **Product/Brand Level**—To meet the 10% revenue growth target in China, the marketing team in China plans strategies for the three existing brands in the market (i.e., 'Ceres,' 'Pallas,' and 'Vesta') and also plans to launch a new brand, 'Juno.' Each brand targets a different customer segment. Ceres is an entry-level sedan, targeted at working professionals who aspire to have a luxury car; Pallas is a minivan, primarily targeted at families with children; Vesta is a four-wheel drive sport-utility vehicle for individuals who want both on- and off-road capability and to still be able to go on long drives; the new brand, Juno is a convertible that the Chinese business unit plans to target at young persons who want a stylish and fun car.
- Each brand team creates a Marketing Strategy for its brand. When creating the Marketing Strategy, the team considers the strengths, weaknesses, opportunities, and threats for the brand; defines the market and identifies the different market segments; identifies the brand's competition; finalizes the target market segment for the brand; analyzes the target market to create a differentiated positioning for the brand; and then finalizes the pricing and distribution strategies. Each team then determines the appropriate metrics and objectives that will help reach the team's growth target, and a budget is allocated to each Marketing Aspect. Juno's key metric is sales and its main objective is to sell 25,000 cars in the Chinese market the year after the vehicle is released. The Marketing Strategy team for Juno decides to use Digital Marketing, Branding and Advertising, and Retail Marketing to reach out to its target market segment. Juno's product strategy team sets a budget of $1 million for Digital Marketing to sell 3,000 cars, $10 million for Branding and Advertising to sell 10,000 cars, and $15 million for Retail Marketing to sell 12,000 cars.
- **Marketing Aspect Level**—The metrics, objectives, and budgets allocated to each of the Marketing Aspects become inputs for those Aspects. For example, the Digital Marketing team may decide to create a high-quality website with their budget of $1 million with an objective of selling 3,000 cars.

Example of Levels of Sales and Marketing Strategy:

Land Development Company

- **Corporate Level**—A land development company wants to grow to be among the top three land development companies in its state.
- **Business Unit/Geographic Level**—The land development company operates two business units: Residential and Retail. A goal of the Residential Business Unit is to grow that unit by 12% within one year; a goal of the Retail Business Unit is to grow that unit by 10% within the same time period.
- **Product/Brand Level**—Within the Residential Business Unit, the company sells three products: Condominiums, Town homes, and Singles. The Singles Product Marketing Strategy identifies an objective to grow the sale of single units by 15%. To achieve this objective, the teams responsible for building strategy within the various Aspects of Marketing establish specific objectives that are designed to support the overall product objectives and to align with one another.
- **Marketing Aspect Level**—The Company's greatest strength is the fact that it is an award-winning leader in 'green' sustainable development. Therefore, the Branding and Advertising team builds specific tactics that incorporate an increase in reach of its messaging around sustainable development. One specific tactic is to leverage billboard and newspaper advertising with the objective of increasing reach of 'green' messaging by 30%. The Digital Marketing team incorporates tactics to support the objective of increasing the 'green' sustainable development messaging, stressing the importance of this trend, and positioning the company as a leader in the industry, through the use of various social media channels. One specific tactic is to leverage blogs and online public relations with the objective of increasing the company's rankings in online searches related to keywords, such as 'sustainable development.' The tactics of each Marketing Aspect are aimed at achieving their own specific objectives; however, both support the overall Singles Product Strategy objective of achieving a 15% growth in sales for this product line.

1.6.1 Focus on Product or Brand Level Marketing Strategy

Although Corporate Marketing Strategy is discussed briefly here and in detail in Appendix A of the Marketing Strategy book, subsequent chapters of this book primarily discuss Corporate Sales as a contributor to the Marketing Strategy at the product or brand level. The objective of this approach is to focus on learning these concepts and developing strategies at the most granular level. The concepts, however, can be extrapolated and the knowledge applied to develop strategies at higher levels (i.e., Business Unit/Geographic or Corporate levels).

1.7 Marketing Strategy Overview

All successful products or brands need well-planned marketing strategies in place to ensure that they satisfy the goals set by the corresponding Business Unit or Geographic location, and in turn the overall Corporate Marketing Strategy. Marketing Strategy is therefore one of the most crucial Aspects of Sales and Marketing. It defines a product or brand's unique value proposition, target markets, and the specific strategies to be used to connect with defined audiences. It also specifies the pricing and distribution strategies for a product or brand, and outlines the specific metrics, objectives, and budgets for all its marketing activities. Among the outputs of the Marketing Strategy are the specific Aspects that will be used to achieve the marketing objectives for a product or brand.

Corporate Sales is a key Aspect for companies involved in B2B sales to achieve its overall marketing objectives. It is important to note, however, that Corporate Sales is just one element of a variety of Aspects of Marketing that companies use to grow their businesses and achieve their corporate goals. For an overview of Marketing Strategy and its various components, see Appendix A.1. For a comprehensive understanding of how to build and execute a Marketing Strategy that aligns all Aspects of Marketing toward achieving both the marketing objectives and the business goals, consult the Marketing Strategy book of the *SMstudy® Guide* series.

1.8 Corporate Sales Overview

Corporate Sales outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company's products and services; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities. Corporate Sales is an important aspect for companies involved in B2B sales. It outlines the processes that the company needs to follow for generating B2B sales as well as retaining customers through good account management practices. It starts with understanding the company's sales value proposition followed by creating a suitable sales channel network. Before reaching out to the target segment the company also needs to ensure that it is ready for the sales process by planning for sales governance, setting sales targets, creating appropriate marketing assets, and creating compensation structures. In addition the company also needs to ensure that the corporate sales team is well-trained with respect to process and product knowledge before getting in touch with potential customers. The sales process includes prospecting for potential customers followed by conversion that leads to customer acquisition. Account management is aimed at supporting and satisfying customer needs to ensure high levels of customer satisfaction and customer retention.

Figure 1-7 provides an overview of the important processes and outputs related to Marketing Strategy.

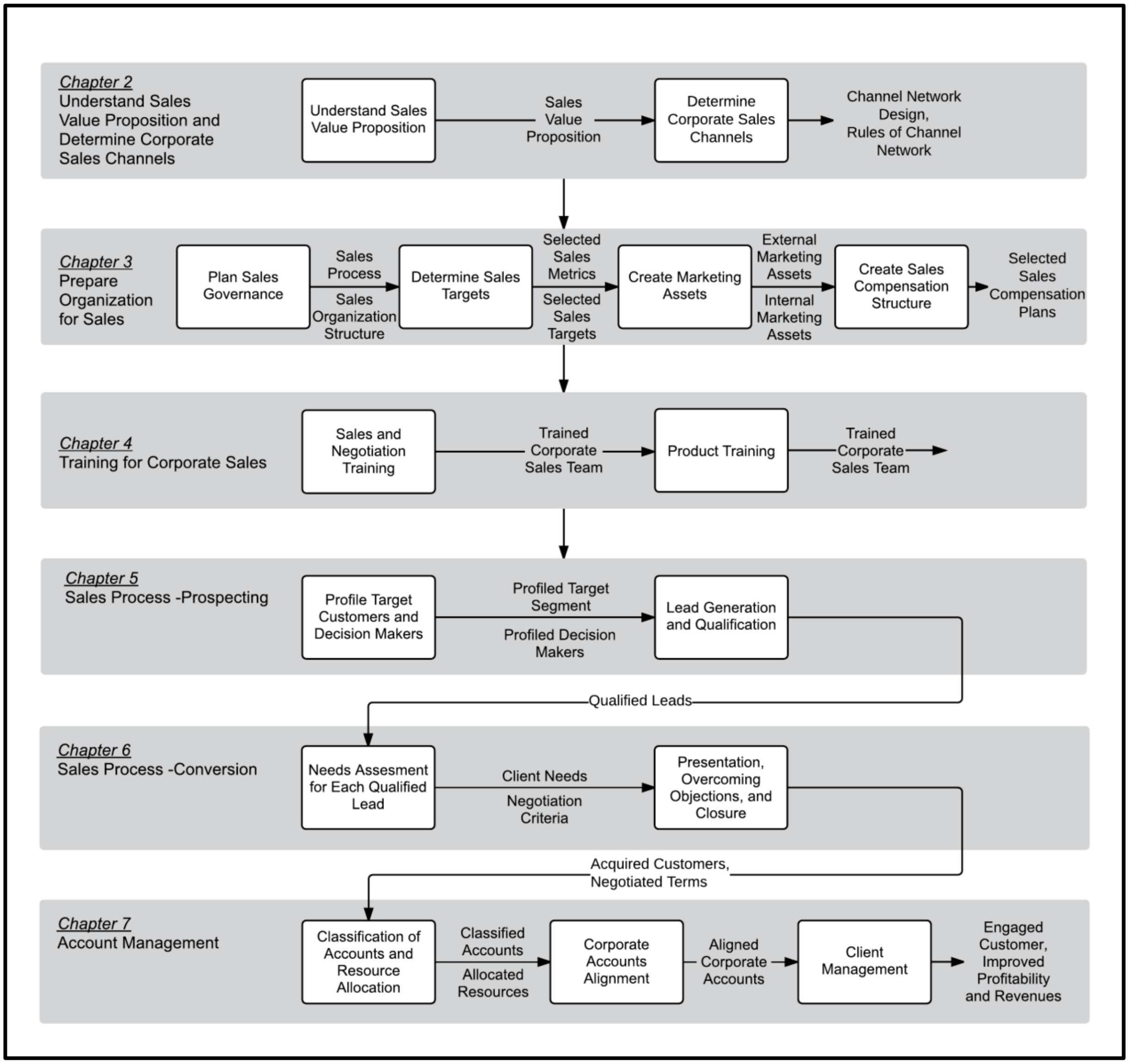

Figure 1-7: Corporate Sales Overview

1.8.1 Understand Sales Value Proposition and Determine Corporate Sales Channels

This chapter reviews the processes required to understand and create the sales value proposition and establish the corporate sales channel network. In the first process, the value of a product or service to customers to facilitate corporate sales is defined. The sales value proposition states positive, measurable outcomes and clearly communicates how the company's products or services can help meet customer needs and achieve the corporate sales outcomes. The sales value proposition is the foundation upon which other organizational capabilities for corporate sales are built. In the second process, the channel network that will ensure effective customer reach is established.

Figure 1-8 provides an overview of the processes discussed in Chapter 2.

2.1 Understand Sales Value Proposition

INPUTS
1. Product Strategy*
2. Senior Management Direction and Insights
3. Selected Target Segments*
4. Product Features*
5. Positioning Statement*
6. Customer Experience and Feedback
7. Details of Competitive Products
8. Existing Marketing Research Reports
9. Existing Customer Database

TOOLS
1. Desired Customer Value Analysis*
2. Customer-Perceived Features and Price Analysis*
3. Customer Business Outcome Evaluation
4. Customer Win/Loss Analysis
5. Coherence with Corporate Strategy
6. Marketing Research
7. Meetings and Discussions

OUTPUTS
1. Sales Value Proposition*
2. Marketing Research Reports

2.2 Determine Corporate Sales Channels

INPUTS
1. Senior Management Direction and Insights
2. Sales Value Proposition*
3. Product Features
4. Distribution Strategy*
5. Pricing Strategy*
6. Opportunities and Threats
7. Performance of Existing Channel Members
8. Selected Metrics
9. Selected Objectives
10. Selected Target Segments*

TOOLS
1. Sales Channels and Channel Partners
2. Value Network Analysis
3. Channel Performance Measurement
4. Alignment with Customer Behavior
5. Alignment with Product
6. Channel Economic Analysis*
7. Creating Channel Network Design*

OUTPUTS
1. Channel Network Design*
2. Rules of Channel Network*

Figure 1-8: Understand Sales Value Proposition and Determine Corporate Sales Channels Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

1.8.2 Prepare Organization for Sales

The third chapter of this book reviews the processes required to prepare an organization for sales. It describes how to establish and manage a sales process that is aligned to corporate, finance, and human resource strategies and that will meet forecasted sales targets. The sales structure established will depend to a great degree on the nature of the business, the industry, the size of the organization, and its geographic footprint. An effective sales organization is supported by marketing assets and includes a sales incentive structure. The sales organization and governance must be designed to optimally support sales targets and create visibility into the sales team's performance to allow for adjustments and course corrections as necessary to ensure that the business meets its sales revenue objectives. Since sales targets are directly linked to all sales and marketing and financial objectives, they are essential components in the achievement of the company's overall objectives.

Figure 1-9 provides an overview of the processes discussed in Chapter 3, Prepare Organization for Sales.

3.1 Plan Sales Governance

INPUTS
1. Senior Management Direction and Insights*
2. Selected Metrics*
3. Selected Objectives*
4. Selected Target Segments
5. Finance Strategy*
6. Human Resource (HR) Strategy
7. Existing Sales Process*
8. Existing Marketing Research Reports

TOOLS
1. Establishing the Sales Process*
2. Alignment with Corporate Strategy*
3. Determining Sales Organization Structures *
4. Customer Relationship Management Systems
5. Determining Sales Force Size
6. Territory Design
7. Sales Analysis*

OUTPUTS
1. Sales Process*
2. Sales Organization Structure*
3. Sales Force Size
4. Territories

3.2 Determine Sales Targets

INPUTS
1. Selected Marketing Aspects and Targets*
2. Past Performance Data
3. Details of Competitive Products
4. Opportunities and Threats*
5. Finance Strategy
6. Sales Organization Structure*

TOOLS
1. Sales Forecasting*
2. Target Allocation*
3. Macro-economic Factors and Competitive Analysis

OUTPUTS
1. Selected Sales Metrics*
2. Selected Sales Targets*

3.3 Create Marketing Assets

INPUTS
1. Product Features*
2. Positioning Statement
3. Sales Value Proposition*
4. Marketing Strategy
5. Selected Target Segments
6. Corporate Sales Team
7. Organizational Capabilities

TOOLS
1. Meetings and Discussions*
2. Marketing Assets Creation Skills*
3. External Expertise
4. Digital Marketing
5. Branding and Advertising

OUTPUTS
1. External Marketing Assets*
2. Internal Marketing Assets*

3.4 Create Sales Compensation Structure

INPUTS
1. Human Resource Strategy
2. Finance Strategy
3. Selected Sales Metrics*
4. Selected Sales Targets*
5. Corporate Sales Team

TOOLS
1. Meetings and Discussions*
2. Performance Measures
3. Sales Compensation Plans*
4. Formula Construction
5. Compensation Plan Administration

OUTPUTS
1. Selected Sales Compensation Plans*

Figure 1-9: Preparing Organization for Sales—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

1.8.3 Training for Corporate Sales

This chapter focuses on providing training to the Corporate Sales team. It is essential for the corporate sales team to be thoroughly trained in their job function and be very knowledgeable about the products or services that they are selling, in order to capitalize on sales opportunities, capture the maximum value for sales, and maintain positive relationships with customers. The focus of sales and negotiation training is to generate increased gains in individual sales. Sales training covers the entire range of processes, tools, and skills required—from prospecting to closure. Negotiation training helps the sales teams understand the dynamics of the negotiation process, minimize conflicts, and arrive at mutually beneficial outcomes. Product training equips the corporate sales team to effectively address customers' technical concerns, communicate the value proposition, assess needs, and answer questions. Product training transforms the corporate sales team from being sales representatives of the company to becoming solution providers or consultants for the customer.

Figure 1-10 provides an overview of the two processes associated with Training for Corporate Sales.

4.1 Sales and Negotiation Training

INPUTS
1. Corporate Strategy
2. Sales Process*
3. Channel Network Design
4. Rules for Channel Network*
5. Organizational Capabilities*
6. Assumptions and Constraints
7. Marketing Strategy*
8. Corporate Sales Team*
9. Internal Marketing Assets
10. External Marketing Assets

TOOLS
1. Sales Training Program*
2. Channel Partner Training*
3. Negotiation Training Program*
4. Trainers
5. CRM System

OUTPUTS
1. Trained Corporate Sales Team*
2. Training Processes and Documentation

4.2 Product Training

INPUTS
1. Product Strategy*
2. Product Features*
3. Sales Value Proposition*
4. Details of Competitive Products
5. Corporate Sales Team*
6. Internal Marketing Assets
7. External Marketing Assets

TOOLS
1. Product Training Program*
2. Trainers

OUTPUTS
1. Trained Corporate Sales Team*
2. Training Processes and Documentation

Figure 1-10: Training for Corporate Sales Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

1.8.4 Sales Process– Prospecting

The fifth chapter of this book discusses prospecting which is the first step in the sales process. Prospecting focuses on the market segment that is most likely to yield the highest number of customers and accumulates leads that match a defined profile. Prospecting begins with the *Profile Target Customers and Decision Makers* process. In this process, the sales team identifies and benchmarks profiling criteria for prospects and decision makers. The outputs of this process are used in the *Lead Generation and Qualification* process. Lead generation objectives are created and appropriate tools are selected to reach these objectives. The profiled criteria and benchmarks are also used to generate better leads.

Figure 1-11 provides an overview of the processes associated with this chapter.

5.1 Profile Target Customers and Decision Makers

INPUTS

1. Industry Reports
2. Selected Target Segments*
3. Sales Value Proposition
4. Corporate Sales Team
5. Existing Customer Database
6. Acquired Customers
7. Senior Management Direction and Insights*

TOOLS

1. Meetings and Discussions
2. Profiling*

OUTPUTS

1. Profiled Target Segment*
2. Profiled Decision Makers*

5.2 Lead Generation and Qualification

INPUTS

1. Profiled Target Segments*
2. Profiled Decision Makers*
3. External Marketing Assets
4. Senior Management Direction and Insights*
5. Corporate Sales Team
6. Sales Value Proposition
7. Existing Marketing Research Reports

TOOLS

1. Digital Marketing
2. Cold Calling
3. Referrals
4. Trade Shows
5. Lead Qualification*
6. CRM System

OUTPUTS

1. Qualified Leads*
2. Leads Assessment and Updates

Figure 1-11: Sales Process–Prospecting Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

1.8.5 Sales Process–Conversion

This chapter focuses on the next stage in the sales process— conversion. Conversion starts with the *Needs Assessment for Each Qualified Lead* process. In this process, a needs assessment is conducted that documents both the explicit and implicit, or implied, needs of qualified leads. The corporate sales team then works to create a proposal for the solution with the objective of fulfilling those needs. The solution is presented to the prospects through a formal presentation or meeting. Any objections to the proposed solution are raised by the prospects at this stage. Such obstacles need to be anticipated beforehand and addressed during the presentation. Thereafter, final negotiation can occur to close the deal.

Figure 1-12 provides an overview of the two processes associated with Sales Process–Conversion.

6.1 Needs Assessment for Each Qualified Lead

INPUTS
1. Sales Value Proposition
2. Qualified Leads*
3. Senior Management Direction and Insights
4. RFXs
5. Corporate Sales Team

TOOLS
1. Communication*
2. Interviews
3. SWOT Analysis
4. Gap Analysis
5. Questions*

OUTPUTS
1. Client Needs*
2. Enabling Conditions
3. Negotiation Criteria*

6.2 Presentation, Overcoming Objections, and Closure

INPUTS
1. Sales Value Proposition
2. Understanding of Product*
3. Corporate Sales Team
4. Senior Management Direction and Insights
5. Client Needs*
6. Enabling Conditions
7. Negotiation Criteria

TOOLS
1. Meetings and Discussions
2. Presentation and Demonstrations*
3. Overcoming Objections*
4. Negotiation*
5. CRM System

OUTPUTS
1. Acquired Customers*
2. Value of Account
3. Customer Insights
4. Negotiated Terms*

Figure 1-12: Sales Process–Conversion Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

1.8.6 Account Management

Chapter seven of Corporate Sales deals with account management. It includes onboarding, account classification, alignment, and client management. Customers may have diverse needs and may be classified as a key account or a strategic account, based on current sales revenue and potential for future growth. Account management involves determining how to best meet client needs and support the ongoing growth of the account. The existing sales organization structure should provide a means for accounts to be assigned and supported effectively. In some instances, with key accounts, adjustments to the sales structure may be required in order to effectively manage and support the account. The customer relationship management (CRM) system and ongoing communication are key tools that support account management. Client management focuses on building firm-wide relationships and maintaining high levels of customer satisfaction and customer retention.

Figure 1-13 provides an overview of the three processes associated with Account Management.

7.1 Classification of Accounts and Resource Allocation

INPUTS
1. Corporate Sales Team*
2. Sales Organization Structure
3. Value of Account*
4. Customer Insights
5. Negotiated Terms*
6. Client Needs*
7. Corporate Strategy
8. Organizational Capabilities

TOOLS
1. Meetings and Discussions
2. Classification of Customers*
3. CRM System
4. Resource Allocation*

OUTPUTS
1. Classified Accounts*
2. Allocated Resources*

7.2 Corporate Accounts Alignment

INPUTS
1. Sales Organization Structure*
2. Allocated Resources*
3. Corporate Sales Team
4. Corporate Strategy
5. Customer Insights
6. Senior Management Direction and Insights

TOOLS
1. Meetings and Discussions*
2. Ongoing Communication*
3. Structural Changes
4. Gap Analysis
5. CRM System*

OUTPUTS
1. Aligned Corporate Accounts*

7.3 Client Management

INPUTS
1. Aligned Corporate Accounts*
2. Corporate Sales Team*
3. Product Features
4. Negotiated Terms
5. External Marketing Assets
6. Customer Insights

TOOLS
1. Building Firm-wide Relationships*
2. Customer Satisfaction Measurement*
3. Client Retention Tools
4. Promotions
5. CRM System
6. Customer Advisory Boards*
7. Account Review and Recommendations*

OUTPUTS
1. Engaged Customer*
2. Improved Profitability and Revenues*

Figure 1-13: Account Management Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

2. UNDERSTAND SALES VALUE PROPOSITION AND DETERMINE CORPORATE SALES CHANNELS

This chapter reviews the processes required to understand and create the sales value proposition and establish the corporate sales channel network. The sales value proposition is an important part of the company's corporate sales process. It states positive, measurable outcomes and clearly communicates how the company's products or services can help meet customer needs and achieve the corporate sales outcomes. The sales value proposition is the foundation upon which other organizational capabilities for corporate sales are built. Sales channels provide the means by which the company will reach its customers; effectively utilizing these channels increases overall business opportunities.

Figure 2-1 provides an overview of the processes associated with this chapter. These are as follows:

2.1 Understand Sales Value Proposition—In this process, the value of a product or service to customers to facilitate corporate sales is defined.

2.2 Determine Corporate Sales Channels—In this process, the channel network that will ensure effective customer reach is established.

2.1 Understand Sales Value Proposition

INPUTS
1. Product Strategy*
2. Senior Management Direction and Insights
3. Selected Target Segments*
4. Product Features*
5. Positioning Statement*
6. Customer Experience and Feedback
7. Details of Competitive Products
8. Existing Marketing Research Reports
9. Existing Customer Database

TOOLS
1. Desired Customer Value Analysis*
2. Customer-Perceived Features and Price Analysis*
3. Customer Business Outcome Evaluation
4. Customer Win/Loss Analysis
5. Coherence with Corporate Strategy
6. Marketing Research
7. Meetings and Discussions

OUTPUTS
1. Sales Value Proposition*
2. Marketing Research Reports

2.2 Determine Corporate Sales Channels

INPUTS
1. Senior Management Direction and Insights
2. Sales Value Proposition*
3. Product Features
4. Distribution Strategy*
5. Pricing Strategy*
6. Opportunities and Threats
7. Performance of Existing Channel Members
8. Selected Metrics
9. Selected Objectives
10. Selected Target Segments*

TOOLS
1. Sales Channels and Channel Partners
2. Value Network Analysis
3. Channel Performance Measurement
4. Alignment with Customer Behavior
5. Alignment with Product
6. Channel Economic Analysis*
7. Creating Channel Network Design*

OUTPUTS
1. Channel Network Design*
2. Rules of Channel Network*

Figure 2-1: Understand Sales Value Proposition and Determine Corporate Sales Channels Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

2.1 Understand Sales Value Proposition

The purpose of this process is to understand and develop a Sales Value Proposition. The Sales Value Proposition states measurable outcomes and clearly communicates how the products can meet customer needs and achieve the corporate sales outcomes.

Figure 2-2 shows the inputs, tools, and outputs for the *Understand Sales Value Proposition* process.

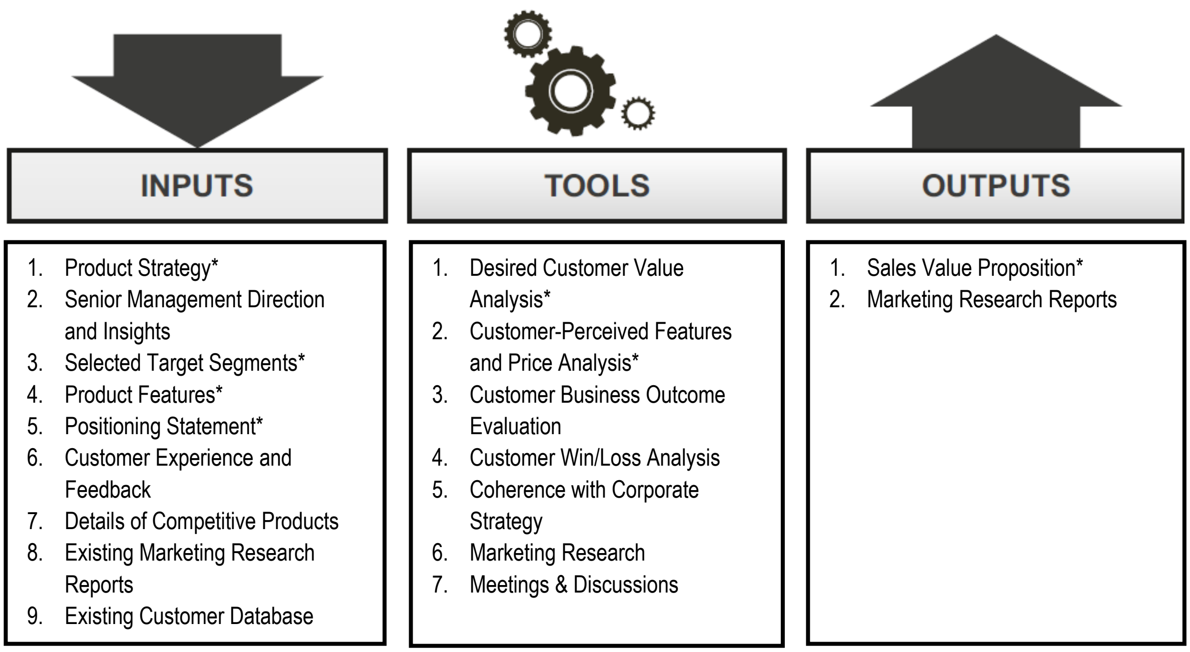

Figure 2-2: Understand Sales Value Proposition—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

2.1.1 Inputs

2.1.1.1 Product Strategy*

The Product Strategy is a component of the overall Corporate Strategy and is covered in detail in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section A.2). The Product Strategy details how each product or service will be initially created and provides plans for manufacturing and servicing each product for its target markets. Understanding the Product Strategy helps the corporate sales team identify the most attractive features, advantages, and benefits that become part of the sales value proposition.

Examples of Product Strategy:

- All banking institutions offer business credit accounts with similar features. The better a bank can identify the specific needs of a customer, the more likely the customer will be matched with appropriate account options. A small company may need frequent access to corporate lines of credit and low charges for use. Larger corporations may require less frequent usage, but larger overall fund availability, and they may be willing to pay higher interest rates for access to this larger line of credit. A bank will have a Product Strategy that recognizes the different needs and caters to each.
- A manufacturer of commercial solar panels sells energy efficient panels that require less sunlight to store energy than competing brands. These panels provide business operators with ready access to a less costly source of energy, regardless of weather conditions or daylight hours. This unique value proposition—convenience and greater energy efficiency compared to other sources of energy—helps the supplier to differentiate its products from others in the commercial market.

2.1.1.2 Senior Management Direction and Insights

Senior Management Direction and Insights is covered in detail in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section A.2). Senior Management has a broad understanding of the industry and insights on competitors and customers. They can help identify the factors that can contribute to the creation of an articulate sales value proposition. With their experience in handling key accounts and understanding of overall Corporate Strategy, senior management will also be able to provide key insights into customer target segments and corporate sales potential.

Examples of Senior Management Direction and Insights:

- Senior management in a marketing services firm has identified a trend away from relationship-based sales toward metrics-based sales and, as a result, is trying to align team activities and behaviors around key performance indicators (KPIs) and outputs that can be clearly measured. The introduction of this approach is driving a new type of sales process and integration with clients—sustained client-partner relationships are based more on the performance of marketing programs and less on the nature of the relationship between the partners and the client.
- Senior management in an organization that offers corporate training programs understands that typically a low level of learning is transferred after training has occurred. Consequently, the value of training can easily be questioned by corporate clients. A successful training organization can use the expertise of a competent and experienced senior management team to identify and address the reasons behind potentially unfavorable training results. Management can also identify ways to measure the impact of training on a client's business operations.

2.1.1.3 Selected Target Segments*

Target segments are the sets of potential customers a company has identified as the most attractive, after analyzing the competitive landscape, the company's strengths and weaknesses, current customer needs, and future potential changes in the market. Understanding the selected target segments helps a company define the value proposition specific to each target segment. A thorough evaluation of the potential target segments is conducted as part of a company's overall analysis of competition, targets, and positioning. It is an output of the *Select Target Segments* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.2).

Examples of Selected Target Segments:

- A machine shop, specializing in custom metal fabrication, may decide to target auto-body shops involved in aftermarket vehicle modification. This decision is based on the company's research into the overall size of the market, the need for highly specialized suppliers, its own experience in that type of fabrication, and the observation that companies in this segment are willing to order online instead of seeking only local suppliers.
- A manufacturer of commercial printers tracks office equipment purchases of a number of large companies and hospital systems. The company has identified several target accounts that made large office equipment purchases more than five years ago, and consistently works the accounts that are likely to upgrade or replace equipment in the next eight to twelve months.

2.1.1.4 Product Features*

Product features are the physical and functional characteristics of a product or service, which are intended to satisfy a customer's requirements. A company can analyze how easy or difficult it is for competitors to provide the same features. An understanding of the features of both the company's and competitors' products is required by the sales team to conduct a comparative analysis between various products and services available in the market. Product features are captured while reviewing a product's differentiated positioning statement. Product features and the positioning statement are an output of the *Create Differentiated Positioning* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.3). Having a comprehensive understanding of product features helps the corporate sales team determine which features to focus on while creating the sales value proposition.

Examples of Product Features:

- Records management systems are all developed with the intent to assist a company with the organization of their internal documentation. The features of these systems may differ from company to company. One company may list its features as providing company-wide access, a flexible filing structure, and customizable access permissions. Another company may list features for the same type of product as providing web-enabled access, encrypted security, and unlimited user additions.
- An inventory monitoring system that projects the future inventory needs of a business on a day-to-day basis is providing a feature that would interest a distributor with large daily sales volumes. This feature would likely be of less interest to a small business that can easily monitor inventory needs due to smaller sales volumes.

2.1.1.5 Positioning Statement*

The positioning statement is generally a short sentence or phrase that captures the value of a company's products to its target customers. This is an output of the *Create Differentiated Positioning* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.3). The positioning statement highlights the specific benefits of the product compared to competitive offerings. The positioning statement is broad enough to be relevant for product variants and future market scenarios. In this process of understanding the sales value proposition, the positioning statement is reviewed and built upon to highlight the exact attributes and business value required by a specific customer or target market.

Examples of Positioning Statement:

- A company selling irrigation systems has the positioning statement, “The flexibility of our patented design delivers a highly customizable and expandable solution to the irrigation needs of any sized agricultural operation.” Its sales value proposition will reflect this tailor-made approach and focus on customer service and technical expertise applicable to a specific company or industry. It may be modified to demonstrate value and knowledge in commercial orchards, large grain farms, or vegetable producing greenhouses.
- A pension management company differentiates itself from competitors by offering simplified pension management software to corporate clients to reduce financial risk. Its positioning statement is, “We offer a state-of-the-art investment management system to pension plan administrators, enabling the efficient management of operational risk, while managing over 100 financial instruments spread across several asset classes.”
- A professional services firm provides small to medium enterprise/business customers in the manufacturing industry with an end-to-end process review identifying gaps in operational excellence, which allows these clients to save money, scale their business, and create a platform for growth. Its positioning is "We partner with SMBs to build a growth platform by identifying and eliminating unnecessary costs, which can be re-invested in the business—we streamline your operations, your workflow, and your business rules to maximize returns."

2.1.1.6 Customer Experience and Feedback

Understanding customer experience and feedback on product or service offerings helps a company to formulate the sales value proposition. The corporate sales team can provide key insights on desired customer value from their experience in dealing with clients on a daily basis. It also assists in identifying the key success factors of a product, as well as the gaps customers perceive with existing product offerings. Negative feedback in the form of suggestions for improvement and complaints can be used to gain a better understanding of what the customer desires and how the product can be further improved. Positive feedback can be used to validate the existing value proposition.

Examples of Customer Experience and Feedback:

- A software company that sells learning management software received several complaints from its customers about their inability to use the software. The software company re-examined its sales process to include customer onboarding as part of the sales process. This step, which includes onsite training on the use of the platform, ensures that new clients are properly introduced to the use and benefits of the software. The onboarding process included initial product training and assessment of each participant in order to provide a customized learning journey for each client.
- A tire manufacturer's corporate sales team received complaints from distributors about the lack of product availability, leading to back orders. This led to product substitution from competitors to fill incomplete orders. By reviewing product planning, manufacturing processes, and supplier performance, the tire manufacturer formulated an action plan to address the problem, including follow-up interviews with distributors to ensure their concerns have been addressed.

2.1.1.7 Details of Competitive Products

Details of Competitive Products is an output of the *Identify Competition* process in the *SMStudy® Guide– Book* 1, *Marketing Strategy* (section 3.1). Details of competitor products and services within the various customer target segments provide a basis for comparison. Such details include performance on selected criteria, as well as positioning statements, pricing, and sales volume. This information helps set a benchmark for any new products or services offered in the same segment. An analysis of the competitor product features can reveal the key success factors associated with the product or service as well as any drawbacks. The company can then determine how its own offerings can be better positioned to provide more customer value.

Examples of Details of Competitive Products:

- There is a high level of competition in the trucking/transport industry. A company wishing to gain advantage must be aware of the pricing, service levels, and shipping times of others in the industry in order to meet or exceed benchmark levels expected by customers.
- A manufacturer of computer chips created a matrix of necessary components as part of their future product development planning. To build the matrix the team identified the technology required down one side of the table and across the top listed each competitor. The product managers were asked to identify the relative strength for each competitor/component by color code (green = strong, yellow = neutral, red = gap/weak). The purpose of this exercise was to show visually how the company's product compares to the competitive environment and identify potential acquisition targets or partners for collaboration where there is a good fit with other companies' relative strengths and weaknesses.

2.1.1.8 Existing Marketing Research Reports

There are two types of existing marketing research reports that can serve as inputs to identify the competition, pinpoint key differentiators, and ultimately determine the sales value proposition:

1. **Industry Reports**—These reports may contain key success factors that helped a competitor gain market share. They may also contain an outlook for the industry such as growth factors, market potential, and future trends. These reports are generally published by consulting firms or industry associations and are publicly available, generally at a price.

2. **Company Commissioned Reports**—A company may have already conducted marketing research on particular target segments in the past. It can utilize this research or commission new primary research in order to understand who the competitors are and to examine their product portfolios. If research on previously identified segments is conducted on a regular basis, the company can also identify trends and changes in the competitive environment.

Example of Existing Marketing Research Reports:

- A steel manufacturing company looking to set up a manufacturing unit in a new geographic market can access regional economic reports produced in this market as a starting point to establish baseline data on whether this market is viable. In addition, supplemental data for this analysis can be provided through associations that service the steel manufacturing industry. Additional marketing research reports may also be available within the organization, based on past feasibility studies that have been conducted by the company.

2.1.1.9 Existing Customer Database

By analyzing the existing customer database, the company can gain an understanding of the current customers and determine whether there is any shortage of customers in a particular category or target segment. This can be a key input for formulating the sales value proposition. If customers in the database have been classified, an analysis of the existing customer database will help to better understand if any changes are needed to existing customer profiling criteria.

Examples of Existing Customer Database:

- At a publishing and online content firm, the use and mining of the existing customer database is a critical part of the company's growth plan for generating incremental revenue and identifying bundling and pricing opportunities for cross-selling and upselling.
- A major media company that works with corporate clients in both digital and print can take advantage of the database that it has of all client purchases to identify seasonality and trends as they relate to media buys, determine the impact of various pricing strategies the company has implemented in the past, and identify the clients that are purchasing by category or industry. The company can reach out to those clients that are deviating from the trend and use the opportunity to educate them and ultimately upsell them.

2.1.2 Tools

2.1.2.1 Desired Customer Value Analysis*

Value is most commonly defined as the benefits minus the cost. For a customer, the benefits include the company's product or solution, the quality of service offered, and a good relationship or a positive brand image. The costs for the customer include the purchase price and other transactional costs. In a competitive market, the company's position is affected by the perceived quality of its products and services, relative to that of the competition. Customer value is therefore a market-perceived value adjusted for the relative price of the product or service.

A customer value analysis is conducted to keep a company connected with its customers and to tell the company what must be done to deliver more value. It helps companies identify where they need to strengthen their value proposition. If a company has multiple target segments, the customer value analysis should be conducted for each of the target segments.

Customer value is created by

- identifying the crucial value adding factors,
- developing a strong value proposition, and
- pricing the product at a level that supports the value being provided.

2.1.2.2 Customer-Perceived Features and Price Analysis*

The customer-perceived features and price analysis is an important indicator of how well the company's product is perceived in the target market. This analysis helps the company understand the product features that the customer perceives as good, as well as the features that need improvement. It also provides an understanding of how customers perceive the product pricing in comparison with that of the competition. It can also indicate whether the efforts to increase value for a particular feature are headed in the right direction. The score can be calculated using a comparison with all, a select few, or individual competitors.

The customer-perceived features and price analysis should preferably be done separately for the product features and the price.

The customer-perceived features analysis can be done using the following steps:

1. The customers of both the company and competing companies are asked to list product features, other than price, that are important in their purchasing decisions. The senior management or corporate sales team can also add to the list of features, based on their knowledge of the products and customers.

2. The various features are weighted. This can be done through a survey or from senior management inputs, based on their understanding of the importance of the features.

3. The customers are then asked to rate the features of the products or services offered by the company, as well as the features of their competitors' products and services.

4. Finally, the score on each feature is divided by the competitors' score. This is called the product feature ratio for that feature. For each product feature, a ratio of less than one indicates that the particular product feature is perceived as lower in quality than the same feature offered by the competition; a ratio of greater than one indicates that the product feature is perceived as better than that offered by the competition.

5. After obtaining the ratios for each of the product features, ratios are multiplied by the weights for each attribute and added together to obtain the overall customer-perceived score for all the product features of the company's product. An overall customer-perceived features score of 100 indicates a position of relative parity with the competition. A score greater than 100 indicates that the product is perceived to be better than that of the competition with respect to overall product features.

Example of Customer-Perceived Features Analysis:

- Consider an IT solutions company that provides communication solutions. The following table shows the calculation for the customer-perceived features score on various criteria using a scale of 1 to 10:

	IT Solutions Company Score	Competitors' Score	Ratio	Weight	Feature Score
Ease of Use	6	7	0.86	5	4.3
Installation	9	7	1.29	25	32.25
Quality	10	8	1.25	40	50
Reliability	9	7	1.29	20	25.80
Service	10	9	1.11	10	11.10
Total Customer-Perceived Features Score				100	123.44

Here, for individual product features, the company scores lower in 'ease of use' but is perceived to be better, relative to the competition, in the other product features.

In this instance the score for the overall product is 123.44, indicating that the company is well positioned relative to the competition and is perceived as providing better overall product features and quality to the consumer than that provided by its competitors.

The calculation of the customer-perceived price analysis is similar to the process used for the customer-perceived features analysis and helps the company understand how the product price is perceived with respect to competitors' prices. However, instead of product features, the calculation uses attributes that affect perceptions of a product's overall cost.

The customer-perceived price analysis is intended to illustrate customer perception of where a company's pricing sits relative to the prices of its competitors in areas where the product or service has several pricing factors. This analysis is not particularly useful in industries where the price is clearly understood. If the pricing for a particular service is somewhat standardized, or easily determined, such as office leasing price per square foot, then this analysis is not necessary.

Example of Customer-Perceived Price Analysis:

- Consider the same IT solutions company from the previous example. The following table shows the calculation for the customer-perceived price analysis:

	IT Solutions Company Score	Competitors' Score	Ratio	Weight	Weighted Ratio
Hardware Price	9	7	0.86	15	12.86
Installation Charges	6	9	1.29	20	25.80
Licenses	9	8	1.25	30	37.50
Internet Charges	7	7	1.29	20	25.80
Maintenance Charges	8	9	1.11	15	16.65
Total Customer-Perceived Price Score				100	118.61

Here, the IT Solutions Company has a better score than its competition for all attributes related to product pricing except hardware price (where customers view competitors' prices more favorably).

An overall price score of 100 represents parity relative to the competition; in this instance the Customer-Perceived Price Score of 118.61 indicates that this IT company's overall customer-perceived price is favorable relative to the price of the competition.

2.1.2.3 Customer Business Outcome Evaluation

For a corporate customer, products are purchased to deliver positive business outcomes. A strong sales value proposition focuses on quantifiable outcomes and stresses the business value of the offering to the customer. It is therefore necessary to identify quantifiable, positive business outcomes that the product can provide, to develop the sales value proposition.

A quantifiable outcome represents the tangible value of the offering to the customer. This value is typically expressed in numbers, percentages, and timeframes. There are also related and intangible outcomes that must be understood. Opportunity costs (i.e. the loss of other alternatives when one alternative is chosen) can also be identified and considered in establishing the sales value proposition.

The information gathered through this evaluation helps the company understand the product attributes desired by the selected target segments. The customer business outcome evaluation documents business outcomes based on these attributes.

Customer business outcome evaluation can be done by interviewing existing customers. Given their experience with the product, existing customers can provide first-hand information on how the offering affected their business outcome. Interviews can be conducted across different areas and positions in the customer organization to determine the impact of the offering. New, desired, business outcomes may emerge and existing business outcomes can be validated.

Customer business outcome evaluation can also be done with internal analysis. The collective wisdom and experience of the company provides a broad overview of business outcomes from a customer's perspective. However, conducting a business outcome evaluation using only internal input can be risky. Internal assumptions should be validated by customers. Direct input provided by the customers is typically more valuable and reliable input when determining customers' business outcomes.

Example of Customer Business Outcome Evaluation:

- A company selling high-end laser printers to companies features prompt customer support as part of its sales value proposition. For customer convenience, the company offers a variety of user support options, including a chat room, a website with frequently asked questions and answers, an online manual with troubleshooting scenarios, a call center, and onsite service technicians. A customer business outcome evaluation was conducted to assess customer satisfaction with the user support programs. The company interviewed existing customers to receive first-hand information on which customer support programs the customers have accessed over the past six months and how the service may have affected their business outcomes (e.g., printer breakdown time, print quality, problem resolution time). The printer company can then assess positive or negative customer perceptions of specific user support programs. Poorly perceived service programs can be either changed or discontinued to improve customers' business outcomes. The printer company may also identify the need for changes to printer hardware, determine new features to develop, or propose additional products as a result of the process.

2.1.2.4 Customer Win/Loss Analysis

Customer win/loss analysis is a process of understanding why sales opportunities are either won or lost. A careful win/loss analysis is a cost-effective and efficient tool to understand how customers perceive value.

The process for win/loss analysis starts after a sales opportunity has been won or lost. A meeting is held with important stakeholders, including the sales, product, account management, and customer service team members. After this meeting, the win/loss analysis interviewer must know the details of how the lead was generated, the events that took place during the sales process, and the product or products discussed.

Customer interviews also need to be scheduled immediately after the opportunity has been won or lost to ensure maximum recall from customers about their experience in the sales process.

Customer feedback may be collected regarding customer perception in the following areas:

- performance of the corporate sales team
- marketing materials
- sales process
- product features
- comparison with competition
- pricing

2.1.2.5 Coherence with Corporate Strategy

The process of understanding the sales value proposition helps to identify product features that add to the customer-perceived value. The product features that have a high customer-perceived value are compared with the company's Corporate Strategy and, specifically, the Product Strategy. An alignment of such features with the Product Strategy indicates that there is coherence across the business and that the right target segments are being pursued. Continued reinforcing of the value proposition with strong business value outcomes will ensure effective corporate sales and long-term success.

If the customer-perceived value of the desired product features does not align with the Product Strategy, the company must work towards attaining the desired value to support the Product Strategy. In addition, the sales value proposition must be studied to determine if the right message is being communicated.

If the product is not being delivered according to the Product Strategy, an organizational or process restructuring might be needed. In rare cases, the Product Strategy may also have to be re-examined.

Examples of Coherence with Corporate Strategy:

- Lack of coherence between a transportation firm's Corporate Strategy and one of its regional group's marketing programs was creating issues for the company's sales team. The inconsistencies between the corporate positioning of the brand around speedy and complete delivery was at odds with the nature of the clients available in this particular geographic region, where partial orders were common (since it is a remote location with infrequent service and supply from larger urban markets). Recognizing that the geographic market and the core Corporate Strategy are misaligned can prompt management to create specific or local marketing messaging to reposition the brand, consider changing the offer, or consider exiting the market.
- A company selling copy machines to local retail stores promotes its service advantage over competitors by offering '24/7' service hours and guarantees a response to a call for service within two hours. However, customers in one particular market complain that the service response time of two hours is too slow. Therefore, in this case, onsite service levels are not aligned with the Product Strategy that emphasizes prompt user support. The company can address the service response time by hiring more technicians to better handle call volumes, thus aligning its service offering with both the Corporate Strategy and customer needs. The speedier response time can be re-communicated and promoted to customers, bringing alignment to the various strategies within the business and ensuring consistency in messages across all markets.

2.1.2.6 Marketing Research

Marketing Research can help strengthen a company's sales value proposition. Through research, a company can develop a deeper understanding of an industry, the environmental factors associated with an industry, and the product or service value expected by customers in the various target segments. Marketing Research may involve the collection of primary or secondary data to generate research reports that can be used for further training of the corporate sales teams or to refine the Corporate Strategy.

Examples of Marketing Research:

- Marketing Research (both primary and secondary) can be used to uncover changes in customer needs. An HR outsourcing and consulting company recently discovered that corporates are changing their hiring policies. It used a secondary research report conducted by a leading university, which showed that corporates place more emphasis on one's emotional quotient (EQ) than on one's intelligence quotient (IQ). The business implemented new processes to cater to this change.
- A new player is seeking to enter the Enterprise Resource Planning (ERP) software market. The company can expect enormous competition from established players. The company realizes it cannot compete on price alone. It might therefore consider marketing research to determine how to best compete in the industry while remaining profitable. Primary research could include the identification of unmet needs, such as better financial and operational modules for corporate customers in specific industry verticals.

2.1.2.7 Meetings and Discussions

Meetings and discussions play a vital role in understanding the product and strengthening the sales value proposition. Meetings and discussions should involve experienced corporate sales professionals, senior management, various business or functional heads, and corporate sales team members. In such meetings, ideas can be discussed and insights shared among team members. The outcome of these exercises provides direction to the company, corporate sales teams, and other teams for various types of business scenarios and ensures alignment across all divisions and departments.

Examples of Meetings and Discussions:

- On a regular basis, a large media company meets with the local and national sales teams in order to discuss both large and small accounts. Included in these meetings are discussions on how business is going and potential opportunities in terms of service and product offerings. The meetings provide a forum to share ideas and to leverage the experience and knowledge of those who are on the front lines with customers as well as to gather feedback from the various stakeholders and include them in the business development process.
- As a part of its sales process, a consulting firm conducted annual account reviews that included meetings and discussions with key stakeholders in its large accounts. The purpose of these meetings was to solicit feedback on its performance and to identify opportunities to further expand its penetration into the account in subsequent business cycles. The meetings also provided insight on future product development, customer satisfaction on implementation, and feedback that can be measured to create success stories for the consulting company.

2.1.3 Outputs

2.1.3.1 Sales Value Proposition*

A sales value proposition clearly communicates how a company's offering can help a customer achieve better results. As a result of the evaluations conducted in this process, the overall positioning statement is enhanced to reflect the business value offered for a specific company or target segment. It presents measurable business outcomes and helps decision makers understand how the use of a particular product or service will help them. It factors in the results from the customer value analysis and provides the sales team with an understanding of how to better position a product in the market. It can also illustrate the competitive advantage over other suppliers.

A sales value proposition should convey the following:

- product features
- product benefits relevant to the selected target segment
- business outcomes for a selected target segment

Examples of Sales Value Proposition:

- Systemic Waste Management's clients saved an average of 8 percent in disposal costs per project and generated 15 percent less waste. Through progressive adherence to Leed Gold standards, the business provided waste management guidance for commercial contractors. Its focus on minimized waste, reuse, and recycling, led to substantial development cost savings and long-term operational savings for its clients. Its marketing messages emphasized that using resources wisely benefits everyone, and emphasized that the company's primary objective was to help its clients do precisely that—use resources wisely and efficiently and reduce waste.
- Instead of promoting that it "sold 420 properties last year," a large commercial real estate firm developed a sales value proposition that focused on saving clients' money by leveraging the company's collective professional experience and effective negotiation techniques. Its marketing messages stated that it "collectively saved clients over $12M last year, through professional and effective price negotiation" which is a much stronger value proposition for clients.

2.1.3.2 Marketing Research Reports

During the process of understanding the sales value proposition, ideas and insights are generated and shared. These inputs are beneficial for the company both in the long and short term. The ideas and insights are documented in the form of research reports. Research reports can be used in future training of the corporate sales teams and may also be helpful in refining the Corporate Strategy.

Example of Marketing Research Reports:

- Gen Solar Tech, a solar energy company that provides solar and battery storage services to commercial customers, has just completed a strategy session where they discussed, agreed on, and documented its sales value proposition. The meetings included discussing its solar products and associated features, benefits to the customers and, of course, the business outcomes. The sales value proposition that the team has agreed upon will inform the strategies going forward. As well, the team has documented the ideas and insights from the meeting, in the form of marketing research reports, which will be beneficial for future sales training sessions and in refining its Corporate Strategy.

2.2 Determine Corporate Sales Channels

Distributing the product or service from the manufacturer to the end customer is a crucial activity for any company. The path the product or service takes can vary from company to company, depending on various factors such as the type of product, the buying behavior of consumers, and the costs of distribution. Historically, companies sold their products through their own sales team. This channel of sales is called direct sales. With the advent of many new industries, products, and new geographical avenues for sales, more complex sales channel designs were developed with a variety of intermediaries. In an indirect sales channel, an intermediary represents a company in the interactions with the end customer. Numerous indirect sales channels have been developed over time. These include distributors, resellers, value added resellers, and integrators. A detailed description of the most common corporate sales channels used today is provided in Appendix A.3. A company needs to decide which of these are the appropriate channels for its business, select the most suitable channel partners, and create a channel design that is aligned with business objectives and designed to help meet corporate sales targets.

Figure 2-3 shows the inputs, tools, and outputs for the *Determine Corporate Sales Channels* process.

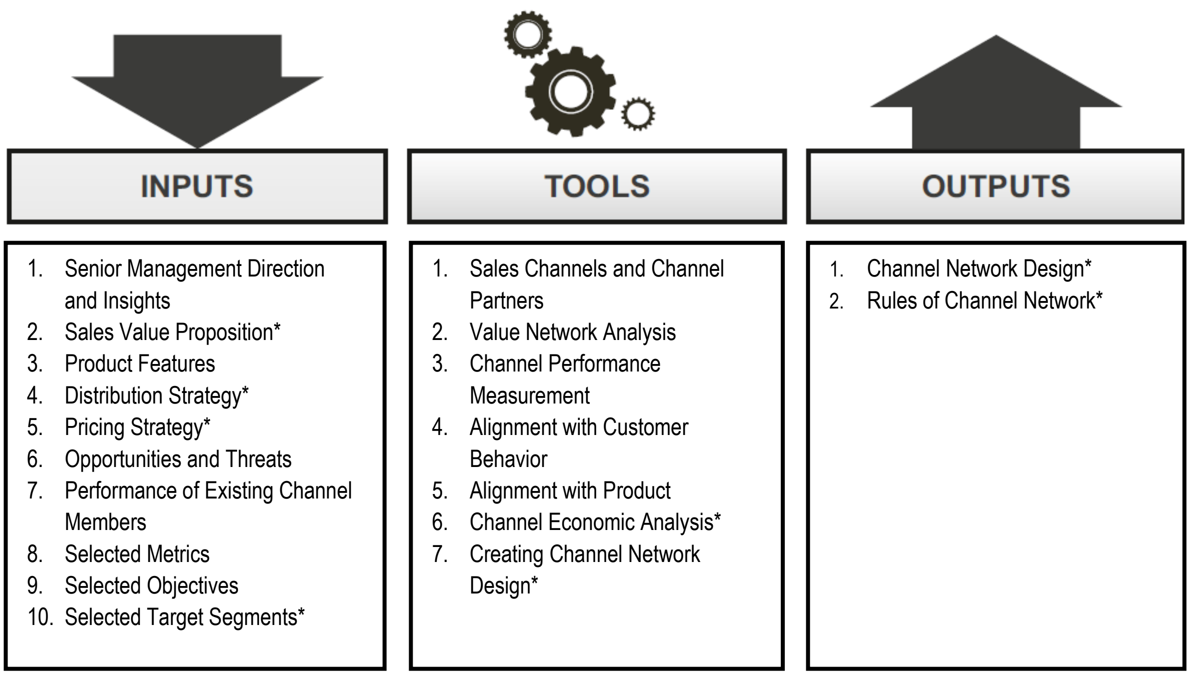

Figure 2-3: Determine Corporate Sales Channels—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

2.2.1 Inputs

2.2.1.1 Senior Management Direction and Insights

Senior Management Direction and Insights, which can be provided by the founder(s), CEO, and others in senior management positions, provide direction to employees with regard to strategic vision and future goals. Senior management can help determine market shifts or envision new market segments or customer needs, even before such needs can be articulated through market research or consumer behavior studies. The corporate sales channels should be aligned with the strategic vision and future goals of the company. Senior management plays a crucial role in determining the optimal product or service distribution channel. They are also involved in assigning sales targets for each channel, selecting performance metrics, and analyzing performance of each channel partner.

2.2.1.2 Sales Value Proposition*

The Sales Value Proposition is an output of the *Understand Sales Value Proposition* process described in section 2.1. The structure of the channel design should reflect and support the sales value proposition and may be captured in the positioning statement. The success of the positioning is highly dependent on how well the channel design supports the positioning of a product or service and the sales value proposition. A sales value proposition that reflects a premium positioning may require fewer numbers of intermediaries and a high degree of control over the intermediaries to ensure the quality of service and purchase experience are consistent with the sales value proposition. Positioning for the mass market, on the other hand, requires a company's product to be available through as many distribution outlets as possible.

Examples of Sales Value Proposition:

- An electronic component manufacturer might have a sales value proposition that focuses on premium quality, supporting this positioning with a statement that customers can return any order within thirty days if they are not completely satisfied with the quality. Such a positioning will require building a return policy in the Distribution Strategy.
- A company selling irrigation systems has the positioning statement, "The flexibility of our patented design delivers a solution that is highly customizable and expandable to the irrigation needs of any sized agricultural operation." Its sales value proposition will reflect this tailor-made approach and focus on customer service and technical expertise that is applicable to specific companies and industries. The value proposition may be modified to demonstrate value and knowledge in commercial orchards, large grain farms, or vegetable producing greenhouses.

2.2.1.3 Product Features

The nature of a product and the specific product features are significant inputs to the *Determine Corporate Sales Channels* process. Heavy physical goods, such as industrial machinery, require special arrangements for transport during delivery. This is not the case with light goods such as office stationery. Furthermore, a product with sensitive components that may be damaged during transit needs to be handled more carefully than non-fragile items. In the case of services, the nature of a service and its target market determine the most appropriate channels. A service designed for a select group of customers will have a different number and type of distribution intermediaries than a service provided to a mass market. For example, a financial services company may prefer to communicate directly with its most valuable customers through a dedicated relationship manager when selling its premium services. However, it may prefer selling its generic services, targeted at high volume and at lower unit prices, to customers through a centralized call center or an online portal. Product Features is an output of the *Create Differentiated Positioning* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.3).

Examples of Product Features:

- Ultraturf Inc., an artificial turf manufacturer, provides numerous types of turf grades to suit the diverse needs of commercial customers. A sales representative for an artificial turf dealer who is well versed in competitor offerings in the market can advise customers how Ultraturf grasses are more durable and better long term options for certain customers. Other customers may not need some of the more expensive turf available and the dealer will need to tailor the purchase to the specific customer needs. Ultimately, the grass purchased and the installation approach should meet the requirements of each individual customer.

2.2.1.4 Distribution Strategy*

The Distribution Strategy is an output of the *Determine Distribution Strategy* process described in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 4.2). The Distribution Strategy for a company's products or services should be designed to ensure that the products or services are delivered to customers on time, in the best possible manner, and with costs that are aligned with the Pricing Strategy. The Distribution Strategy should contain the following information:

- the specific distribution model to be used—whether it will be intensive, exclusive, or selective
- the levels of intermediaries that will exist between the company and each of the target markets
- the specific distribution channels that will be used for each of the target markets
- the stages in the distribution channel where any external channel members will be used
- the entities in the value network that have the most impact on the Distribution Strategy and the measures that need to be taken to minimize any negative impacts and maximize any positive impacts that result from the use of those entities

The Distribution Strategy is the most important input in the *Determine Corporate Sales Channels* process as it provides direction to determine the sales channels. The information contained in the Distribution Strategy, such as the specific distribution model, levels of intermediaries, and specific distribution channels to be used, guides the channel design and the selection of the specific channel partners.

Examples of Distribution Strategy:

- Klean and Go is a national janitorial supply company. It must compete with other commercial cleaning suppliers who offer similar, if not the same, office cleaning supplies and products. Klean and Go therefore decides to use an exclusive distribution strategy to ship its supplies and products to different regions in the country. This allows Klean and Go to ship orders promptly through a single, dedicated channel in each geographical region. By doing this, the company can also provide better service to clients than its competitors and reduce purchase prices for its customers through savings realized from reduced shipping costs.
- A professional training provider may determine that the best distribution strategy is to sell directly to large corporates. It may build a sales force that could consist of regional sales managers along with training specialists who have professional experience conducting classroom/online trainings. It may also consider selling to small to medium enterprise/business customers through a separate sales team that generates leads through online channels.
- Intensive distribution is required where customers have a range of acceptable brands from which to choose. In these instances, all possible outlets need to be considered for widespread distribution of products. In the case of electronic component manufacturers, distribution channels would include direct sales, distributors, integrators, etc.

2.2.1.5 Pricing Strategy*

The Pricing Strategy is an output of the *Determine Pricing Strategy* process described in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 4.1). The Pricing Strategy outlines the overall price for goods and takes into account the estimated costs for sales and distribution. The channel design needs to be established with consideration of the costs associated with the selected channel partners. Without considering pricing, the company might decide to use a high-cost sales and distribution channel that can adversely affect profitability, or the company might choose an economical intermediary that does not offer the desired level of service, therefore affecting total revenue and profitability. For example, if the Pricing Strategy for a product allocates only 10 percent of the price to cover sales and distribution costs, but the sales channel ships the products through a courier partner that charges 15 percent of the product price, the profitability of the product will be adversely impacted. Considering the Pricing Strategy while determining the channel partners will ensure that both revenue projections and profitability goals are met.

Examples of Pricing Strategy:

- An innovative technology company that is bringing a unique product to the market may use a skimming pricing strategy. This will result in the use of a relatively high initial price because the product is unique and offers added benefits to customers. A sales channel design that best communicates the value proposition will need to be implemented to move the product in the early stages of sales. Over time, as the product matures, the company may decide to drop the price and implement a competitive pricing strategy. The sales channel design may also be adjusted as consumers become more knowledgeable about the technology, and less expertise is required to sell the product.
- A manufacturer experiencing declining profit margins does not need to necessarily increase prices to address this shortfall. Instead, a less costly channel design may be sufficient. If the products are mature and less touch points are required with buyers, the business may choose to expand its online channel, making it simple for customers to purchase directly through its own website or online distributors. The size of the direct sales force, which can be a significant contributor to sales costs, can also be scaled back to reduce the cost of sales and thus improve profitability.

2.2.1.6 Opportunities and Threats

A company must be aware of laws, industry norms, and existing relationships pertaining to the structure of channel networks. Exclusive relationships between large manufacturers and large distribution companies may be questioned under anti-monopoly laws, for example. Industry norms may also determine how easily a company can establish a certain type of distribution network. In some industries, there are a few intermediaries that carry out distribution activities for well-entrenched companies. A new entrant needs to be aware of such relationships to break into such a distribution network. There can be opportunities for a company if the target segment in a certain industry is open to the idea of direct selling, which can increase profitability for the company by eliminating the need for intermediaries. There may also be political forces at play, favoring or opposing a certain method of distribution. For example, in the retail sector, some might argue that large retail chains pose a serious threat to small retail stores. A company needs to evaluate the prevailing situation to decide whether it should focus on large retail chains or a number of small retail stores to distribute its products.

Increasingly, e-commerce is enabling companies to sell their products or services directly to end-consumers without the need for any intermediaries. E-commerce can be very disruptive to existing companies that have invested significantly in setting up elaborate distribution networks with multiple intermediaries. For example, established book retailers with physical stores and franchise networks have seen their revenues and profitability decrease in recent years. Well-funded online book companies that sell directly to customers, can offer better discounts, significantly disrupting the traditional book publishing distribution model of selling books through multiple physical retail store locations.

Example of Opportunities and Threats:

- Elegant Cookware manufactures and sells high-end cooking equipment for restaurants. The company recognizes that one of the greatest opportunities to promote and sell its products is to target professional chefs in upscale hotel chains and resorts. These are some of the most likely customers for Elegant Cookware's high quality products as these chefs are constantly preparing meals for discerning restaurant patrons and business travellers who expect a world class dining experience.

2.2.1.7 Performance of Existing Channel Members

A company usually collects information about its channel members through the existing financial and operational transactions it has with them. This information may include data on quotas, inventory levels, delivery times, and response to sudden changes in supply. This information, which is generally contained in the company's supply chain management or enterprise resource planning systems, helps to determine which existing channel members should be retained, which members can be entrusted with critical products, and which members may need to be replaced.

Examples of Performance of Existing Channel Members:

- A catering company specializing in corporate events may focus on the preparation and quality of the food it provides and overlook the performance of distribution. Catering delivered late, cold, or with poor presentation will result in decreased customer satisfaction. Regularly reviewing the performance of this distribution channel will minimize issues.
- A wholesaler that outsources shipment of its products to retailers through a distribution center needs to monitor order-delivery cycle times of its distribution center, as well as order fill rates. This will allow the wholesaler to assess the performance of its distribution channel in managing inventory issues that might contribute to product back orders or incomplete shipments.
- Glass Tile and Co. outsources shipment of its products to kitchen and bathroom renovation companies through a distribution centre. It needs to regularly monitor the completeness and timeliness of the distribution centre in filling customer orders. Any concerns regarding the distributor's ability to manage inventory or fill orders can then be addressed to reduce costly back orders and product substitutions for short-shipped or late orders shipped to contractors.

2.2.1.8 Selected Metrics

Selected Metrics is an output of the *Determine Metrics* process described in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 5.2). In this process, metrics are identified for each of the four major categories under which a company's product or brand marketing activities can be measured. These four categories are customer reach, brand perception, product availability, and sales and profitability. The sales metrics pertaining to each channel are tracked to measure the performance of the channel. It is important that the selected metrics remain relevant and manageable—neither too many nor too few—to ensure that useful data is being tracked that will provide a good indication of the performance of the sales channel. The metrics chosen should be clearly defined and specific.

2.2.1.9 Selected Objectives

Selected Objectives is an output of the *Determine Objectives* process described in the in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 5.1). In this process, objectives are established for each of the four major categories under which a company's marketing activities can be measured. These include customer reach, brand perception, product availability, and sales and profitability. The selected objectives should be attainable based on an understanding of existing resources, and time-bound to provide the sales and marketing teams with a tool to monitor progress.

These objectives determine how resources are allocated to the various Sales and Marketing Aspects. They serve as reference points to measure the performance of a product's or brand's Marketing Strategy. It is therefore important for objectives to align with the overall long-term Branding Strategy for every product or service, as well as the overall Corporate Strategy of the company.

Examples of Selected Objectives:

- A manufacturer of wire and cable for the trucking industry has focused on setting objectives related to customer reach, brand perception, product availability, and sales and profitability. One of the objectives is to increase revenue and profitability. Numerous dealers were asked for input on frequency of purchases, pricing, and the types of purchases made on various occasions, as well as their degree of satisfaction regarding the product and the delivery process. This information can help drive the development and/or refinement of the sales channels used.
- The selected objectives of a management consulting firm may focus primarily on increasing the reach and service availability of their company. The company targets a 10 percent increase in the number of corporate contacts in its customer database. To meet this target, the company might review online delivery of service, in the form of web meetings, as an additional channel.
- Drill Bitz is a company that sells specialized drill equipment to oil and gas exploration companies. It has learned from customer feedback and surveys that oil and gas companies typically make purchasing decisions based on the lowest cost provider. As a result, Drill Bitz is frequently compelled to reduce its prices to avoid losing customer orders to competitors. Drill Bitz therefore decides to pursue a new marketing strategy to change its brand perception from being simply a low cost provider to a supplier that provides customer value in other ways, such as superior quality products and after sales service.

2.2.1.10 Selected Target Segments*

Understanding target segments is a key factor in determining the corporate sales channels. It is an output of the *Select Target Segments* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.2). The marketing strategy team creates a document that contains the identified target segments and all relevant information on those segments. This information is critical in determining the types of channel partners and the level of control to be exercised on them. For example, if the target segment of a manufacturing company is a large number of small and medium sized businesses within a particular industry, then the company may choose to use distributors, resellers, and value added resellers. However, if the target segment is a few large corporations, the company might use the direct sales channel.

Examples of Selected Target Segments:

- For a high-end, gourmet cooking supply company, the target audience (i.e. the decision makers who would select its products to be used in their hotel chains and high-end restaurants) is educated and upscale consumers that typically read niche cooking publications and generally watch episodes on food network. These consumers also like to dine at gourmet restaurants, tend to drive luxury vehicles, and vacation on a regular basis. As a result, the company wants to focus on distributing its products through any and all channels that reach this target audience. The channel options selected should be consistent with the image and reputation that this company is trying to establish with its positioning. Media purchases and print advertising decisions are carefully made to ensure the target audience is being reached cost effectively.
- Foam Insulation Suppliers (FIS) manufactures and sells insulation equipment and supplies to residential construction companies. FIS decides to introduce an e-mail marketing campaign that directly targets home builders in the area. The campaign offers introductory prices to new customers and volume discounts for large orders of foam spray materials and applicators. The e-mail campaign also gives a 1-800 number for building companies to contact the sales department at FIS for further information.

2.2.2 Tools

2.2.2.1 Sales Channels and Channel Partners

Businesses have several options to consider in determining the best channels and channel partners to use in order to communicate the value proposition to customers and generate sales. Some channels have higher costs associated with them. Some require significant infrastructure or expertise. There are advantages and disadvantages associated with each of these channels. Several of the more common sales channels and channel partners are described herein. A more comprehensive description is provided in Appendix A.2.

Direct Sales Force—A direct sales force consists of employees who work exclusively for the company. It is one of the oldest and most commonly used channels of sales. The direct sales force sells products and services directly to customers, has a high level of interaction with customers, and is responsive to customer needs and queries.

Resellers—A reseller is a company that purchases a product or service to sell to another party. A reseller is also known as a dealer or broker.

Value-Added Resellers—A value-added reseller performs the same functions as a reseller but also bundles or adds a product or service to provide a solution to its customers. Value-added resellers often form partnerships with more than one company to provide solutions. This might include customizing, integrating, training, or consulting.

Distributors—A distributor is a company that purchases products from a manufacturer and resells them directly to an end user or another business in the same or related marketplace. Distributors are a form of resellers, but typically distributors have a closer relationship with the manufacturer, often with guaranteed revenue targets and other contractual commitments

Integrators— An integrator is similar to a value-added reseller. An integrator offers a high degree of industry or technical knowledge to provide sophisticated solutions to customers, based on other products or services used by the customer.

In addition to these, businesses may also use direct channels such as websites and telemarketing to reach customers. Growing popularity of the internet has also led to the development of innovative Internet-enabled business models such as online marketplaces which serve as another avenue of sales for businesses.

2.2.2.2 Value Network Analysis

Value network analysis involves looking not only at a company's supply chain and its customers, but also at the supply chains of the company's vendors and their customers. Value for the end customer is created through coordinating the various supply chains. All the interrelationships between the supply chains make up the value network. In graphical representations, a value network is depicted by nodes representing members, and arrows representing relationships. During value network analysis, the company identifies all of its networks and relationships and then analyzes where, how, and how much value is created at each node in the network. This tool is described in detail in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 4.2). Figure 2-4 shows a sample value network.

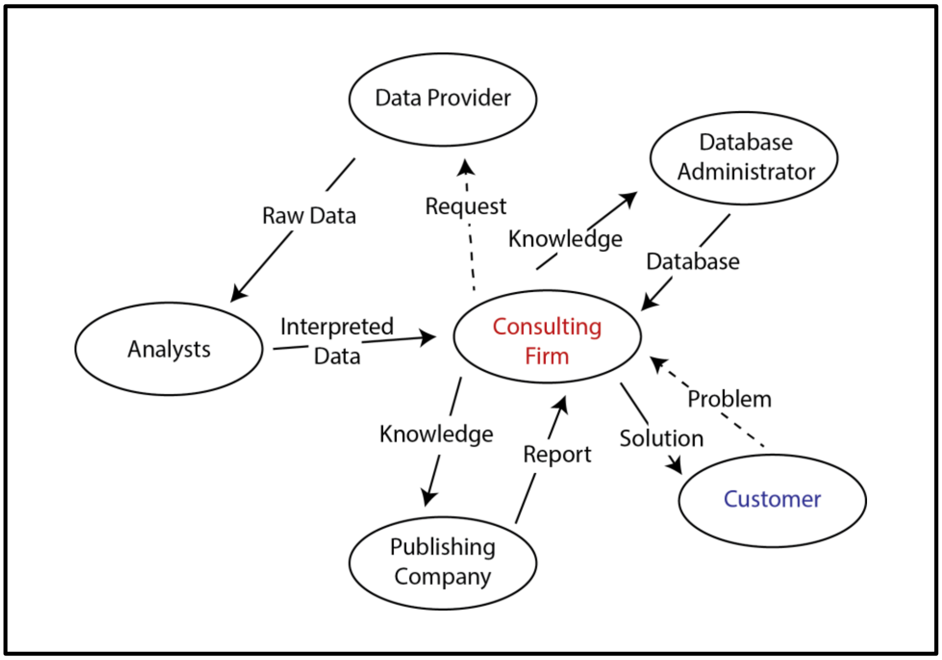

Figure 2-4: Sample Value Network

In this example of a value network, the relationships between various contributors can be observed. The consulting firm can analyze which aspects of the chain are creating the most value for the customer.

Network relationships are difficult to develop if each party only looks at its immediate relationships in the distribution chain. Value network analysis provides a holistic view of how value is created for the end customer. If all parties are aware of how they fit into the overall network, they can create more value than they can by operating in isolation.

Examples of Value Network Analysis:

- A business that leases construction equipment needs to consider how it is currently sourcing product from manufacturers, and the costs and quality of the products and services offered by its suppliers. At the same, the leasing company needs to understand what end-users of its products and services value, based on previous equipment rentals. A value chain analysis can be performed for improving or eliminating activities that directly or indirectly affect customer and supplier value. The analysis may include internal business processes (e.g. accounting practices, equipment quotes, supplier responsiveness) and processes that affect customer support (e.g. equipment training and repairs).
- The results of a value network analysis by a small office supplies manufacturer would lay out every individual aspect of the supply chain or network that could have an effect on desired outcomes and customer-perceived value. This would include all suppliers, partners, customers, and competitors. Some of the results may highlight the bottlenecks, value contributed by each participant, each participant's capabilities, current performance levels, etc. With an understanding of the value network, the next step would be to analyze its own position in the value network and look for ways to alter and/or enhance its position. The goal is to look at the network as a whole and determine how value is created for the customer.

2.2.2.3 Channel Performance Measurement

Channel performance measurement is a key activity when a sales organization employs different types of channel partners. In more complex multi-channel structures, it becomes even more important due to the number of people, processes, and roles involved.

The various channels have different purposes in the value chain; however, each task needs to support the overall corporate goals. As the number of channel partners increases, it is difficult to ensure that the channel partners are performing their specific roles as effectively as required. For example, the goal of a business might be to increase the number of strategic accounts. However, in order to gather maximum possible commission, channel partners might be engaged in getting the maximum number of accounts possible with total disregard towards prioritizing the acquisition of strategic accounts. It is therefore important to audit the channel partners and incentivize them for activities that are aligned with the corporate goals. The channel performance should also be judged on the ability to fulfill given tasks. A few carefully chosen metrics can give a good indication of the performance of each channel.

The channel performance measurement is primarily a four-step process.

1. Define the sales objectives
2. Determine channel performance metrics
3. Set channel partner targets
4. Manage channel performance

1. **Define sales objectives**

   The first step in channel performance measurement is to define the sales objectives for the company. Such objectives are defined in the *Determine Objectives* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 5.2).

2. **Determine channel performance metrics**

   Evaluating the performance of a distribution channel depends largely on the agreed upon performance metrics. Choosing the right number and type of performance metrics can help to monitor and improve the performance of channel partners. These metrics provide an understanding of how well the channel partner is doing in reaching its performance targets.

   It is possible to evaluate a channel on hundreds of performance metrics, but this would make reporting and analysis of the performance a cumbersome job. When determining channel performance metrics, a key performance driver, such as sales or units sold, should be chosen to identify and measure the most important tasks. A series of performance metrics are then decided based on the key performance driver.

3. **Set channel partner targets**

   After overall sales objectives are defined, it is important to assign specific targets to each of the channel partners to ensure they are in alignment with the overall objectives. Properly set targets provide a benchmark to measure channel success, monitor performance, and take corrective action to meet expectations.

   Each channel partner has a specific role towards fulfilling the overall sales objectives. Performance targets should be set to reflect the channel partner's contribution to the overall objectives. For example, suppose a manufacturing company has an overall sales objective to "increase sales revenue by 20 percent next year." If the company had only one channel for distribution, the channel partner's sales target would be the same as the sales objective. However, in the case of multiple channels, each channel would be assigned a different role to contribute towards fulfillment of the overall sales objective.

4. **Manage channel performance**

   This is the final step in channel performance measurement. It uses the agreed upon goals, assigned performance targets, and identified performance metrics to manage channel performance on an on-going basis and to identify the performance shortfalls of the channel partners. During this step, management gains an understanding of the strengths and weaknesses of each channel. Management can then take corrective action to ensure efficient performance of the channel.

Example of Channel Performance Measurement:

- A plywood company uses both dealers and a direct sales force to cater to its customer base. It evaluates both channels on the basis of customers reached and profit per customer. It finds out that though dealers provide it with wider reach it can earn more profit from direct sales. Hence, when it decides to expand to a new geography it decides to use a dealer network first to establish itself.

2.2.2.4 Alignment with Customer Behavior[1]

Customer buying behavior is an important factor to consider when selecting sales channels. As well, businesses should consider the customers' preferred channels, which can vary by market, as well as customers' acceptance of and disposition toward new channel options.

There are three steps to align channel selection with customer preferences:

1. Identify Customer Preferences
2. Offer Flexible Channels Based on Customer Preferences
3. Modify Channels Based on Changes in Customer Preferences

1. Identify Customer Preferences

Customer buying behavior and preferences are recorded and studied for every industry. These define the boundaries of possible new channels. A customer survey is the best way to obtain data on the customer's channel preferences. The survey should be conducted on major accounts as well as minor accounts to cover the entire range of preferred channels. The survey should collect key information about the customer, such as customer size, transaction volume, market segment, etc., as well as information about channel usage and preferences, including speculation about future usage.

Customer surveys can also help to determine customers' willingness to buy through less expensive channels. The willingness to buy must always be considered with caution as the customer may not have considered all the risks while completing the survey. Companies therefore should not rely solely on customer surveys to make decisions about different channel options.

A more accurate predictor of customers' channel preferences is their historical buying habits. Among the considerations are the channels they typically use, the rate of migration to alternate channels when making different purchases, and the channels that were rejected by some customers. Analysis of existing buying behavior should be conducted on three types of customers—existing customers, competitors' customers, and customers of other industries that use similar channels.

[1] Furey, T. & Friedman, L. (2011). The Channel Advantage. Routledge.

Example of Customer Preferences:

- It once would have been unthinkable to make an expensive purchase of a required component without a face-to-face meeting with sales reps from the manufacturer. Improvements in IT, better online banking security and fraud protection, and the ability to review an unknown supplier's reputation through social media sites and customer feedback forums has changed this. Companies now are willing to make large purchases without the direct contact once required. This has opened up larger territories and new sales channels for businesses.

2. Offer Flexible Channels Based on Customer Preferences

Customers have different buying criteria and purchase in different ways based on their needs. Understanding the needs and behavior of the customer and mapping channels with customer behavior and preferences is a key component of corporate sales success. A company can achieve this by providing flexible buying options. Failure to respond to buying criteria may result in not satisfying the buying needs of customers. Companies cannot assume that a channel selection is based on the product only and invest only in one channel that satisfies that particular product. Customers prefer having various options to purchase. A company's channels must therefore be flexible enough to cater to different purchasing behaviors of various customers.

3. Modify Channels Based on Changes in Customer Preferences

It is important for companies to continually assess customer behavior and channel preferences. Typically, customers initially prefer high standards of service and support. Over time, however, priorities usually shift to price, self-service options, and ease of reordering. Preferred channels also change from high-cost channels, such as direct sales, to low-cost channels such as website self-service. Customers may also be less willing to pay for premium channels that they no longer feel they need to use. Companies can make the mistake of not offering an alternate channel that caters to new buying behaviors. A better solution would be to provide an alternative channel that meets changing customer behaviors. Declining margins or declining sales in key accounts can be an indicator of the need for a distributor to invest in alternate channels.

Example of Alignment with Customer Behavior:

- Once AX Technology Inc. developed and solicited customer feedback via an online survey, it was able to obtain input on the customer's channel preferences. This included gathering input on current channel use, customer information, such as transaction size and transaction volume, as well as ideas on which channels the customer believes would be most prominently used in the future. AX Technology Inc. then evaluated the historical buying habits of its customers including which channels they have typically used in the past. The combination of results from the survey, historical buying patterns, and customer speculation about future channels resulted in the alignment of sales channels with customer behavior and channel preferences.

2.2.2.5 Alignment with Product

It is important for a company to anticipate which channels will best fit the product offered. Channel-product fit can be understood as the relationship between product complexity and channel touch. Complex products that require a lot of service, training, and support tend to fit better with high-touch channels, which provide sufficient interaction between buyers and sellers. Simpler products are sold more effectively through low-touch channels.

Figure 2-5 illustrates the continuum from low touch to high touch of various channels[2]. A direct sales channel such as the company's sales force is a very high-touch channel that provides a significant amount of interaction, support, and post-sales service. Indirect channels such as distributors and value-added resellers are positioned lower in the channel-touch continuum. Telemarketing and Internet, which are direct marketing channels, are low-touch channels, offering much less customer support and interaction, negotiation capability, or problem resolution. High-touch channels are generally more expensive to operate than low-touch channels. Similar products usually tend to fit with one type of channel. However, other channels may need to be considered depending on customer preferences and operating costs.

[2] Oxford Associates, adapted from Rowland T. Moriarty, Cubex Corp.

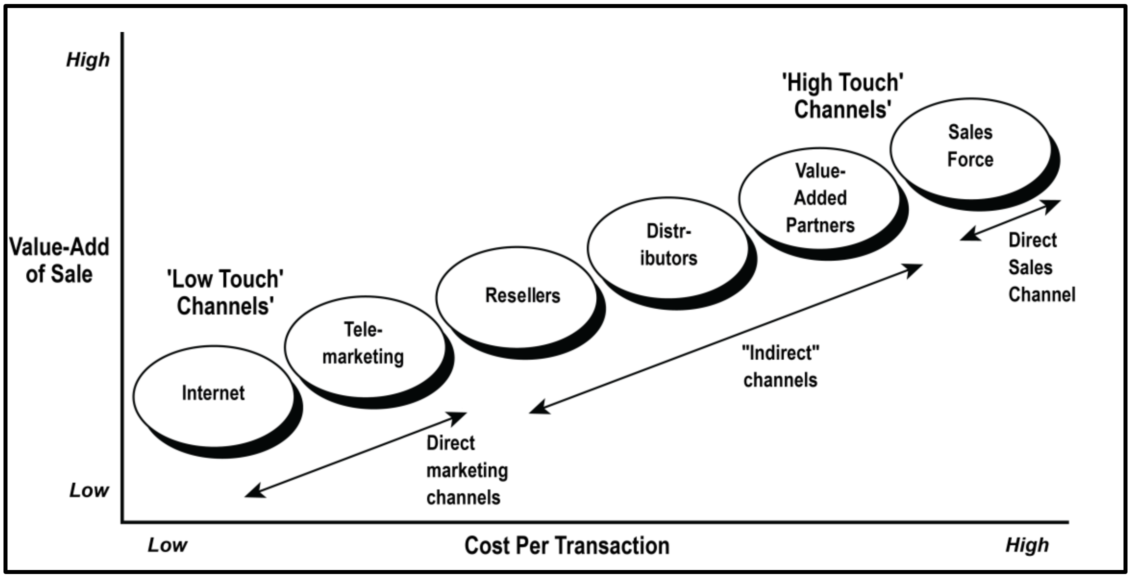

Figure 2-5: The Channel 'Touch' Continuum

Attributes of Product-Channel Fit[3]

Product-channel fit assessment is about identifying the right amount of channel touch required to match the complexity of the product. The product-channel fit is affected by the following criteria:

- Definition
- Customization
- Aggregation
- Customer education
- Substitution
- Maturity
- Customer risk
- Negotiation

Definition

Definition is an important attribute that helps determine the product-channel fit. A highly defined product or service is one in which the features and benefits are self-explained, well-articulated and easily understood. The less defined a product or service, the higher the need for a high-touch channel.

[3] Furey, T. & Friedman, L. (2011). The Channel Advantage. Routledge.

Customization

Products typically differ in the amount of customization and configuration required during the sales process. Typically services tend to require a high degree of customization based on inputs gathered from the customer. Standardized industrial products on the other hand require negligible customization.

Aggregation

Aggregation refers to whether a product is a standalone offering or is part of a larger solution. If the customer buys only the overall solution, then an indirect channel is used to build the total solution for the end customer. IT services are often sold as an aggregation of multiple products and services. Direct sales are usually required to assist the customer in understanding how the various hardware and software components will work together to provide an overall solution.

Customer Education

Products can differ in terms of how much customer education is required as well as how much of the education the customer can learn independently. Products that require a high degree of training are generally not suitable for low-touch marketing channels or mass-distribution channels. These products require the use of a direct sales force, value-added partner, or a distributor who is trained to provide customer education.

Substitution

Product substitution is the ease at which one product can be substituted for another. The traditional principle is that the more easily a product can be substituted, the higher the requirement for control over its distribution.

Maturity

Maturity is a very useful concept in determining the product-channel fit. As shown in Figure 2-6, a product goes through four distinct phases in its lifecycle. Determining the product's phase in the product life cycle can significantly help in channel selection.

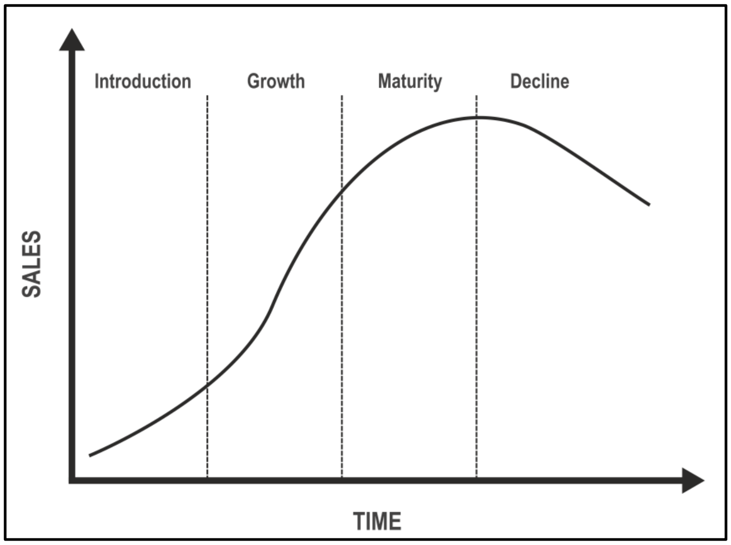

Figure 2-6: Product Lifecycle Curve

The phases in the product life cycle are as follows:

- **Introduction**—New products are typically not well defined and need a high degree of customer education. Therefore, new products generally require a high-touch channel to be positioned well with customers. A direct sales force is the most suitable channel in this phase. However, if a company has already established a low-cost channel for a similar product, it can use the existing channel for the new product as well.
- **Growth**—In the growth phase, the company is looking at maximizing the product's market share and channel fit for the product. The company should look to enlist as many channel partners as possible to achieve the required growth.
- **Maturity**—The product in this phase becomes subject to increasing competition and market pressure. Margins start to reduce due to product substitution, affecting the ability of high-cost channels to support the product. Although growth is still the target, the company's focus now is to retain and motivate channel partners to start migration to lower cost indirect channels.
- **Decline**—In the decline phase, the product margin as well as the sales volume has declined, making the product unattractive for indirect channels. Channel partners may discontinue the product, and the company may have to sell through low-cost channels only.

Customer Risk

Customer risk is the purchasing risk to a customer of making the wrong decision when buying a product. Purchasing risk depends on price, product lifetime, and the nature of the product. Low risk products can be sold in any channel, as customers require the least assistance during the purchase. The aim is to push these to low-cost channels. On the other hand, high-risk products require explanation about the risks and how to overcome the risks. They require high-touch channels such as a direct sales force or a value-added seller that has maintained a business and transactional relationship with the customer.

Negotiation

Negotiation is typical in large sales orders. It can occur over price, service, support, product customization, or any other element of the product or service. Products that require a lot of negotiation often require face-to-face interaction with the customer and therefore a high-touch channel. The channels commonly used are direct sales force or value-added partners. Products or services that require less negotiation with fixed terms of service and support can generally be sold in any channel. Complex products and services generally require high-touch channels, and simple, less customized products can be pushed through low-touch channels.

Examples of Alignment with Product:

- An advertising agency employs a direct sales force to increase its clientele and generate more business. The services offered by an advertising agency are highly customizable, require minimal definition, and require high levels of customer interaction. In order to understand customer requirements and communicate creative advertising ideas, the company needs to maintain a direct sales force supported by key account managers.
- An energy solutions provider has come up with a new product that reduces the cost and effort required to maintain and repair turbo-generators. The business will use a direct sales force initially as the product is not well defined and needs a high degree of customer education. As the product gains more credibility within the industry, the company can use other channel partners to increase its reach and maximize profits.

2.2.2.6 Channel Economic Analysis*

After defining a range of potential channels on the basis of alignment with customer behavior and product, it is necessary to evaluate the potential channels on the basis of economic factors. Both cost and revenue are important factors for economic evaluation of channels.

Cost—Channel profitability can be used to assess the cost associated with a channel. A channel's profitability ratio is usually expressed in terms of expense to revenue ratio (E/R). A channel's E/R is equal to its cost per transaction divided by the average order size. The lower the E/R, the lower the selling costs for each unit of revenue, which means a higher profit to the company for each sales transaction.

Example of Expense to Revenue Ratio (E/R):

- Consider the business of selling vending machines to small companies. The machines are priced at $500 and are sold by a distributor at a transaction cost of $40 and by a telemarketer at a transaction cost of $25. In this case the E/R ratio for the distributor would be 8 percent (i.e., $40/$500) and for the telemarketer it would be 5 percent ($25/$500).

In order to calculate the E/R, the average order size and the channel's cost per transaction should be known. The average order size—the total revenue divided by the total number of transactions—is easier to determine. It is generally difficult to determine the average cost per transaction. It may already be available from industry records, or it may be extracted by analyzing competitors' channel usage or by reviewing other industries that use similar channels. If it is not readily available, it can be calculated by dividing the total selling expenses by the total number of transactions. The total selling expenses for a particular channel can be defined by using a channel cost model in the absence of existing data. A channel cost model defines the different categories of selling expenses that may be incurred by the channel. Each channel being assessed for profitability should be allocated the same or similar set of cost factors. This model can be developed either internally or externally with the help of subject matter experts or consultants.

Revenue—Channel capacity, which is the channel's capability to generate the desired level of revenue, is another factor that should be considered for economic analysis. It can be defined as the product of channel selling unit productivity (revenue generated per unit) and number of units (number of channel members such as sales partners/representatives, etc.). It is very important to have a realistic estimation of both channel productivity and channel size for accurate assessment of channel capacity.

Example of Determining Channel Capacity:

- A vending machine manufacturer wants to sell through a number of channels. The business has established that direct sales will represent the greatest percentage of revenue but will be costly to establish. Working with distributors would require less investment, but the business knows that it would be sacrificing margin. Also, once the distributor network is established it will have a much wider reach than a direct sales force.

Choosing the right channels that fit the business is a critical component of corporate sales success. It is preferable to take a flexible and balanced approach that considers channels based on various factors such as service, cost, and revenue. If only cost is considered, for instance, then a company may end up with the lowest cost channel, but the channel may not have the potential to generate the required revenue, or the channel may need additional investment to provide the required level of service or to generate the required revenue. Hence, consideration of various factors enables a company to select those channels that best serve their market and provide the greatest potential for meeting sales objectives.

Examples of Channel Economic Analysis:

- A network equipment supplier employs highly trained technicians to make onsite service calls with commercial customers to propose technical solutions to business operations. This is costly to the company in terms of travel costs, reduced face-to-face time spent with customers, and staff productivity levels. After conducting a per-call cost analysis, the company determines that it can offer less costly and more convenient technical support through chat rooms and a 1-800 call center staffed by technical specialists.
- Based on economic factors, Blue Tech, a high-tech company, has determined that it will use select channel partners to reach some of its customers. This is because it has determined that it will see more doors open with the use of indirect sales help using distributors which will lead to new business opportunities faster, with lower risk and, of course, at a lower cost. This will require a plan to make its products easy to sell so that the partners will be willing and able to sell them.

2.2.2.7 Creating Channel Network Design*

Channel network design involves creating a new channel network or reorganizing an existing one. The main objective of channel network design is to select and employ the best possible channel partners. Some examples of channels/channel partners include direct sales force, resellers, value-added resellers, distributors and integrators. These are described in detail in the Appendix (Section A.2).

By having a good channel design, the company is able to establish a two-way, mutually beneficial arrangement with each channel partner. Using good selection criteria and policies also demonstrates a good understanding of the channel partner's role in the sales process and enables the company to identify and deal with existing competition.

The steps involved in channel network design are as follows:

1. **Assess the need for a new channel or for reorganizing an existing channel**

   A company may need to create a new channel or reorganize its existing channel design in the following scenarios:

   - Introduction of a new product—Alignment of current channels with the new product should be assessed first. In situations where existing channels are not well aligned with the product, a company should either reorganize its existing channels or create a new one.

   - Misalignment of current channels with existing products—The requirements of customers are constantly evolving. A channel that may have been a perfect fit a few years ago might not be able to fully service the customers today. Another factor for misalignment can be changes in a company's objectives. In this situation a new channel might be better aligned to these objectives.

2. Conduct market analysis

It is necessary to identify all external or market factors that could affect the implementation of the channel network design. A company should look at macroeconomic factors, which can be political, economic, social, technological, environmental, or legal (PESTEL) in nature. While most of these factors cannot be controlled, the effect that these factors can have on the company's ability to manage channels needs to be assessed and understood. Analyzing the channels used by the competition is also important, as this analysis facilitates a better understanding of the existing channels and enables the business to determine any gaps.

3. Analyze and prioritize customer requirements

The company must determine and analyze the specific requirements of the customer or end-user. This step is about identifying customer preferences and buying behavior. Customer preferences and requirements can then be ranked, based on the results of a survey as outlined in the Alignment with Customer Behavior tool, described in section 2.2.2.3. Based on customer feedback, channels can be chosen that are best suited for the business and for the customer.

4. Formulate channel selection criteria

Based on customer and product requirements, the company should identify the key tasks that the channel must perform. The company needs to formulate channel selection criteria on the basis of these key tasks. These criteria should be ranked according to the priority of the tasks and customer preferences. Some commonly used channel criteria are as follows:

- Reputation
- Managerial ability
- Financial strength
- Territorial coverage
- Existing customer accounts
- Other product lines
- Repair and service capabilities
- Knowledge of local market conditions
- Ordering and payment policies
- Commitment to sales quota

5. Identify channel models and select candidates for channel partnership

The next step is to construct a matrix that illustrates the various structures through which the company can reach the end user. Before identifying potential partners, the company needs to decide the number of channel partners required in each territory or region in order to gain the required market coverage:

- **Intensive Coverage** is a strategy where a company places its products and services in as many outlets or distribution channels as possible.
- **Exclusive Coverage** is a strategy where a company uses only one distribution partner to sell its product in a certain market. This may be used for specialty type products and services.
- **Selective Coverage** is a strategy where a company uses a few delivery channels to distribute a moderate volume of products.

The geographic distribution of the company's end users and the availability of channels in the region are important considerations in the creation of a channel network. If a dominant channel is already available, the company needs to make sure that the dominant channel is available for the company's product distribution. In addition, the level of sales and profitability, level of control, and level of flexibility are also factors that need to be considered as they relate to the company and its potential distribution channels. These factors are discussed in detail in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 4.2). Once the structure is finalized, the company needs to then identify specific members to be part of the channel network. Some of the best sources for finding such members are trade publications, trade organizations, tradeshows, distributor referrals, etc. Each channel partner candidate is selected by applying the channel selection criteria to determine whether the standards of a partnership can be met. Consideration is also given to the sequence in which partners need to be brought into the channel network.

6. Obtain internal commitment

Before executing the final phase of the channel network design, it is important to gain acceptance from senior management and other members of the corporate sales team. Informing all members of the team about the changes in the channel network ensures that everyone is prepared to handle any challenges presented by the existing channel network.

7. Approach and sign up the selected channel partners

The selected candidates need to be approached and presented with the company's distribution plan for the product. The candidates should be provided with product features and benefits, and the benefits for the candidates should be presented. The objectives are to register the candidate to participate in the company's channel network and to obtain the first stocking order.

8. Monitor and evaluate the channel network

The channel structure should be constantly monitored and evaluated for continuous improvement. The company also needs to monitor changes in customer behavior and preferences that can affect the performance of the channel network design.

Examples of Creating Channel Network Design:

- An insurance company has a sales team that sells different benefit plans to large corporate customers. This direct sales approach is less cost-effective for small businesses, which are often geographically dispersed throughout a region. Instead of using a sales team, the company sells its plans directly to small business owners through its website. The insurance company is therefore able to provide sales support to two different markets by creating a channel network to satisfy two distinctly different customer profiles.
- ADA Window Coverings Inc., a leading manufacturer of commercial window treatments, has determined that the best channel for its product is a direct distribution channel where a business can buy directly. This is the shortest distribution channel and, because there are no intermediaries, ADA can offer the product at the lowest possible price to customers. Direct sales through a sales team is also an option and would most likely result in higher sales due to knowledgeable salespeople reaching out to businesses and educating and selling the product.

2.2.3 Outputs

2.2.3.1 Channel Network Design*

The channel network design is a structure that defines the network of channels the company needs to have to maximize reach within a selected target segment. The main output of the *Determine Corporate Sales Channels* process is the chosen channel network design, which documents the chosen channel partners and network structure. The tool, Creating Channel Network Design described in section 2.2.2.7, ensures that the company has established a channel network design that is based on criteria that ensures selection of the best candidates; minimizes channel conflict by partnering with the most cooperative channels; and prevents legal complications and other challenges by avoiding or removing undesirable channels.

By having a good channel design, the company is able to establish a mutually beneficial program with the channel partners. It also enables the company to identify and deal with any existing competitive situations. The channel network may comprise channels with varying degrees of “touch” depending on product complexity and the level of service and support required. The channel network design specifies the mix of channels that the company is required to maintain.

Example of Channel Network Design:

- A nationwide distributor of medical supplies to hospitals has chosen a quick-response strategy. This means that this distributor, which stocks over 500,000 stock keeping units (SKUs) per year, can deliver goods within a 24-hour period. Once an order comes into the main communication center, the order is generated and pushed to the nearest of their five distribution centers around the world, based on where the customer is located. This allows it to provide the quickest and most efficient service possible.

2.2.3.2 Rules of Channel Network*

The rules of channel network are the specific rules of engagement of a company with its channels. In the case of a direct sales force, these are defined later in the *Plan Sales Governance* process, described in section 3.1. For all other channels, the rules of engagement are formalized through various forms of agreements, which define a company's relationship with its channel partners. These rules define financial and inventory management terms, territorial rights, and the service agreement guaranteed by the channel partner for a company's customers. These rules ensure the channel operates according to the company's requirements and define the benefits offered by the company to the channel partners in terms of marketing support, service, and incentives.

Examples of Rules of Channel Network:

- The rules for the channel network of a nationwide distributor of medical supplies include, but are not limited to, the following: the business strategy should align with the channel structure and the selected network chosen should optimize customer service at the lowest operating cost.
- A publisher of Human Resource leadership training materials has distributor arrangements with various executive coaches and training partners worldwide. Most of the contracts have territorial rules that prevent various training partners from marketing in geographic regions outside those stipulated in their distribution contracts.

3. PREPARE ORGANIZATION FOR SALES

This chapter reviews the processes required to prepare an organization for sales. It describes how to establish and manage a sales process that is aligned to corporate, finance, and human resource strategies and that will meet forecasted sales targets. The sales structure established will depend to a great degree on the nature of the business, the industry, the size of the organization, and its geographic footprint. An effective sales organization is supported by marketing assets and includes a sales incentive structure. The sales organization and governance must be designed to optimally support sales targets and create visibility into the sales team's performance to allow for adjustments and course corrections as necessary to ensure that the business meets its sales revenue objectives. Since sales targets are directly linked to all sales and marketing and financial objectives, they are essential components in the achievement of the company's overall objectives.

Figures 3-1 provides an overview of the processes associated with this chapter. These are as follows:

3.1 Plan Sales Governance—In this process, strategies, structure, analysis, and evaluation of the sales efforts are established.

3.2 Determine Sales Targets—In this process, sales targets are established based on sales forecasts derived from past data and analysis of the competitive landscape.

3.3 Create Marketing Assets—In this process, marketing assets that highlight product features, communicate the sales value proposition and the positioning statement, and appeal to specific target segments are created.

3.4 Create Sales Compensation Structure—In this process, various financial and non-financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities are implemented.

3.1 Plan Sales Governance

INPUTS
1. Senior Management Direction and Insights*
2. Selected Metrics*
3. Selected Objectives*
4. Selected Target Segments
5. Finance Strategy*
6. Human Resource (HR) Strategy
7. Existing Sales Process*
8. Existing Marketing Research Reports

TOOLS
1. Establishing the Sales Process*
2. Alignment with Corporate Strategy*
3. Determining Sales Organization Structures *
4. Customer Relationship Management Systems
5. Determining Sales Force Size
6. Territory Design
7. Sales Analysis*

OUTPUTS
1. Sales Process*
2. Sales Organization Structure*
3. Sales Force Size
4. Territories

3.2 Determine Sales Targets

INPUTS
1. Selected Marketing Aspects and Targets*
2. Past Performance Data
3. Details of Competitive Products
4. Opportunities and Threats*
5. Finance Strategy
6. Sales Organization Structure*

TOOLS
1. Sales Forecasting*
2. Target Allocation*
3. Macro-economic Factors and Competitive Analysis

OUTPUTS
1. Selected Sales Metrics*
2. Selected Sales Targets*

3.3 Create Marketing Assets

INPUTS
1. Product Features*
2. Positioning Statement
3. Sales Value Proposition*
4. Marketing Strategy
5. Selected Target Segments
6. Corporate Sales Team
7. Organizational Capabilities

TOOLS
1. Meetings and Discussions*
2. Marketing Assets Creation Skills*
3. External Expertise
4. Digital Marketing
5. Branding and Advertising

OUTPUTS
1. External Marketing Assets*
2. Internal Marketing Assets*

3.4 Create Sales Compensation Structure

INPUTS
1. Human Resource Strategy
2. Finance Strategy
3. Selected Sales Metrics*
4. Selected Sales Targets*
5. Corporate Sales Team

TOOLS
1. Meetings and Discussions*
2. Performance Measures
3. Sales Compensation Plans*
4. Formula Construction
5. Compensation Plan Administration

OUTPUTS
1. Selected Sales Compensation Plans*

Figure 3-1: Prepare Organization for Sales—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

3.1 Plan Sales Governance

Experienced sales executives consider sales governance to be one of the most important components of a company's sales strategy. Sales governance is the method of organizing and managing the corporate sales team. It includes processes, strategies, structure, analysis, and evaluation of the sales efforts. Sales governance can vary depending on company size and industry. For a new company, it is important to set up the sales process, organizational structure, team design, territories, and reporting structure. For an established organization, sales governance needs to be constantly evaluated and improved in order to ensure the business is adapting to change and sales objectives are being met.

Figure 3-2 shows the inputs, tools, and outputs for the *Plan Sales Governance* process

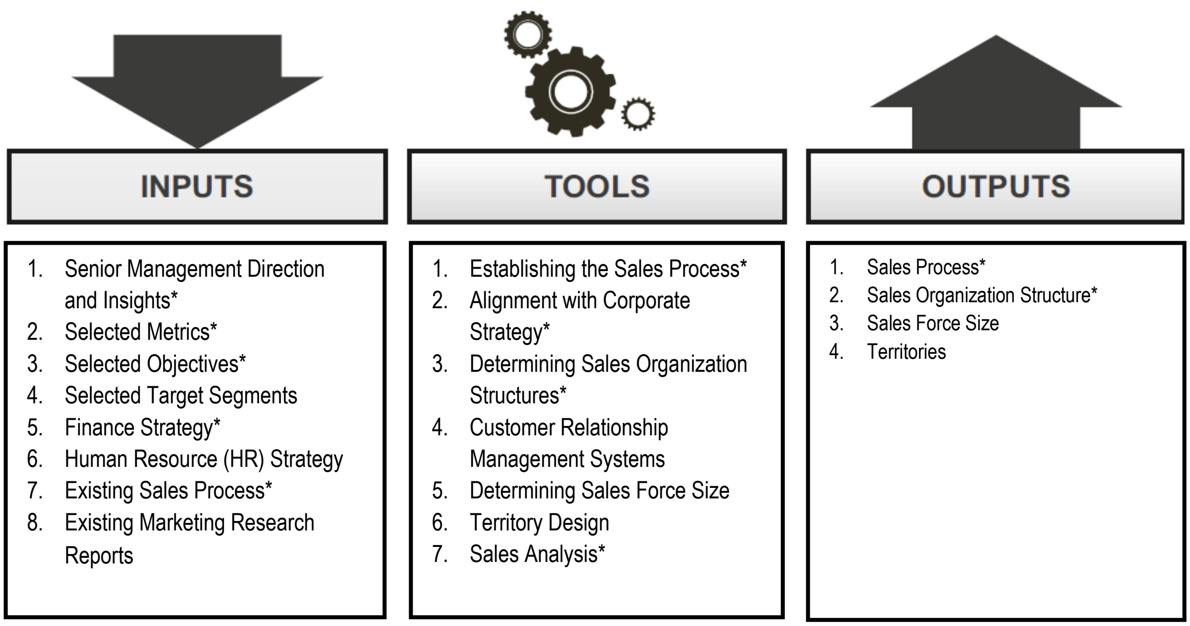

Figure 3-2: Plan Sales Governance—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

3.1.1 Inputs

3.1.1.1 Senior Management Direction and Insights*

Senior Management Direction and Insights are key inputs for sales governance planning. Senior management's comprehensive understanding of the business helps in developing processes and protocols that will align with all other areas of the business and in identifying gaps in existing processes that need to be addressed. Given their industry knowledge and long-term view of the company's vision, management can also help identify key factors that can impact sales governance.

3.1.1.2 Selected Metrics*

Selected Metrics is an output of the *Determine Metrics* process described in the *SMStudy® Guide–Book 1*, *Marketing Strategy* (section 5.2). There are four major categories under which a company's marketing activities are measured. These include customer reach, brand perception, product availability, and sales and profitability. These metrics are key inputs for sales governance as they factor into decisions regarding the organization of the sales structure and the identification of the best methods for sales analysis. Ensuring that the selected metrics are considered in the establishment of the sales structure, approach, and analysis results in alignment of the selected metrics with key activities, such as lead generation, qualification, and conversion, among others, all of which ultimately contribute to the success of the sales efforts.

3.1.1.3 Selected Objectives*

Selected Objectives is an output of the *Determine Objectives* process described in the *SMStudy® Guide–Book* 1, *Marketing Strateg*y (section 5.1). In this process, objectives are established for each of the four major categories under which a company's marketing activities can be measured. These categories are customer reach, brand perception, product availability, and sales and profitability. Knowing the selected objectives enables the team to establish sales governance that aligns with and supports the activities and strategies of other areas of the business. Depending on the selected objectives, the company may choose to expand or reduce sales operations in some territories. It may also choose to increase or reduce the size of the sales force. The selected objectives also provide a reference against which to evaluate the performance of the sales teams.

Examples of Selected Objectives:

- Secure Communications Inc. (SCI) has developed a new business phone system that protects companies from long distance fraud by unauthorized third parties. SCI has set an annual sales target of $2 million for its new phone system and wants to initially target companies with more than 300 employees to achieve this target. SCI has also set call frequency objectives for its sales representatives to call on each of the targeted accounts, as well as sales objectives by territory. This will ensure the sales team gives adequate effort to promoting the new phone system and align performance objectives with the overall sales target of $2 million.

3.1.1.4 Selected Target Segments

Selected Target Segments is an output of the *Select Target Segments* process in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.2). It gives detailed information about the chosen target segments, such as customer preferences and segment size. It also gives the market attractiveness attributes for each segment including the following:

- size and growth rate of each segment
- organizational strengths that can help the company compete successfully in each segment
- products that are most suitable for the various target segments

Selecting appropriate target segments enables a company to focus its sales efforts on relevant segments to achieve its sales objectives.

3.1.1.5 Finance Strategy*

Establishing a sound Finance Strategy enables the company to allocate appropriate funds to develop the sales force and increase geographic reach. It is important to consider available funds before planning to set up or expand the sales force and the territories. Financial targets are key inputs for sales analysis to establish relevant financial objectives in the sales process. Sales analysis, in turn, provides key inputs to analyze the company’s financial performance.

3.1.1.6 Human Resource (HR) Strategy

The Human Resource Strategy includes an understanding of employee skills, existing and required skills, workforce trends in the industry, and an understanding of the labor regulations required for sales governance. Since a major part of sales governance deals with setting the framework for the corporate sales team, the Human Resource Strategy must be clearly understood. The Human Resource Strategy is an important input to determine sales force size, sales analysis, and territory design. The performance and efficiency of the corporate sales team is therefore directly impacted by the Human Resource Strategy.

Examples of Human Resource Strategy:

- A commercial window and door manufacturer decided to transition its inside sales team from an in-house, employee-based model to an outsourced, third-party model. Within this context, the outsourced inside sales team sets appointments for the sales people. The company finds that this model is more efficient and scalable.
- Moxstar Media, a large communications company, has focused on several key aspects of its HR Strategy due to the nature of the market and the competitive environment. Its strategy includes an intensive onboarding process consisting of detailed training to shorten the learning curve for new hires, an internal promotion system to lengthen employee tenure and build a workforce that has a wealth of experience and knowledge, and a pay structure that is higher than the industry average to help foster commitment and encourage employees to stay with the company. The HR Strategy will also serve as a key factor to consider when determining the number and type of employees to hire and how the territories will be designed.

3.1.1.7 Existing Sales Process*

An analysis of the existing sales process helps companies understand if any changes are required to the sales force. Analysis of the existing sales process also allows companies to assess the effectiveness of the existing sales force structure, sales force size, territories, and the methods of sales analysis. Any identified gaps serve as inputs for sales governance planning and help in identifying opportunities for new initiatives or protocols that can be implemented to address any shortfalls or weakness.

Examples of Existing Sales Process:

- A national accounting firm identified the need to hire business development people with a background in audit solutions as a sales pipeline analysis indicated the majority of current leads were focused on audits.
- Gulu Inc., a media company that sells print and digital advertising, has a total of fifty sales reps, including thirty-five focusing on print advertising and fifteen focusing on digital advertising. Since the existing sales team is focused primarily on print, the plan is to shift resources to the digital division for better alignment with market demand for digital advertising. This change will require some adjustments to the sales process including providing sales reps with tools that would enable bundling of options and transitioning existing clients to digital channels.

3.1.1.8 Existing Marketing Research Reports

Existing marketing research reports of sales territories and products serve as a good source of information to identify needed changes in territory design and the sales force. Such reports also highlight trends regarding customer preferences or sales practices that may be used in planning sales governance. Existing marketing research reports can also be used to gain an understanding of a company's competitors.

Example of Existing Marketing Research Reports:

- Canton, Inc., a manufacturer of recycled wood products for commercial use, is evaluating existing marketing research reports that impact its sales territories including sales figures by geography and by product. The company is also assessing the manpower covering each of the territories relative to the revenue generated and revenue potential of those territories. Canton, Inc. uses marketing research to continually evaluate the competitive environment and its product offerings and pricing to determine key differences and to make adjustments as necessary.

3.1.2 Tools

3.1.2.1 Establishing the Sales Process*

Most experienced sales teams have an existing sales process. If this is the case, it is important to constantly evaluate, improve, and fine tune different components of the process. A new company, however, must define a sales process by adapting established frameworks to suit the specific needs of the business, leveraging identified strengths, and identifying and filling gaps. Figure 3-3 shows the five basic steps in the sales process.

Figure 3-3: Five Basic Steps in Sales Process

Understanding these five steps and adapting them to suit the business requirements will help establish a framework for a comprehensive and effective sales process. The five steps are as follows:

1. **Pre-sales**—This first step in the sales process involves reviewing the current activities and selling processes. These activities include those carried out from the initial contact with a customer to the final delivery of a product or service. This step allows a developing company to assess its organizational capabilities to carry out the sales process. It includes understanding and strengthening the value proposition for customers. The different channels required to sell products in the future are also determined. Planning sales governance, setting sales targets, setting up the incentive structure for the sales team, and creating the marketing assets is also done at this stage. The sales team is also trained on products as well as the sales process and negotiation to prepare for selling activities.

2. **Profiling of Target Customers**—The first step in the prospecting stage, profiling target customers and decision makers, involves identifying and benchmarking profiling criteria for prospects and for decision makers. Characteristics of ideal customers, such as annual budget, are used to benchmark the profiling criteria.

3. **Lead Generation and Qualification**—The second step in the prospecting stage, lead generation, is the act of identifying prospective customers and generating ways to gain new customers. Profiled criteria and benchmarks are used to generate better leads. Lead generation uses various offline and online techniques and can be inbound or outbound.

4. **Needs Assessment**—Conversion starts with understanding customer needs for products or services. This understanding of needs is vital in the conversion process and enables the sales team to demonstrate to the customer how their product can fulfill the customer's requirements.

5. **Presentation, Negotiation, and Closure**—This is the final stage in the conversion cycle. The corporate sales team presents the features, benefits, and advantages of the proposed products or services that can fulfill the needs of the prospects. At this stage, prospects present their objections to the sales proposal. It is the job of the corporate sales team to overcome these objections to close the deal.

Examples of Establishing the Sales Process:

- JB Orchard's sales process has been in place for several years and is continuously evaluated, fine-tuned, and improved. The four basic steps of the process are as follows: (1) Prospecting (lead generation) (2) pre-presentation sales activities (needs assessment) (3) Presentation sales activities and negotiation (4) Post-presentation sales activities and closure. Not only is there an established sales process, the company has also provided training on this process, developed some tracking tools, and established a process of continuously and regularly reviewing and refining the process.
- Flour Power, Inc. sells flour to local bakeries and restaurants. Within this company, there are two basic selling processes—the process of gaining a new customer and the process of expanding business with existing customers. These two processes are the main parts of a salesperson's job within the organization, and the company has a team of fifteen sales representatives. Because the company sells flour to local bakeries and restaurants via inside, telephone salespeople, it uses two processes that work for everyone. Sales reps are trained extensively on these processes before they start placing phone calls to actual customers. Also, the company continuously evaluates these processes and makes adjustments as needed.

3.1.2.2 Alignment with Corporate Strategy*

Corporate Strategy is the overall direction of the company that assesses the existing capabilities of the company and external opportunities and threats. The Corporate Strategy plays an important part in planning sales governance.

- **Senior Management Direction and Insights**—Successful management of customers and accounts begins with Senior Management Direction and Insights to help create a customer-centric organization. These insights and guidance help shape the attitudes and beliefs of the company's employees, leading to the development of a corporate culture. This determines the plans, policies, and procedures followed by the corporate sales team. All aspects of sales governance including the sales process, organization, and structure are influenced by senior management direction and insights. In the event of a change in senior management or senior management direction, the sales governance may need adjustment.

- **Corporate Product Strategy**—This defines the products or services the company offers, or plans to offer, and the research and development efforts required to bring new products to market. This strategy also defines key priorities such as whether the company aims to be a leader in technology, research and development, or service delivery. With the increased use of technology for meeting various customer requirements, an innovative and progressive Corporate Product Strategy can differentiate the company's products from competitors' offerings. This can have a direct impact on the sales process as, if other key differentiators exist, the sales channels will not have to over-rely on one factor, for example price, as a differentiator, when selling products.

- **Corporate Marketing Strategy**—This defines how the company positions, targets, and sells the planned products, and defines metrics, targets, and budgets for all marketing activities. The Corporate Marketing Strategy plays a defining role in planning sales governance. The objectives, metrics, and targets defined in the Corporate Marketing Strategy are also key inputs to planning sales governance.

- **Corporate Operations Strategy**—This defines how the company will manage operational activities, manufacture its products, and provide the corresponding services and product warranties. The company's production capacity, technology and equipment used in its plants, and even the location of the plants, may influence the sales process and the sales territories. Service capabilities of the company also influence various elements of sales governance. Production capabilities and the ability to service various products in diverse regions must be considered while planning sales governance.

- **Corporate Finance Strategy**—This defines how the company manages its finances, attains funding, and financially sustains its operations. A company's Corporate Finance Strategy directly influences the company's customer relationship initiatives. Limited funding can constrain the company's ability to develop new products, increase the size of the company's sales force, or expand the regions that the company wishes to serve. Conversely, an increase in funding could lead to an increase in the size of the sales force, planned geographical coverage, and new promotional activities.

- **Corporate Human Resource Strategy**—This maps the human resource capabilities within the company and considers the talent management and acquisition needed to sustain growth. While organizing the sales team vertically (by industry) and horizontally (by service offering), the company requires resources with the required skills, knowledge, and aptitude for the roles. The Corporate Human Resource Strategy also plays a role in skill development for existing employees. Talent acquisition and skill development must be aligned with the requirements of the corporate sales team. In the event of an expansion plan for increasing the geographic coverage and the sales team size, the effort may fall short if it is not aligned with the Corporate Human Resource Strategy.

In companies with multiple business units, each business unit is likely to have its own objectives and distinct strategy. This is referred to as the business unit strategy. For large companies, the alignment in strategies takes place at the corporate level as well as the business unit level.

3.1.2.3 Determining Sales Organization Structures*

Organizing the sales team is one of the most crucial steps in creating an effective sales force. This has become more important in recent years, given the increasing complexities in products, technology, and geographic reach. In the past, sales teams were typically product-centric, focusing on mastering their product knowledge and conveying this to customers. In more recent times, the customer-centric approach has taken precedence. Sales teams are more focused on understanding the requirements of customers and fulfilling these requirements with solutions provided by their companies.

In determining the sales organization structure, the organization assigns roles, responsibilities, and objectives to various teams and individuals on the sales team. A sales force is typically organized using one or more of the following four categories:

- Geography
- Product type
- Customer segment
- Selling function

1. Geography

The simplest and most common form of sales organization is a geographic-based sales organization. In this organization, the sales team is assigned to different geographical regions. Each individual sales person is responsible for his or her own territory and is required to perform all the selling functions in that territory. Geographic-based sales organizations are very popular due to the simplicity of this structure and the potential cost savings this structure offers. The potential for strong communication lines exist in this structure given its simplicity and the fact that in some instances, sales teams can be physically located in their assigned regions making meetings convenient and facilitating a strong connection with the customer. However, there may be disadvantages to this structure for companies selling to large national or multi-national organizations where decision makers may be widely geographically dispersed. Figure 3-4 shows a sample of a geographic-based sales organization structure.

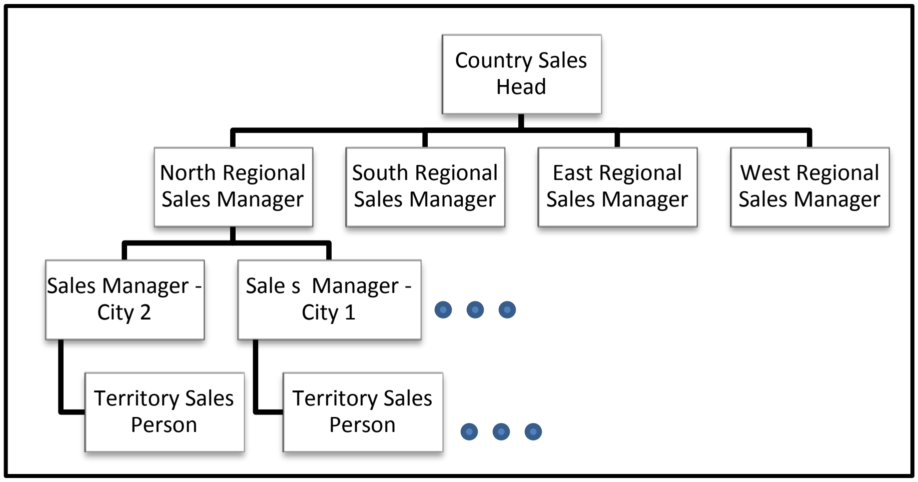

Figure 3-4: Geographic-based Sales Organization

2. Product

In a product-based sales organization, a separate sales team is assigned to each product line. The sales team for a particular product is only responsible for selling that product. This type of organization results in specialized sales teams with detailed knowledge about a product's features, advantages, and benefits. Such expertise helps the sales team gain the confidence of customers and makes the selling function easier. This type of organization is mainly used in companies with a large number of products or in instances when products require a thorough understanding on the part of the sales team. Another advantage of the product-based sales organization is better coordination of activities between production and sales. This allows the sales team to better serve customers, not only by providing a tailored product, but also by ensuring timely delivery of products. One of the major disadvantages of the product-based organization is duplication of effort. Different sales teams working on different products could target the same customers multiple times. Figure 3-5 shows a sample of a product-based sales organization structure.

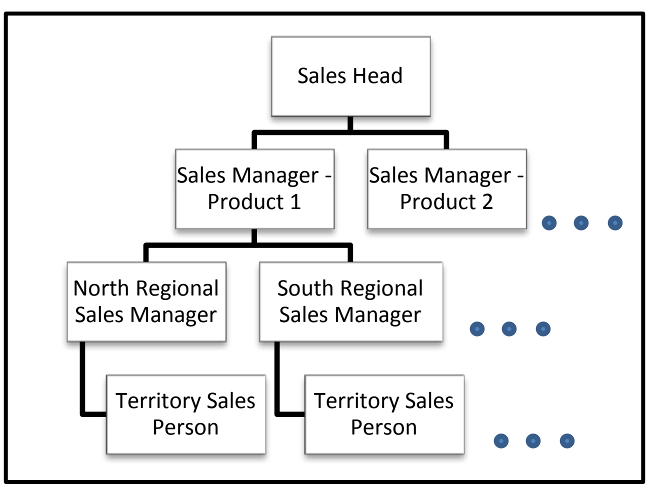

Figure 3-5: Product-based Sales Organization

3. Customer Segment

Sales teams that are organized based on customer segment are becoming increasingly popular as this organization offers a customer-centric framework. In this type of organization, the sales team is assigned to different customer segments and is responsible for selling to that market alone. This aids in the selling function by allowing the sales team to focus on the needs and requirements of the customer segment. Also, frequent interaction with customers helps the sales team focus on product features according to the unique needs of customers. Therefore, this type of organization is popular in dynamic organizations where the needs of customers frequently change. Figure 3-6 shows a sample of a sales organization structure that is based on customer segment.

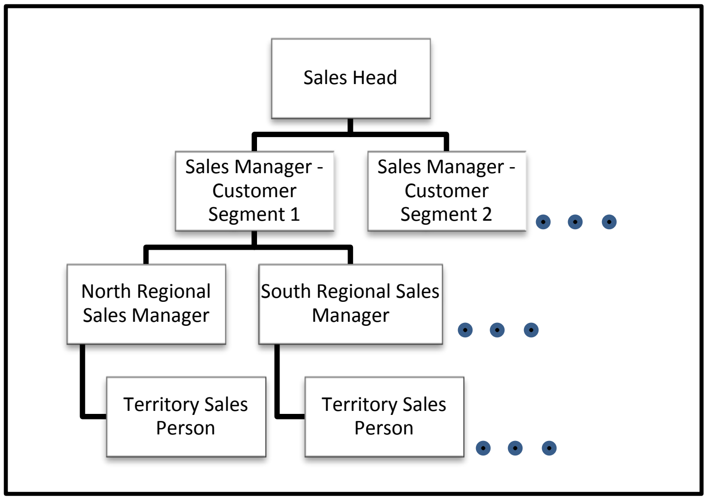

Figure 3-6: Sales Organization by Customer Segment

4. Selling Function

Different aspects of selling require different sets of specialized skills and abilities. Many companies therefore organize their sales team based on selling function. Organizing the sales structure according to function ensures that a specialized sales force can perform a specialized selling function such as pre-sales, prospecting, or post-sales. In many cases where the company has organized the sales structure according to function, the business divides the sales force into inside sales and field sales teams. An inside sales team can take some of the workload from the field sales team so they can focus on more critical tasks such as serving key accounts. Inside sales teams can also help with prospecting and marketing research efforts.

Figure 3-7 shows a sample of a sales organization structure that is based on selling function.

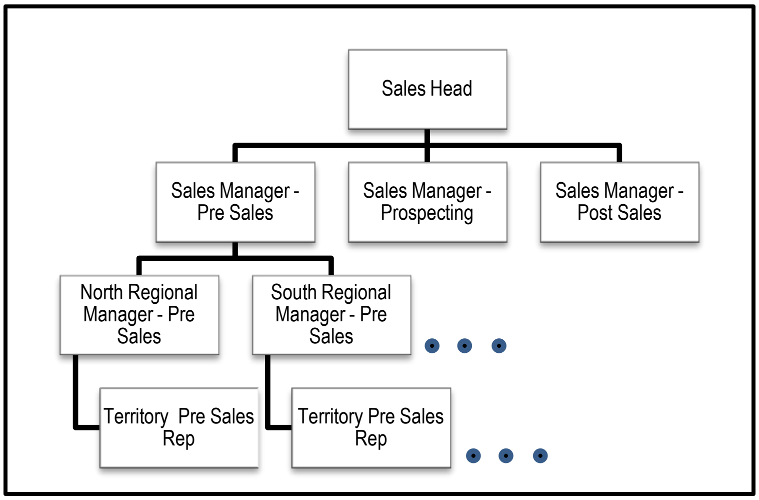

Figure 3-7: Organization by Selling Function

Example of Determining Sales Organization Structure:

- Sykes Inc., a manufacturer of construction equipment, has outlined a sales organizational structure that will help it to be lean and nimble, drive efficiencies, and increase the speed of customer support. These goals are important due to the level of competition in the market. Its key sales division will consist of thirty-five sales executives reporting to one Vice President of Sales for the Distribution Division and each of the thirty-five sales executives will serve a specific territory in the market.

3.1.2.4 Customer Relationship Management Systems

Customer Relationship Management (CRM) Systems are the information systems used to record the different stages of a sales process and to monitor sales performance and potential. Most sales organizations use a CRM system. A typical CRM system has modules for contact management, sales lead tracking, sales forecasting, order management, and product information. The contact management system records the profiles of all the customers including contact details and the history of contact made with a given customer. The contact management system is necessary to avoid loss of information about client communications. It also ensures that multiple sales staff can refer to the information gathered about a certain client. The CRM system also contains a sales lead tracking system that lists potential customers and their contact details, and captures any communication with leads.

A CRM system must integrate different functions in the company to ensure that all departments have access to customer information. Advanced systems not only store records of clients but may also include alerts for customer follow-up activities, analytical tools to track and measure sales performance, and mobile access to customer information. There may also be integration with e-mail software and marketing automation tools. Other special features, such as prioritization and ranking of leads, are also possible options. All of this information increases the efficiency and effectiveness of the sales staff.

Information stored in CRM systems can also be used to generate reports on various geographies, products, customer segments, and individual sales professionals. Management can identify performance gaps, monitor business trends, track the effectiveness of marketing campaigns and investments, and make future revenue predictions to ensure sales objectives are met.

Example of CRM Systems:

- An office supply company uses a CRM system integrated with a marketing automation tool to run e-mail campaigns and track marketing-generated leads from activities such as search engine optimization and participation in trade shows and events. Marketing activities are tracked in the CRM system to identify which activities are generating the most leads.

3.1.2.5 Determining Sales Force Size[4]

Determining the sales force size is an important tool in planning sales governance. Although the corporate sales team is one of the most valued assets of the company, it can also be expensive to maintain. Increasing the size of the sales force may increase sales volume but at a higher cost to the company. It is therefore necessary to determine the optimal sales force size. The size of the sales force will also affect territory design. The three most commonly used methods to determine sales force size are as follows:

- Breakdown Method
- Workload Method
- Incremental Method

[4] Johnston, M.W. & Marshal, G.W (2013). Sales Force Management: Leadership, Innovation, Technology. Routledge.

Breakdown Method

This is the simplest method among the three. In this method, each member of the corporate sales team is assumed to possess the same level of productivity. In order to determine the size of the sales force needed, the total sales figure forecasted for the company is divided by the sales likely to be generated by each individual.

However, this method fails to account for differences in the ability of salespeople and the difference in potential of each market or territory. It treats the sales force as a function of the sales volume, and does not take profitability into account.

Example of Breakdown Method:

- A national cosmetics wholesaler uses the breakdown method to forecast the number of sales representatives it will need to sell its products to department stores. The company projects total annual sales potential (S) in department stores to be $12,000,000. Assuming each sales representative can generate annual sales of $1,000,000 (P), the company determines that it needs twelve sales representatives (N) to call on department stores (N = S/P).

Workload Method

The workload method is also known as the buildup method. In this method, the total workload (i.e., the number of hours required to serve the entire market) is estimated. This is divided by the selling time available per salesperson to forecast the size of the sales force. This consists of five steps:

- **Categorize the customer base**—All the accounts should be classified into categories based on criteria such as sales, business potential, account type, credit ratings, product lines, etc. Since the workload method is based on selling hours, the selling hours or effort required to support each type of account within a category should be almost the same. Generally, the sales potential and selling hours go hand in hand; however, sometimes, extra effort is directed at accounts with low sales potential. For example, a low sales potential account can give the sales team access to a sister company with huge sales potential. If both accounts demand the same service level, their categories should be the same.

- **Estimate the selling effort required for each category**—This can be directly based on senior management insights or based on information collected over time. The selling effort required will include the number of times customers in each category need to be called upon over a month or year, and the typical duration of each call. This determines the total number of required contact hours for each customer category.

- **Determine the total workload**—The total workload is the number of hours required to serve the entire market .It is calculated for each category by multiplying the total number of customers in each category with the required contact hours for each category. The aggregate gives the total workload required in covering all the customers in all categories.

- **Determine selling time available per salesperson**—In this step, the average time available per sales person is calculated first. Then the time spent in non-selling activities like documentation, travelling, etc. is estimated. The actual selling time available per person is calculated by deducting the time spent in non-selling activities from the average time available per salesperson.

- **Determine the sales force size**—The total number of sales people required can now be calculated by dividing the total workload by the actual selling time available per salesperson.

The workload method of determining sales force size is commonly used since it is easy to understand and to recognize the effort required to serve different categories of customers. However, this method also has some shortcomings. It assumes that all accounts in the same category require the same effort. Other differentiating factors, such as cost of servicing, gross margins, etc., are not considered after the accounts are categorized. It also assumes that sales persons are equally efficient, which is generally not the case. One way to overcome this shortcoming is to adjust the sales force size, determined in the final step, for efficiency. The sales force can be classified into different categories based on their efficiency, and the actual number of sales persons required can then be calculated using this adjusted number.

Example of Workload Method:

- Annual department store sales are projected to be three times the value of other retail accounts ($900,000 vs. $300,000 in annual sales). A cosmetic wholesaler uses this difference in sales potential to assign call times of thirty minutes for each department store account and ten minutes for other retail accounts. Based on the total number of department stores and retail accounts nationally, the number of sales representatives needed to call on all accounts can then be determined.
  - Number of targeted department stores = 300 stores
  - Number of other targeted retail accounts = 900 accounts
  - Time needed to call on department stores each year:
    (300 x 30 minutes x 12 months) = 108,000 minutes or 225 days, based on an eight-hour day
  - Time needed to call on other retail accounts each year:
    (900 x 10 minutes x 12 months) = 108,000 minutes or 225 days, based on an eight-hour day
  - Days needed to call on all accounts = 450 days (225 days + 225 days)
  - Days needed to support call activities (travel, completion of reports, call notes, etc.)
    = 20 percent of call time or 90 days (20 percent of 450 days)
  - Total time needed to call on all accounts = 540 days (450 days + 90 days)
  - Average working days per sales representative in a calendar year = 200 days
  - Number of sales representatives needed to call on all accounts = three sales representatives (540 days / 200 days)

Incremental Method

The incremental method is the most precise method to calculate the sales force size. The underlying concept is to compare the marginal profit contribution with the incremental cost for each sales person. The optimal sales force size as per the incremental method is when the marginal profit becomes equal to the marginal cost and the total profit is maximized. Beyond the optimal sales force size, the profit reduces on addition of an extra sales person. Therefore, sales people need to be added as long as the incremental profit exceeds the incremental cost of adding sales people. The main shortcoming associated with this approach is that it is difficult to estimate the additional profit generated by the addition of one salesperson and is therefore difficult to develop. While the additional cost of adding a sales person can be obtained with considerable accuracy, the additional profit depends on factors such as the territory structure, the individual assigned to each territory, and the effectiveness of a salesperson in different territories. The profitability also depends on the product mix purchased by customers and the profitability of each product.

Example of Incremental Method:

- The annual cost to support a cosmetic sales representative in the field is $100,000. Direct compensation includes a $60,000 salary and a bonus target of $15,000. Indirect expenses amount to $25,000 and include vacation and benefits, and territory-related costs such as provision of a laptop, IT and training support, car expenditures, and meals and accommodation costs.

  To justify the addition of an additional sales representative to a region, management needs to assess how much additional sales revenue can be generated above the existing breakeven expenses of $100,000. Management also needs to evaluate different sales tactics before deciding whether to increase headcount. Alternatives might include the provision of additional training for the current sales representatives in the region or reprioritizing customer targets based on sales potential to ensure optimal territory profitability and coverage.

3.1.2.6 Territory Design

Designing territories is an important part of sales governance. It requires an assessment of market potential as well as the ability of the sales force to serve that territory. It is important to design sales territories to maximize sales coverage and provide equal opportunities for the various sales teams. Territories are therefore designed with the objective of making all territories more or less equal with respect to sales potential. However, this might not always be realistically possible due to the inherent characteristics of certain regions to generate more sales. The benefits of designing territories include better alignment of customer needs with the sales and service teams, lower cost of travel, improved efficiency, and ease of setting and collecting metrics.

Territory Design involves the following steps[5]:

1. **Decide basic geographical unit**

   A basic geographical unit is the most fundamental geographic area used to form sales territories. It is generally preferable to have smaller geographic units than larger units. In addition, smaller units make it easier to control territories and to reassign territories when required. The selection of a basic geographical unit depends on the geographic organization of areas followed by various regions. For example, a country might assign geographical units by states, trading areas, counties, cities, or postal codes. It may be small or large depending on various factors such as market potential, serviceability, and number of customers.

2. **Estimate market potential for each geographical unit**

   The next step in designing territories is to obtain an assessment of the market potential in the basic geographical unit. This is generally determined using a forecasting tool. It can also be estimated by evaluating variables that have a direct correlation with the market potential of the product. Market potential can also be projected by estimating customer demand within the basic geographical unit. The market potential collected for the basic geographical unit is then totaled to arrive at the total market potential for a territory.

3. **Join geographical units to form approximate territory**

   This step involves combining adjoining basic geographical units into large geographic groups. Adjoining units are combined for ease of access and coverage. While forming territories, effort is also made to establish territories that are as equal to one another as possible in sales potential. The objective is to develop an approximation of the final territory alignment.

4. **Calculate workload for each territory**

   Once the tentative territories are formed, it is necessary to determine the amount of work required to cover each territory. It is preferable to form territories that are equal in both potential and workload. The amount of work is estimated for existing accounts as well as prospects in the territory. The sales potential from both the existing accounts and prospects is then determined. Sales potential for prospects can be in the form of number of hours required for calls with each customer and the number of hours for travel. Existing accounts are classified based on their importance and sales potential. The most important accounts are given more importance. Other factors to calculate workload include the number of products the account might purchase and the historic volume of sales. For each prospect or account, a tentative workload in terms of number of hours is determined. The aggregate workload is then calculated for each territory.

[5] Spiro, R., Stanton, W., & Rich, G. (2007) "Management of a Sales Force." Tata McGraw-Hill.

5. Adjust territories based on workload

In this step, the boundaries of the territories established in step three are adjusted based on the workload calculated in step four. Even though the market potential and workload are balanced in setting the new boundaries, the actual sales generated depends on the actual effort made in each territory.

6. Assign salespeople to territories

The general assumption of this step is that all sales people are equal in ability and effectiveness with respect to various territories or products. In reality, this is rarely the case. Members of the corporate sales team must be allocated to territories based on where their contribution potential would be highest. In cases where there is an existing sales force with established territories, a realignment of territories might be necessary. This might be required to support new product introductions or withdrawals, or if there is a drop in sales revenue.

Example of Territory Design:

- Prima America, a national distributor of outdoor furniture for commercial use, was in the process of designing its territories. The goals were to ensure that they had thorough coverage of the market, to improve customer relations, and to ensure the best match between sales representatives and customers. Territories were assigned based on forecasted sales and sales potential, determining the sales volume needed for each territory, determining the number of territories, and then tentatively establishing the sales territories. Once complete, the company determined the number of accounts for each sales territory, then finalized the sales territories, and then assigned sales reps.

3.1.2.7 Sales Analysis*

Sales Analysis involves gathering, classifying, comparing, and studying the company's sales data. It may involve comparing sales data at different time periods, examining sales data for different product lines, or comparing sales data with competitor sales. Company sales are typically organized by products, territories, customers, and selling function.

The company needs to consider three important elements to address potential variables in a sales analysis[6]:

[6] Johnston, M.W. & Marshal, G.W. (2013). Sales Force Management: Leadership, Innovation, Technology. Routledge.

- Type of evaluation system
- Sources of information
- Type of information aggregation

1. Type of evaluation system

The first major decision in sales analysis is to decide the type of evaluation system to be used. The evaluation system determines how the sales analysis will be conducted. The sales analysis can be done using either a simple analysis or a comparative analysis.

In a simple analysis, the data or facts are listed and not compared or measured against any standard. In general, if there are a number of sales people in the corporate sales team, the sales person with the highest sales figures is considered to have performed the best. This is a very rudimentary form of evaluation.

In a comparative analysis or performance analysis, as it is often called, the data or facts are compared against a baseline. The basis for comparison could be the assigned sales target, the previous year's sales, forecasted sales, or another territory's sales. Sales targets are one of the most used criteria for comparison in sales analysis, especially when the targets are well defined. Although comparative analysis is preferred over a simple analysis, a comparison against sales targets is considered to be more useful as it highlights variations from planned performance. Typically, sales data would be available for each sales person, territory, branch, customer, product, or any such unit for which sales data can be compared and analyzed. Senior management generally focuses on data where there are deviations or exceptions in sales performance.

2. Sources of Information

Another important contributor to sales analysis is the source of information used as input to the system as well as the source documents that need to be processed. Depending on the available information, comparisons can be made on sales data with respect to sales targets, forecasts, past data, or other territories. The company may also integrate sales reports with other reports, such as production or inventory reports. The sales invoice is considered to be the most valuable source document as it contains a significant amount of information. CRM systems can be used to collect more specialized data, especially customer-related data.

3. Type of Information Aggregation

The next consideration in sales analysis is the different type of variables serving as points of aggregation. If this information is not available, the company will need to analyze all transactions in isolation or all sales in aggregate. Both these options would not aid the company in conducting a proper analysis. The common procedure is therefore to collect and tabulate sales by some suitable grouping such as:

- Geographic regions
- Product or any product specification
- Customer or customer size
- Channel of distribution
- Method of sale
- Size of order
- Mode of payment

The type of aggregation used depends on the company's size, diversity of products, geographic coverage, markets served, and type of customers. A typical sales analysis results in a range of reports reflecting different levels of aggregation to address the needs of those requesting the analysis.

Example of Sales Analysis:

- A sales analysis was conducted by JB Goodward Inc., a producer of commercial windows and doors. Their sales analysis consisted of determining the number, location, and size of customers and prospects in each territory, looking at time required for an average sales call as well as length of time between calls and call frequency, determining the number of calls possible within a specific time frame, and identifying other factors to determine status of sales effort and to determine if any adjustments need to be made.

3.1.3 Outputs

3.1.3.1 Sales Process*

The sales process is an approach or method used to sell a product or service. The sales process involves profiling, lead generation, qualification, needs assessment, presentation, negotiation, closure, and accounts management. The basic framework followed for the sales process is generally similar across industries. However, the sales process is usually customized to match the company's specific needs. Customization may be in the form of the tools used, the tactics employed, or the systems followed. The sales process is also dependent on factors such as the types of products, product category, targeted geographies, and market size. The sales process forms the basis for the corporate sales team's daily work. It defines the role for each member of the sales team.

Example of Sales Process:

- Smithsons is a manufacturer of artificial turf for commercial customers. It has outlined a very simple and straightforward sales process that should be used by all sales representatives within the organization. The steps consist of prospecting, preparing for the call, meeting/presentation, handling objections, closing, and follow-up.

3.1.3.2 Sales Organization Structure*

Sales organization structure is an important output of sales governance. It defines the way in which the sales force is structured. Depending on the type of company, industry, customer segments, and offerings, companies can establish any of a variety of organizational structures. The four common organizational structures are based on geography, product, customer segment, and selling function. Companies can modify one or a mix of any number of these structures to suit their requirements. The organizational structure defines the responsibilities and functions of the sales force members. It also affects the costs required to operate the sales department of an organization.

Examples of Sales Organization Structure:

- A major media company comprising two hundred sales people determined that the best sales structure is one that focuses on categories of business where specific reps are assigned categories and they only work within accounts in those categories. This allows the sales team members to foster relationships with the accounts in the established categories and to become experts in their specific categories of business, as well as understand the marketplace conditions and the competitive landscape of their business category.
- A large distributor of office products wants to implement a sales structure to achieve its overall sales and revenue goals for each of its product lines. To achieve this, the company has organized its sales organization into three regions (central, eastern, and western sales regions), each headed by a regional manager. All three regions have dedicated sales teams to represent each of the company's three product lines (office supplies, office equipment, and commercial office furniture). Regional sales and revenue goals for each of the company's product lines are then set at a territory level to support the achievement of annual sales and revenue objectives for each of its three product lines.

3.1.3.3 Sales Force Size

Optimizing the sales force size is an important activity in sales governance since a large sales force is generally expensive to maintain. The right sized sales force, working in parallel with the company channels, can help a company reach its target audience without impacting the company's operating margins or overall profitability. Sales force size is also an important factor that affects the design of territories. The optimal sales force size may depend upon many factors such as the efficiency of sales people, geography, and product mix. The human resource team also plays a key role by developing and organizing training for the corporate sales team to enhance sales force performance. An optimally sized and motivated sales force provides competitive advantage for a company by generating more business, increasing reach, and improving customer service, while minimizing costs.

3.1.3.4 Territories

Defining territories is an important part of sales governance. Territories are determined by an assessment of market potential and customer needs. They are designed to maximize sales coverage and provide equal opportunities for the various sales teams. Territories are therefore designed with the objective of ensuring all territories are more or less equal with respect to sales potential. Territories may exist at various levels depending upon the market potential and the effort required to service an area. For some companies, a city may be a defined territory. For others, it may be a country. The use of sales channels has allowed companies to define larger sales territories. A basic control unit is the geographic area used to form a sales territory. The benefits of properly designing territories include better alignment of customer needs with sales and service teams, lower travel costs, improved efficiency, and ease of setting and collecting metrics.

Examples of Territories:

- A company providing lab equipment to hospitals will first break down its territories geographically. This makes logistic sense for the sales representatives, although not every equally-sized geographic area contains an equal amount of selling potential. Therefore, there may be more sales reps assigned in areas where there are larger concentrations of hospitals and university research centers. These areas, usually around major population centers, will be further broken down based on customer potential.
- Moxie Inc., a distributor of fitness products, has a sales organization of thirty-two employees with each sales rep covering a specific territory based on current account base and account potential in each territory. Territories are also organized so that Moxie can make sure that sales opportunities are not overlooked and that they are in a position to provide the best service to their customers.

3.2 Determine Sales Targets

Sales targets are an important component of Corporate Sales. Targets are essentially goals assigned to the corporate sales team to be achieved over a period of time. Sales targets are directly linked to all sales and marketing and financial objectives, and thus are essential components in the achievement of the company's overall objectives. Sales targets are established based on sales forecasts that are derived from past data and analysis of the competitive landscape. In addition to providing goals for the sales teams, forecasting enables the company to plan and allocate resources. There are various forecasting techniques available that enable the company to set sales targets. The forecasting method used by a company depends upon the company's specific requirements and the nature of the business.

Sales targets help in motivating the corporate sales teams as well as in evaluating their performance, as targets provide a benchmark against which the corporate sales teams' performance can be assessed. While setting sales targets, it is important to consider the type of target as well as the level of the target set.

Figure 3-8 shows the inputs, tools, and outputs for the *Determine Sales Targets* process.

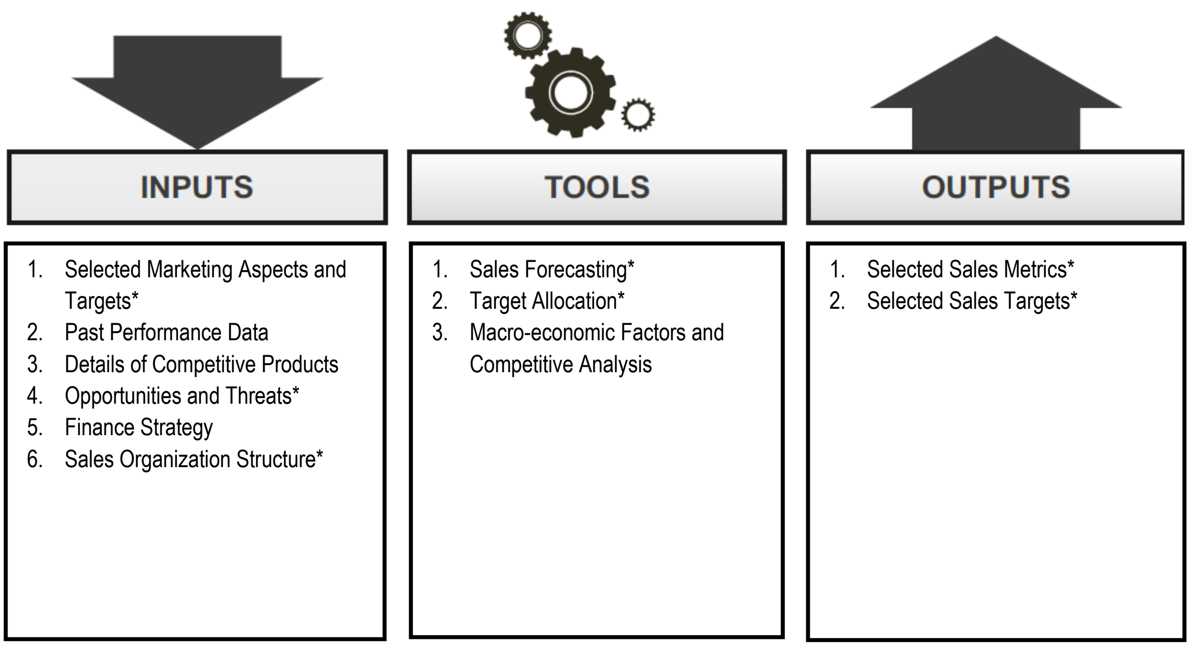

Figure 3-8: Determine Sales Targets - Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

3.2.1 Inputs

3.2.1.1 Selected Marketing Aspects and Targets*

Selected Marketing Aspects and Targets is an output of the *Decide Marketing Aspects and Allocate Budget* process, described in the *SMStudy® Guide–Book 1, Marketing Strategy* (section 5.3). This output defines the selected Marketing Aspects and the specific targets for each of these aspects. After overall objectives are defined, it is important to assign specific targets to each of the selected Aspects to ensure these are in alignment with the overall objectives. For example, if a company selects Corporate Sales and Digital Marketing as the Aspects to help the business achieve a target of one million dollars in sales, then specific sales targets must be established for both Corporate Sales and Digital Marketing. These targets are a critical input in defining the specific targets for the sales team. The overall sales targets are further broken down into various products, business units, and territories. The breakdown of sales targets will depend on the sales organization structure, which is an output of the *Plan Sales Governance* process, described in section 3.1.

Example of Selected Marketing Aspects and Targets:

- KLM Windows and Doors, is a market leader in the manufacturing and installation of both industrial grade and residential windows and doors. With thirty showrooms across the globe, KLM uses Retail Sales, Corporate Sales, and Digital Marketing to grow its business. Each of these Aspects of Marketing has its own revenue targets.

  Retail Sales is responsible for sales generated through the company's various showrooms. Each location has its own sales targets that contribute to the total retail sales target. These sales are primarily direct to consumers.

  Corporate Sales is divided into geographic regions and subsequently into territories. Each territory has a revenue target that contributes to the region's total sales, which contribute to the total corporate sales targets.

  The Digital Marketing team is responsible for both generating sales through the e-commerce website and supporting the efforts of the retail and corporate sales teams through various initiatives. The Digital Marketing sales target is minimal relative to the sales targets of the other two Aspects. However, Digital Marketing is a significant marketing channel for this business, and its reach and reputation targets contribute to the overall growth of the business.

  With their sales targets aligned with one another, each of these Aspects is contributing to an overall

3.2.1.2 Past Performance Data

Past performance data reports include information on the company's past performance with respect to identified objectives such as customer and distribution reach achieved, revenues to date, and target revenue percentage reached. This information is used as an input to forecast future revenues. In most markets, unless a competitor introduces a significant technological or service innovation in the product category, the past performance of the company is a good indicator of the state of business and can be used to estimate future revenues. Time-series analysis for forecasting revenues uses this information to make predictions about future revenues for different sales teams and the business as a whole. Past performance data can also provide valuable insights regarding current resources and additional investment required to achieve targets. Such investment can include additional hiring of staff and additional marketing spending, among others. Without past performance data, businesses lose out on valuable information, which can be analyzed and mapped against future trends to identify the right levels of targets for the sales team.

Example of Past Performance Data:

- A commercial bottling company reported sales revenues of $12 million last year. After adjusting for increases in overall market growth and opportunity, the bottling company has set a target of 15 percent above the previous year's sales targets. The sales target for this year is $13.8 million.

3.2.1.3 Details of Competitive Products

Details of Competitive Products is an output of the *Identify Competition* process, described in the *SMStudy® Guide–Book 1, Marketing Strategy* (section 3.1). Information about the competition is especially important when a company is launching a new product or making a strategic change that can impact the industry. In this case, the company may not have its own past performance data to rely upon. If the company is able to identify similar competitive products, it can use competitor information to help map its own Aspect-metric combination in a manner that is best suited for the target market segment. For example, a company launching a new product in the market could map its new product or service to competitor products with a similar positioning, while attempting to differentiate. Gathering competitor information also ensures the organization is apprised of the latest trends in the sales and marketing of the product or service category. These trends may be adopted by the company in order to help mitigate threats and avoid any potential sales loss.

3.2.1.4 Opportunities and Threats*

Opportunities and Threats is an output of the *Determine Opportunities and Threats* process, described in the *SMStudy® Guide–Book* 1, Marketing Strategy (section 2.2). Understanding opportunities and threats is a key part of analyzing market opportunity. It is important to understand a company's opportunities and threats with respect to its external environment and its competition in order to understand the factors that can affect future sales revenues. The objective is to first identify the key strategy-related factors that affect the company and then build on key strengths, address weaknesses, take advantage of important opportunities, and avert or mitigate threats to ultimately create a competitive position that is sustainable in the long term. A detailed list of opportunities and threats should be documented and used as an input to perform forecasting and assign targets for the sales team.

3.2.1.5 Finance Strategy

The Finance Strategy generally dictates whether resources can be mobilized or whether new activities can be initiated in a company. The existing Finance Strategy provides valuable inputs in terms of the past performance of the company and includes analysis of financial reports, such as the balance sheet, the profit and loss statement, and the cash flow statement, with details on the level of profitability and growth the company has been able to attain. This information is valuable in deciding on the type and level of targets for the sales team.

3.2.1.6 Sales Organization Structure*

Sales organization structure is an output of the *Plan Sales Governance* process, described in section 3.1. The sales organization defines the way in which the sales force of the company is structured. Depending on the type of company, industry, customer segments, and product, companies can establish any one of a number of various organizational structures. The four common organizational structures are based on geography, product, customer segment, and selling function. Sales organization structure is an important input in determining the targets for the sales team. Depending on the type of organizational structure followed, the sales targets are assigned. The analysis of past performance, macro-economic factors, and competition takes into account the specific type of organizational structure as the effect of such factors on the sales targets will vary depending on the sales structure.

Examples of Sales Organizational Structure:

- A North American cereal company with five brands organizes its sales team based on geography. The sales team responsible for North American sales has a sales target of $6.5 million. Territories are established based on population size in each state and province in North America, resulting in each sales representative having a specific sales target for each of the five brands in his or her territory. If a new North American competitor enters the market, the impact on sales in the North American territories may be strong. International sales of the same brands, however, will likely be less affected. The business will forecast sales targets accordingly and will seek to find ways to mitigate the threat of lost sales in North America to the new competitor in this market.
- LabTech produces and sells research equipment to universities and hospitals. Due to the broad spectrum of products and services they deliver, there is a lot of work involved in keeping one existing customer knowledgeable about the product line. Sales reps are generally responsible for two or three key accounts. Their sales organization is separated into geographical regions, with a manager responsible for each region and individual sales reps assigned to specific hospitals and universities.
- Magnadine GIS developed an advanced mapping and data management platform. It is simple to use and popular for companies who need to create their own geospatial tracking and analysis systems. The company also builds large scale systems for government departments such as ambulance and police services. Their sales force is divided into the software sales division and the system implementation division. A third group is responsible for generating leads and responding to public RFPs and RFQs. Any leads or generated corporate accounts are then transferred to the appropriate sales department.

3.2.2 Tools

3.2.2.1 Sales Forecasting*

Sales Forecasting involves estimating the sales and revenues of a particular product or a range of products for a given period of time. Such an estimate is always accompanied by a marketing plan, which serves as a road map to achieve the forecast. The forecasted revenues are then assigned to the sales units as sales targets. The forecasted revenues are further divided and sub-divided into different product units, geographical units, and eventually territories, resulting in targets for individual sales representatives. The forecasts are not only the foundation for sales targets but are also important in evaluating the performance of each sales unit.

Various methods of sales forecasting can be used to determine sales targets. These methods can be divided into two primary types—Qualitative and Quantitative methods.

Qualitative Methods

Qualitative methods are subjective in nature. Forecasts are established using consumer expectations, sales force estimates, executive opinions, and the Delphi method.

- **Consumer Expectations**

  This method of forecasting depends on the response of customers with regards to the expected consumption in the forecasting period. It gives a forecast that is closer to market potential than it is to the expected revenue. Consumers respond based on their interest in purchasing the product without taking into account the marketing efforts by the company. Surveys are used to collect this information and may include telephone interviews, personal interviews, or questionnaires as a means of obtaining data. Statistical analysis is used to arrive at and test hypotheses regarding consumer behavior to understand the expectations.

- **Sales Force Expectations**

  This method of sales forecast uses estimates of the sales force to arrive at the forecast number. Since sales people are closest to customers, they have a good understanding of the market and can often estimate future sales more accurately. These estimates are then adjusted by management, based on the past accuracy of the estimates and other factors, in order to arrive at a final forecast figure. One of the major drawbacks of this method is that the sales force and management may at times have certain self-serving motives or may be misinformed and, therefore, may underestimate or overestimate the forecasts.

- **Executive Opinion**

  This method of sales forecast uses estimates given by the key executives within the company to arrive at the forecast number. These key executives represent various departments in the company, such as sales, finance, operations, marketing, etc. The estimates provided by executives can vary greatly and are often either averaged out to arrive at a forecast, or are determined when general consensus is reached following a group discussion. This method is useful as it is subjective and needs no data. The opinion of key executives is valuable as they have a good understanding of various areas of the business.

- **Delphi Method**

  The Delphi method is a specific type of executive opinion methodology. In this method, executives are interviewed separately and are asked to give their estimates about the forecast. It is an iterative method in which all the estimates are combined and a summary report is created post iteration. This report is then shared with all the executives who are required to give a revised estimate based on the feedback or arguments from other executives. The objective of this exercise is to narrow down the range of estimates with subsequent iterations in order to arrive at an accurate average estimate forecast.

Examples of Qualitative Forecasting:

- A new operations manager for a commercial utensils company is tasked with providing sales forecasts for the next fiscal year. While she knows the industry well, she is not as familiar with the company. She begins by analyzing past data, and she also decides to probe the sales force to get a reliable understanding on what they forecast for the next year. They can help with information such as new clients in the pipeline, any potential client, competitive or outside challenges, which clients are poised to grow, which clients are at risk, and much more. This information can be valuable in projecting future sales.
- A regional carpet manufacturer is entering a new market and has decided to use the Delphi method to forecast the next five years of sales and the materials needed in these coming years to achieve the sales targets. The VP of sales begins by administering questionnaires to selected experts. After reviewing results and utilizing an iterative approach to administer all questionnaires, a consensus is finally reached and the VP is able to move forward with a sales forecast.

Quantitative Methods

Quantitative methods use empirical analysis to make forecasts. Two popular quantitative forecasting methods are time-series analysis and explanatory methods.

- **Time-Series Analysis**

Time-series analysis is the simplest method for quantitative forecasting. It takes into account historical data and trends to make predictions for the future. Past sales figures, when adjusted for market factors and growth rate, give a good estimate of future sales. Some popular methods used in time-series analysis are moving averages, exponential smoothing, and decomposition of time series.

- **Moving Averages**—Moving averages is a very simple method of time-series analysis. It takes into account average sales over a certain number of months or years to arrive at a forecast for subsequent months or years. For example, to arrive at the estimate for next month, a moving average of the last six months can be taken. Alternately, moving averages for the last twelve, eighteen, or twenty-four months can also be taken. This technique can be more accurate when the forecast is based on the average of a certain number of time units in the past. However, this estimate may also be inaccurate as there may be a variety of other seasonal and market factors that can affect sales.

- **Exponential Smoothing**—Exponential smoothing is a more effective method than time-series analysis, as it does not give equal weighting to each time period in the past. Instead, this method gives more weighting to the more recent periods of time. Forecasts are based on the premise that future sales are likely to be closer to the sales of the immediate past than they are to the less recent past. A smoothing constant, or α, is used to calculate the forecast. The value of α varies between 0 and 1. The higher the value of α, the greater the weight given to the recent past in the calculation.

- **Decomposition of Time Series**—Decomposition of time series is a method that takes into account not only the change in demand, but also other factors that affect sales. This method is usually used for shorter periods of time in which various other factors play an important role. These factors are usually of four types—Seasonal, Trend, Cyclical, and Random. Seasonal factors are the first ones to be determined and sales are adjusted for these factors. Seasonal factors are the annual fluctuations in sales at particular times of the year. Cyclical factors are fluctuations in sales that may occur over a long period of time. Trends are identified after removing the impact of seasonal and cyclical factors, and are normally assumed to be in a straight line. Random factor is what is left over once the impact of all the other factors is removed.

- **Explanatory Methods**

Explanatory methods are different from time-series analysis. They do not use historical sales data to predict future sales, but rather take into account different factors that can affect sales. Tools such as regression and econometric modeling are used to establish causality between other factors affecting sales.

Examples of Quantitative Forecasting:

- Gem Media uses forecasting to assess and understand future trends in its business. Management recognizes that as they examine their data trends, the fast growing environment makes it difficult to know and identify the underlying trends and whether their marketing efforts have made any impact on that growth.

  Unlike time-series methods where forecasts are based on historical patterns in the data, explanatory methods use other data as inputs. For example, when Gem Media wanted to forecast site visitors over a three-month period of time, the explanatory method consisted of examining marketing data as inputs to the model to understand how marketing efforts affected site visit levels and to forecast future visits based on that data.

  This approach helps Gem Media better relate changes in marketing activity to changes in outputs such as site visits, brand awareness, and/or sales. The explanatory method is helpful to Gem Media because it realized that there are many factors to consider when forecasting in its industry and that simple averaging methods are not typically reliable given the trends and seasonal factors that affect the business.

- Foster Furniture, Inc., a national office furniture manufacturer forecasts using time-series analysis with exponential smoothing, which looks at patterns and pattern changes. The business, therefore, relies entirely on historical data. This approach is used in the organization because the business has several years of data available for each of its products and product lines and because the relationships and trends are both clear and fairly stable. The company typically starts off by looking at past sales of each product to get a good reading of the current sales rate and how fast the rate of sales is increasing or decreasing. The current sales rate and changes in the rate—increasing or decreasing—constitute its initial efforts at forecasting. Once the company has a good understanding of the sales trends, it can make some preliminary sales projections. However, given that there are seasonal variations as well as other variables to consider, such as marketing promotions, the raw data needs to be massaged before it is usable and, at this point, time-series analysis is beneficial. For example, the company may take one of its popular products and look at the sales of that product by month, for several years. This may help identify and explain growth rates of the trends and any regularity or systematic variation in the data that is due to seasonality or cyclical patterns that repeat any two or three years or more. Once the analysis is complete, the work of projecting future sales for this product can begin.

3.2.2.2 Target Allocation*

Targets are goals that are assigned to salespeople. Targets are important for planning sales efforts as well as for determining the effectiveness of the effort. They are typically used to motivate the sales team. Targets generally apply to specific periods of time. They may be specified as monthly, quarterly, or annual targets depending upon business requirements and the length of the sales cycle.

Targets help in planning and controlling the sales effort in two ways:

- **Incentivizing the corporate sales team**—Targets provide a specific objective for the corporate sales team to meet. They act as an external motivating factor for the sales team, especially when targets are linked to compensation plans.

- **Evaluating the corporate sales team performance**—Targets provide a benchmark against which the performance of the corporate sales team can be evaluated. They facilitate recognition of high-performing individuals or teams. They also help in identifying the individuals or teams that are not performing well so that the company can take any necessary corrective action.

While allocating targets, it is important to ensure that the targets are well understood by the corporate sales team and are geared toward helping the company achieve its overall objectives. Figure 3-9 shows the SMART Framework, which provides a model for setting targets:

Figure 3-9: SMART Framework

Specific—The targets set should be specific, meaning they should be clearly defined. For example, if the target is defined in terms of sales volume, it must specify the number of units of product that need to be sold, the type of customers that are being targeted, and any financial details such as minimum sales price or minimum profitability.

Measurable—The targets should be measurable, allowing senior management as well as the corporate sales team to gauge performance with relative ease and without incurring significant costs.

Attainable—The targets should be realistic and attainable by the corporate sales team. Targets should be set after considering the competitive landscape; macro-environmental factors; segment potential; and company strengths, weakness, and capabilities. Setting unrealistic objectives can demotivate the corporate sales team and lead to greater losses in the long term.

Relevant—The targets set should be consistent with the sales and marketing objectives, as well as the overall objectives of the company. Targets should also be relevant to evaluate the performance of the corporate sales team.

Time-bound—The targets should be linked to a time frame to create a sense of urgency for the corporate sales team. Time-bound targets also help the senior management team gauge the level of target achievement with respect to time and make adjustments or take corrective action, if necessary.

Setting Targets

When setting targets, there are two important factors to consider—the type of target and the level of target. Targets can be set based on sales volume, activity, or financial factors. Once the type of target is decided, the level of the target establishes a specific and measurable value that needs to be achieved. When deciding the level of the target, senior management needs to consider factors such as the potential of the territory, the impact of the target on the corporate sales team's motivation, and the objectives of the company. Targets can be of three types:

1. **Sales volume targets**—Sales volume targets can be measured in units of sales or value of sales achieved. Companies also often use a point system where a certain number of points are awarded for each unit sale of a particular product or for a particular value of sales achieved. The points system is used when the company wants to prioritize the sale of certain products above others. Products that are more recent additions to the company's portfolio or more profitable may be assigned greater points. Similarly, sales to a new customer may be assigned more points over sales to an existing customer. Sales volume targets are set based on the data available from forecasting, the past year's sales achieved, or average sales achieved over the previous years.

2. **Activity targets**—Activity targets provide a means to recognize the effort invested by the corporate sales team. These targets are designed to measure the activities that are done to achieve sales as part of the corporate sales teams' target. Activity targets may include the number of calls made to customers, the number of proposals submitted, the number of demonstrations made, the meetings and seminars held, the amount of over-due payments collected, etc. Activity targets are aimed at rewarding the corporate sales team for the time and effort spent in activities that may lead to sales. Sales volume targets may be suitable for products that have a shorter sales cycle, but for products that require more time to be invested in the sales process, activity targets are preferable.

   Activity targets are based on senior management's understanding of activities that can potentially lead to better sales. If left to the sales person, the activities undertaken may not yield the desired results. Activities that are included as sales targets are based on an analysis of the work needed to achieve sales effectively. Activity targets can help the sales team focus on those activities that have higher impact.
3. **Financial targets**—Financial targets are based on the cost and profit components of sales. Financial targets may be measured in terms of gross margin, net profit, selling expenses, or any similar financial measure. Financial targets are generally considered difficult to implement because

of the difficulty in calculation. Financial targets are also affected by external factors such as competitive pricing, customer flexibility on price, external economic conditions, etc. The level of financial targets set will typically represent the financial objectives of the company or the business unit.

Example of Target Allocation:

- A small investment firm is setting new sales targets for their incoming class of brokers. It will use the SMART framework to ensure the goals are applicable and relatable to the brokers to help incentivize and drive their sales, thus aligning the brokers' activities with company priorities. The targets must also be clear and actionable so they can be measured and used to evaluate performance. The end result might be targets that include the following for the first quarter of the year:
    - Secure five new client meetings per week.
    - Gain new investment of $1 million per month from new clients.
    - Grow sales from the company's existing book of business by 10 percent.
    - 20 percent of clients should have retirement accounts under management in house.

3.2.2.3 Macro-economic Factors and Competitive Analysis

This analysis involves actively scanning the industry (or other industries) and the macro-economic environment for any developments that can pose a serious competitive threat or create an opportunity for the company or its products. Various threats can come from existing players, new entrants, or new technologies that have the potential to disrupt current business practices. Opportunities may come from the departure of an existing competitor from a product category or industry or macro-economic changes that favor a company's products. Prior to setting targets, it is important to conduct a competitive analysis to understand the competitive landscape and set realistic targets. The frequency of conducting a competitive analysis depends on the industry and its macro-economic factors. An industry that is very dynamic and rapidly changing requires frequent competitive analysis. A competitive analysis helps a company identify opportunities or threats to allocate realistic targets that are achievable for the company's corporate sales team.

Macro-economic factors and competitive analysis should be performed in a structured manner. One possible method is to create a Probability and Impact Matrix to assess competitive risk events. In this approach, all possible scenarios are listed, with a probability of occurrence and a degree of expected impact assigned to each scenario. The degree of impact is assigned to each risk event using a numerical scale: the higher the impact, the greater the number. Multiplying the probability of occurrence by the degree of impact results in a number that indicates the potential threat level of that scenario or event to a company. A higher number indicates a higher level of threat. After the threat level is assessed, it is then categorized as "high," "moderate," or "low" for ease of reference and to rank the importance of potential threats to a company. For example, a competitor's newly released product may threaten to reduce company revenues by five percent.

This may be an event with a high probability but low degree of impact, so the overall threat would likely be categorized as "moderate." However, the commercialization of a proven new technology that is costly to implement, but may threaten the very existence of a company's main products, would be an event of moderate probability with a high degree of impact. The overall threat would therefore likely be categorized as "high."

Example of Future Competitive Analysis Using a Probability and Impact Matrix:

- An example of how this tool can be used is shown in the following table:

Possible Future Competitive Event	Probability of Occurrence (P)	Degree of Impact (Scale of 1–5, 5 being the highest) (I)	Threat Level = P × I	Threat Category
Entry of Company A	0.8	2	1.6	Moderate
Commercialization of Technology B	0.6	5	3.0	High
Launch of Product C in Another Industry	0.4	1	0.4	Low

According to this data, the second event—Commercialization of Technology B—is the event that the company should try to avoid or mitigate as it is in the "high" threat category. The company may also create a response plan for those events or scenarios in the "moderate" threat category. Those in the "low" category are often accepted threats since they pose little threat to the company.

It is important to note that the effectiveness of this analysis as a tool depends greatly on the knowledge and experience of the team conducting the analysis. An experienced and competent team with a well-developed perception of what is happening within the company and the external environment can usually envision more realistic scenarios and make better predictions. Senior management may also be asked to provide their suggestions and views during this analysis.

3.2.3 Outputs

3.2.3.1 Selected Sales Metrics*

The performance of the sales team can be measured using a number of different metrics, including sales volume achieved, success of activity-based targets, or achievement of other financial targets. The metrics to measure sales targets are selected based on the nature of the business or the type of products. Sales volume as a metric is used when the sales cycle is short and the demand for the product or service is regular. In the case of products or services where the sales cycle is longer, the metric used may be financial or activity-based. Activity-based targets measure the activities of the corporate sales team that are designed to generate corporate sales. These include calls made to customers, proposal submissions, demos given, meetings and seminars held, and payments collected, among others. Financial metrics such as gross margin, net profit, selling expenses or any similar financial aspect of sales may also be used to measure the performance of the corporate sales team.

Example of Selected Sales Metrics:

- Northlands Heating establishes weighted sales targets for each territory, based on sales potential, to yield a 5 percent sales growth target nationally. Territories with more than twenty construction projects in cold climates are assigned sales growth targets of 7 to 8 percent, while territories with fewer construction projects in warmer climates are assigned sales growth targets of 3 to 4 percent. In addition, Northlands knows that industrial heater sales will be highest during the winter months. Higher monthly sales targets are therefore assigned to all territories during the months from November through February.

3.2.3.2 Selected Sales Targets*

Sales targets are the specific goals assigned to the corporate sales team to achieve over a period of time. Sales targets are very important to motivate the corporate sales team and to help senior management achieve the overall objectives of the company. Sales targets also help senior management to measure the corporate sales team's performance on an individual and team basis. Companies may set sales targets based on sales volume, activity, or financial measures. The level or amount of targets set depends upon the forecasts, past sales data, past performance, and the competitive landscape.

Example of Selected Sales Targets:

- Northlands Heating sells industrial heaters to help construction companies keep workers warm while working outdoors in cold climates. The company is setting sales targets for each of its sales territories. It has calculated that 5 percent sales growth is reasonable to achieve its revenue goals for the next fiscal year. Northlands, therefore, sets monthly sales targets for each region to achieve the 5 percent sales growth, taking into account the sales potential in each region (i.e., the number of construction company employees in each region, the number of scheduled construction projects, and the average monthly temperatures in each region).

3.3 Create Marketing Assets

Marketing assets are used by the corporate sales team during the sales process. Marketing assets can be created by the company or by external agencies to represent a company or its products. Marketing assets highlight product features and communicate the sales value proposition, and the positioning statement, to appeal to specific target segments. Marketing assets may showcase a company's products or services through text, images, videos, audios, or digital marketing.

Creating marketing assets requires both technical skills and marketing skills. The advent of Digital Marketing has increased the selection of media options from which companies can choose to create and present the business using a variety of marketing assets.

Marketing assets are used at every stage of the sales process. The brand image of the company and the products must be consistently maintained. A trained corporate sales team, with the help of well-prepared marketing assets, can significantly increase the chances of making a sale to a customer.

Figure 3-10 shows the inputs, tools, and outputs for the *Create Marketing Assets* process.

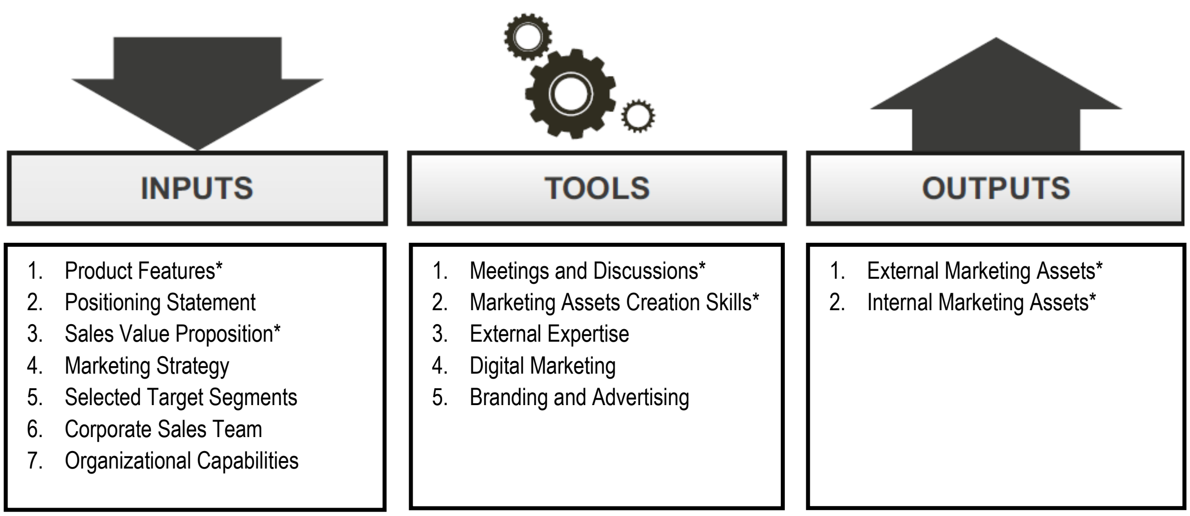

Figure 3-10: Create Marketing Assets—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

3.3.1 Inputs

3.3.1.1 Product Features*

Product Features is an output of the *Create Differentiated Positioning* process described in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.3). The product features are the key characteristics of a product that appeal to a target segment. Products have features that are characteristic of a product category, as well as features that differentiate the products from the competition. Product features that appeal to a target customer can be gleaned or inferred from perceptual maps, which indicate the parameters that a product must have to appeal to a specific target segment and highlight key points of differentiation that the sales team can use in the sales process. The product features are required for anyone creating marketing material to gain a clear understanding of the product, resulting in useful assets for the sales team.

Examples of Product Features:

- A time and attendance software company understands that a key feature differentiating its software from its closest competitor is ease of use and usability. To highlight this advantage, the company relies heavily on product demonstration videos to illustrate its usability features.
- JSA Printers manufactures printing presses. Like many of its competitors, its printing presses feature the latest technology in commercial printing, exceptional print quality, and high productivity. However, JSA prides itself on being an innovator in the industry, with a significant commitment to social responsibility. What differentiates JSA is its focus on sustainability, providing printing companies with energy efficient options and reduced paper waste. Its sales team is equipped with a “sales battle card” that highlights not only the product features that make JSA Printers leaders in the industry but also pinpoints areas where it is significantly out-performing its competitors.

3.3.1.2 Positioning Statement

Positioning Statement is an output of the *Create Differentiated Positioning* process described in the *SMStudy® Guide–Book 1, Marketing Strategy* (section 3.3).The positioning statement is generally a short sentence or phrase that captures the essence of the value that a company’s products offer to its target customers. The positioning statement should create an image of the products, highlighting the most important benefits that offer the most value. The positioning statement reflects key information including the target segments for which the products are positioned as well as brief points of differentiation for the products.

3.3.1.3 Sales Value Proposition*

A value proposition communicates how the company's offerings help the customer achieve better results. It presents measurable business outcomes, helping decision makers in making faster decisions about buying the company's products or services. It not only helps in content creation and selection of the type of marketing assets to be created but also helps exhibit tangible product value through the marketing material. Such tangible business outcomes serve as an important tool for convincing decision makers.

Example of Sales Value Proposition:

- A marketing software company wants to differentiate itself from its competitors by developing a new landing page on its website, highlighting how its software can help customers develop more effective e-mail campaigns. In the lead paragraph of its website, the company specifically identifies who will benefit from its software (leading designers and companies everywhere), as well as the differentiating features of the software. The value proposition states, "For as little as $15, we can help your company conduct beautiful and profitable e-mail campaigns, using software that will track results and manage subscribers at a fraction of the cost of other marketing software suppliers." The marketing company further strengthens the value proposition of its software by including customer testimonials on its landing page.

3.3.1.4 Marketing Strategy

The Marketing Strategy acts as a unifying framework to define, analyze, and use other Aspects of Marketing. As described in the *SMStudy® Guide–Book* 1, the Marketing Strategy defines the metrics, targets, and budgets for all marketing activities. The budget is a key input for the creation of marketing assets as the resources required for each type of marketing material vary. The targets and metrics help determine the desired reach of marketing campaigns and provide direction for future marketing activities.

Examples of Marketing Strategy:

- The Marketing Strategy for a large international company typically sets sales and profitability targets for the company as a whole. Targets are then assigned at a country level and further broken down at a regional and business unit level, based on local marketing opportunities. The Marketing Strategy therefore serves as a significant input for the creation of marketing activities, assets, and budgets for the entire company.
- A manufacturer of restaurant equipment has developed a multi-faceted Marketing Strategy centered around trade show exhibitions and sponsorships as well as associated e-mail campaigns and social media outreach. Based on this strategy, various assets are created that can both serve as selling tools during the sales process and support the sales effort through consistent messaging.

3.3.1.5 Selected Target Segments

Selected target segments are those market segments that provide the best potential for profitability and success as determined by the company. Selected Target Segments is an output of the *Select Target Segments* process described in the *SMStudy® Guide–Book* 1, *Marketing Strategy* (section 3.2). Various criteria are used in the determination of the segments that the business should target. The selected target segments should be a good match based on organizational strengths as well as each segment's needs; purchasing patterns; and market attractiveness criteria, such as size and growth potential. For consumer market segments, in addition to defining the selected target segments, businesses often include information about demographics, geography, disposable income, psychographics, and purchasing behavior. For business market segments, information about locations, revenues, decision-making hierarchy, and the stage of technology adoption for the companies in the targeted segments are also important details. Knowledge of target segments is essential while creating marketing material because the messages that need to be communicated to the customers depend greatly on the selected target segments. It also helps to customize communication and marketing messages conveyed through various marketing assets.

Example of Selected Target Segments:

- A contact center outsourcing company determined that vice presidents and others in senior leadership roles were the most advantageous individuals to target within organizations as lower level contact center management often feel threatened by the possibility of their department being outsourced.

3.3.1.6 Corporate Sales Team

The existing corporate sales teams provide insights about customer preferences and key parameters that customers look for while evaluating and responding to various marketing assets. Their expertise also helps to validate the messages communicated through the various marketing assets.

The corporate sales team helps in the creation and fine-tuning of marketing assets and is aware of the various marketing efforts needed by the company. This knowledge is useful for the team to communicate more effectively with customers.

Example of Corporate Sales Team:

- The marketing team of an online media company can benefit greatly from leveraging its trained sales team in the creation of new marketing assets. The sales team members are often the individuals who are closest to the clients (the advertiser), and best understand their needs, above and beyond what the company may already have outlined as the customer needs. The sales team would also have insight as to whether there have been any issues with marketing materials in the past and what might need to change. Perhaps the customer does not view the company as innovative enough. Knowing this can help the marketing team manage this optic better with stronger proof points demonstrating the company's innovation in the industry.

3.3.1.7 Organizational Capabilities

Organizational capabilities are those that allow a company to achieve its organizational goals and gain a competitive advantage. Capabilities can originate from any function or may already be fundamental to a company. Organizational capabilities that are used in the process of creating marketing assets include existing resources and collateral, such as artwork, tools, software, technical expertise, and other skillsets, as well as product and company certifications and credentials. At the corporate level, an important organizational capability would be the availability of funds to allocate for creating marketing collateral.

Example of Organizational Capabilities:

- Organizational capabilities that could provide a company with a competitive advantage include the following:
    - Economic/Financial capability where a company is able to produce a good or service at lower cost than its competitors
    - Strategic capability where a company offers unique product features that differentiate the product from competitors' products
    - Technological capability where a company offers products or services that are innovative in design or functionality

3.3.2 Tools

3.3.2.1 Meetings and Discussions*

When creating marketing assets for different types of corporate customers belonging to different selected target segments, it is essential to properly analyze and customize messages and information. The marketing assets should clearly showcase the match between a customer's requirements and the products and services provided by the company. Meetings and discussions play an essential part in the selection and creation of effective marketing assets as they provide a forum for ideas to be discussed and shared among the various stakeholders, including corporate sales team members, senior management, and teams responsible for the technical aspects of creating the assets, thus ensuring a better understanding of the key marketing messages. The marketing team often works closely with the sales team to determine the marketing assets (e.g., brochures, case studies, white papers, presentation materials, samples, video demonstrations, etc.) that will be most effective in communicating the sales value proposition to prospective clients. Sales and Marketing together would also determine the best trade shows and conferences to attend or sponsor in order to network with prospects and raise awareness of the brand. These factors are all considerations in the creation of marketing assets. Meetings and discussions, therefore, are a significant part of the identification, planning, and creation of marketing assets.

Example of Meetings and Discussions:

- A media company's VP of Marketing is in charge of working with the sales and marketing team to develop new marketing assets for their print and digital products. The VP will want to begin with cross-functional meetings to better understand the products, as well as any evolving customer needs, perceptions, etc. The VP can leverage the knowledge of product managers to learn more about the products and gain valuable information about what clients are looking for and the value they see in the products. The information gathered will be used to develop strong marketing messages and effective marketing assets.

3.3.2.2 Marketing Assets Creation Skills*

Marketing assets can be in various forms ranging from simple documents to large banners and multi-media videos. In order to create marketing assets, it is essential for a company to possess or have access to the necessary creative skills and design and print tools such as software and/or hardware.

Creative skills involve artistic knowledge and abilities in various communication forms. The creative team should have a complete understanding of the creative abilities, skills, and tools available within the company for developing marketing collateral. The team should also have a solid understanding of the products or services provided by the company to ensure that the intended messages are communicated to the target audience in a way that leaves a favorable impression. Creative skills and technical expertise can have a direct impact on brand recall, sales, and the success of marketing activities conducted by a company. Skills such as script writing, academic writing, storyboard creation, artwork creation, and video and audio direction are some of the creative skills that are useful when creating marketing assets.

Technical skills are also required in the creation of marketing collateral. The team must be able to proficiently use various tools including software programs and hardware, such as cameras, lights, and recording devices as necessary. Proficiency in various tools will ensure high-quality marketing material is produced in the desired time and according to the desired specification criteria.

A combination of creative skills and technical skills will result in the creation of high-quality marketing material that communicates the exact message desired by the company in a way that most effectively appeals to the intended audience.

Marketing assets can be created primarily for two purposes.

- Marketing assets for branding and advertising—Assets such as banners, billboards, TV commercials, radio commercials etc. are generally used for branding. Such assets may not have a detailed description of products or services as they are mostly used to either introduce a brand or reinforce a brand identity.
- Marketing assets for sales presentations—Assets such as presentation slides, product demonstration videos, product brochures, catalogs etc. are generally used as aids during the sales process including prospecting and conversion.

There may be an overlap between the use of assets for the above two purposes. For example, digital marketing assets such as websites, blogs, online advertisements etc. help in both branding and sales.

Examples of Marketing Assets Creation Skills:

- A national commercial leasing company has the conceptual skills and insights to develop messaging for a specific target audience, but needs to hire or train staff on computer graphics software and/or hardware to print promotional brochures, banners for trade shows, and literature for direct mail campaigns. By combining in-house creative skills with new, external technical expertise, the company can develop promotional literature that is cost-effective and impactful for the intended target audience.
- MBOC Inc., a large commercial bank, has a marketing department that is very strong with respect to branding and messaging, print collateral, and website content. Its messaging is consistent and clear, but the company does not have the skills or experience in other marketing channels. The company will need to either grow and strengthen internal resources or outsource the creation of other assets that are more fresh and viral, for example implementing interactive site functionality, introducing videos and innovative digital marketing assets, and using social media channels more effectively. By leveraging its existing strengths and filling the identified gaps in expertise, the company will be poised to better communicate with various target segments.

3.3.2.3 External Expertise

External expertise in creating marketing material is particularly useful for companies that lack either proficiency in specific skillsets or the resources to produce certain marketing assets. For such companies, hiring external expertise is a better option than diverting internal resources for this purpose. External agencies also bring industry knowledge from working with customers in similar businesses and are able to guide the company in deciding the type of marketing content, and the various channels to be used. A good external expert conducts primary research or has secondary research data about the industry. External experts can therefore help the company in choosing the marketing material that is most efficient in influencing a target segment.

External expertise can be contracted for the creation of specific marketing assets. External experts allow the company to save on opportunity costs that the company would have incurred had the activities been done in house. External experts can be used for the material creation, presentation, digital marketing, branding and advertising, or a combination of some or all of these.

When hiring external experts for outsourcing any of the activities in this process, it is important to identify the exact set of activities that need to be outsourced. A company may have internal capabilities to create basic marketing material, and it is important to identify such internal resources. However, when creating relatively technical marketing assets such as audio-visual content, for example, it is advisable to use external expertise. A company that does not have specific expertise in the field of audio-visual content creation may not be able to achieve the desired result without the help of external expertise. Thus, the need for external expertise is often based on the complexity of the content creation and the degree to which the required expertise is specialized or technical in nature.

There are advantages and disadvantages to outsourcing certain components of content creation. External expertise can bring industry experience and knowledge. However, external service providers will not have the product knowledge that internal team members possess and their vision may not be aligned with the Corporate or Marketing Strategy. Businesses need to consider the value that external expertise can bring when making a decision about whether to outsource certain content creation activities and, if the decision is made to outsource, it is essential that the team maintains constant communication with external service providers to ensure that marketing assets remain aligned with desired objectives and that messages remain consistent across all marketing assets.

Figure 3-11 shows various types of marketing assets ranging from those that are relatively straightforward to create, and thus can often be handled by in-house team members, to those that are more difficult to create, and thus may require external expertise.

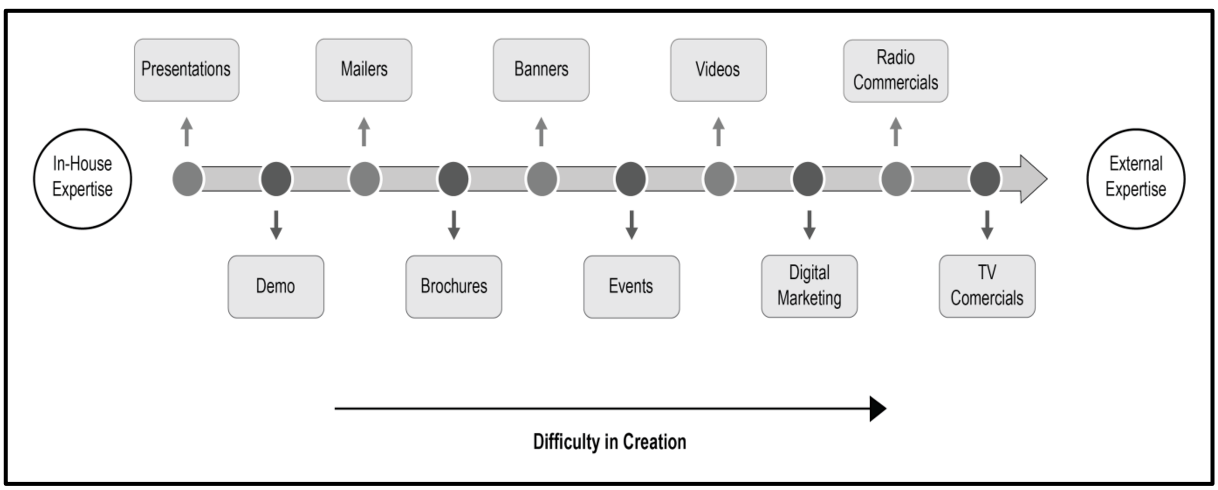

Figure 3-11: External Expertise Required Based on Difficulty in Creation

Examples of External Expertise:

- A legal services firm identified the need to update its library of marketing assets and case studies. As it had a limited budget to revamp its marketing assets, the firm decided to use an external agency to create case study and white paper templates, while its internal team would be responsible for interviewing internal subject matter experts and transferring the content into the templates.

- An apparel company is promoting its new high-tech exercise line and has hired an external advertising agency to help create marketing assets. Based on the external agency's experience in working with other apparel clients, the agency's team will bring industry insights, conduct consumer studies, and help with the language and tone for the new campaign. The agency needs to understand the ins and outs of new fabric designs, performance, wearability etc. The internal teams will continue to design and produce the marketing assets as they always have, but they will collaborate with the external agency on messaging to ensure that the marketing assets are both accurate and effective.

3.3.2.4 Digital Marketing

Digital Marketing is discussed in detail in the *SMStudy® Guide–Book* 3, *Digital Marketing*. In the context of creating marketing material for Corporate Sales, Digital Marketing plays a crucial role. In Corporate Sales, studies reveal that decision makers are influenced in their decision to buy based on the information that they accumulate through digital media. The process of "due diligence" is now increasingly conducted through various forms of digital marketing media. Information regarding the company's products, service, processes, and people is easily accessible. This makes it even more necessary to have a positive image on various digital marketing media outlets. The proliferation of devices to access digital media has also led to the exponential growth of Digital Marketing.

The influence of Digital Marketing, however, varies based on the industry. In technology-dominated industries, Digital Marketing spend has already exceeded traditional forms of marketing. In typically traditional or slow-moving industries, the influence of Digital Marketing is less pronounced. However, most companies have advanced toward expanding expertise in Digital Marketing.

While the majority of companies will have traditional marketing material in the form of presentations, brochures, and audio-visual content, it is important to integrate existing content in digital marketing media. In addition, the company will also have to create new marketing material especially for digital marketing media. This can be in the form of social media accounts, audio-visuals exclusively for Digital Marketing purposes, web domains, digital forms, etc. In order to align with the needs of Digital Marketing, the company may even have to adjust the Corporate Marketing Strategy accordingly.

While using Digital Marketing to create leads or to engage existing customers, it is important that the target segment, Marketing Strategy, and sales value proposition are clearly understood. The possibilities and the reach of Digital Marketing campaigns are high, but at the same time any incorrect information or error in strategy can have cascading negative effects. Since the digital world is accessible to all, and customers are able to contribute content that can be positive or negative for the company, the resulting effects are multiplied when compared to other traditional marketing media.

The following tools can be used to create Digital Marketing assets:

Online Advertising

Creating awareness of a company's products requires that the company frequently communicate about its products to prospective customers. Online advertising campaigns create a continual awareness about the products in customers' minds through frequent communication. This can create interest that can help convert prospects to inbound leads.

Examples of Online Advertising:

- Pop-up advertising can be intrusive, but these ads require a reader to take action. Even if readers decline to respond positively to pop-up advertising, they still need to decline or refuse offers that are made. Frequent pop-ups that are reader friendly and offer a value proposition can dramatically increase brand awareness and increase viewer interest in asking for more information about a product or service.

- A commercial security system company is expanding its online advertising since the company has just launched a new robust website, and is able to sell online. The business is targeting trade publications, real estate sites, and other related industry-specific sites to run new display ads. It has also created a LinkedIn page to promote its newly created videos highlighting its superior products and ease of installation. The videos are extremely valuable tools for sales teams to use with new clients. It has also leveraged local listings, search engine marketing and search engine optimization as well as review sites to reach its target customers and markets.

E-mails

E-mail newsletters with relevant company information are also good means to generate and nurture leads. E-mail marketing is sent to existing customers or prospective customers. E-mail lists can be purchased from an external source, compiled by the sales team from various networking events, or generated from existing contacts that have opted in to receive communications and offers. E-mail marketing is largely used to improve the relationship of a business with its customers (current or previous), to foster customer loyalty and increase business, to acquire new customers, or to drive current customers to an immediate purchasing decision. E-mail marketing can be used to send newsletters or company advertisements, or to communicate any promotional offers. The practice involves collecting e-mail addresses of clients and prospects and sending e-mail messages, which contain information about the products, including newly introduced special offers.

When e-mail marketing is used to generate and nurture leads, the content must be precise. If the e-mail is being sent to decision makers, the sales value proposition must definitely be included and highlighted. Decision makers usually receive a high number of e-mails and, therefore, if the email does not communicate a specific quantifiable benefit, there is a significant chance that the e-mail will be ignored. In general, all e-mails must use a standard template developed by the company. The e-mails must try to generate an action from the reader, which can be in the form of clicks, feedback, or a request for demonstration or trial.

More information on e-mail marketing can be found in the *SMStudy® Guide–Book* 3, *Digital Marketing*.

Example of E-mail Marketing:

- A company that specializes in mobile phone enterprise solutions for businesses can inform their existing e-mail subscribers about a new phone that offers more features than current models. Each e-mail can provide a brief description of the new product features with a link to see a video that further demonstrates the new features. A link to the corporate sales team's contact information can make it easy for businesses to gain additional information if the business is considering an upgrade to the new phones for its employees.

Website

The company website is looked upon as the primary source of information about a company and its products. The website serves as a valuable source to provide information for prospects, leads, and customers. While almost all companies have a website, the nature of the content and the presentation of the content on the website can have a significant impact on its success as a selling tool. The style, content, and structure of a website will vary by industry. Therefore, the website must be developed with the target segment in mind. The website must also enable the user to clearly understand the products offered with unambiguous information. The company website has in recent times become the first point of contact with the company especially in the case of corporate customers. The potential customer therefore gains a first impression of the company from the website.

The website must be well designed aesthetically as well as functionally. While the aesthetic design is what attracts the customer to take a closer look at the website, the functionality retains the customer for the longer term. The sales value proposition and the product features are communicated through the website. The customer must be provided with options to communicate feedback about the website as well as products and company service levels. The website is an important medium for collecting unbiased customer feedback and experiences.

Social Media

A company needs to identify the social media options that are best suited for its business. Social networking sites have emerged as one of the best options for the company to share industry insights as well as to advertise audio-visual content. Social networking sites can be used by companies to demonstrate or promote thought leadership in their respective industry by regularly providing updates and links to blog posts, video, or other content that shows an understanding of customer problems and provides solutions.

Thought leadership is about becoming an expert on relevant topics. This is achieved by answering the biggest questions on topics relevant to the target audience. Thought leaders can even come from new companies that are able to deliver interesting content through their social media sites. Desired Customer Value Analysis is an activity through which the company can understand genuine customer problems. The articles or content on social media can address such problems and propose innovative solutions. By having a constant presence in social media that is visited often by the target segment, the company increases its chances of being considered as an option in the event of a new purchase or change of supplier.

On social networking sites, marketing can be done in the following ways:

- **Video Marketing**

  A company can upload videos describing how products work, details about the company, organizational capabilities, and customer testimonials. These are an especially powerful means of acquiring new customers. Videos are inherently more effective than print in communicating the desired message, emotionally resonating with buyers, and explaining complex products. Videos can also be uploaded on video sharing platforms to be shared on other digital marketing media.

- **Image Marketing**

  Image-centric social networks are popular and have an impressive retention rate. For a successful social media marketing campaign, it is important to stay up-to-date on trends. Image marketing is one of the biggest trends compared to traditional text.

  The attention span of the typical consumer is ever shrinking. In an information age where content is available at a single touch, an audience has many choices to access information and can be easily distracted from good quality content.

  When a social media post has lines and lines of text, it becomes easy for people to ignore. Images, as opposed to text, are known to be highly engaging and capture attention, leading viewers to consume more of the company's content.

Example of Image Marketing:

- A leading solar energy company has a strong online presence, but it has remained close to traditional online channels, such as display ads on top sites, Facebook, search advertising, etc. It had not utilized image marketing and sites like Pinterest or Instagram. The company knew this worked for cooking and apparel sites but it was unsure how it could effectively leverage images. The company was surprised at the response and interest it got from its new Pinterest and Instagram pages by posting not only pictures of its panels, but unique images of solar panels, environmental-related pictures highlighting the need for solar, "fun facts" images that were shared widely, and even images of staff and clients to help give its company a personality. It discovered that images work well even for companies that do not necessarily have a visually appealing or attractive product.

Blogs for Business

Driving traffic to the website is the primary objective of any marketing team in today's online business world. Driving traffic to websites can be accomplished in multiple ways, including e-mail marketing, social media marketing, advertising, and search engines. Purchasing mail lists and sending e-mails in the hope that potential clients will respond is often not the best approach, particularly in some industries. Social media can help but success often depends heavily on the type of product and service. Unlike search engine marketing, which can be expensive, blogs are a cost-effective way to promote a website and attract traffic. Each and every blog article is a new index page on a website. It is a reminder to search engines that a website is active and should be indexed.

Blogs are also a highly useful source of content for social media marketing. Links to the blog can be promoted through social media platforms, which can then result in visits to the website. Blogs usually focus on providing information on a particular industry or on answering specific business questions. Blog posts can be helpful to readers and therefore establish credibility for a brand. This means that the traffic that comes to a website through blog posts is much more qualified than the traffic that comes through any other source.

Finally, blogs also help maintain relationships with existing customers. Readers can post comments to express their opinions on a blog post and the author can respond to them. This way, existing customers can engage with a brand and experience a personal relationship. Word-of-mouth marketing, too, becomes a by-product of blogs.

Example of Blogs for Business:

- A company that specializes in developing social media marketing strategies can generate valuable publicity for itself by giving free advice on its website on how to create profitable social media campaigns. Advice can be posted in installments and updated regularly on blogs, covering such topics as:

    - the top questions asked about social media marketing
    - the overall benefits of social media
    - current trends in social media platforms

  Business owners without expertise in social marketing can easily access this information online and contact the company for more information if desired. Through word-of-mouth, business owners may also tell other business colleagues about the social media company's services. Positive customer testimonials could also be included on future blog postings to further promote the company's social marketing services.

3.3.2.5 Branding and Advertising

Branding and Advertising is discussed in detail in the *SMStudy® Guide–Book* 5, *Branding and Advertising*. Branding and Advertising (BA) includes concepts of consumer behavior, marketing communication, and public relations. Branding is the process of creating a distinct image of a product or range of products in the customer's mind. This image communicates the promise of value the customer will receive from the product or range of products. Branding should remain consistent across all channels of communication with the customer. Advertising is defined as any paid form of non-personal communication to existing and potential customers that promotes the company's products through all media—such as radio, television, and print.

Branding concepts are required during the process of creating marketing assets so that the company and the product image are communicated correctly. In a corporate sales process, Branding and Advertising must focus on value communication. An understanding of the sales value proposition, product features, and the target segment are required for branding. The representation of the brand needs to be consistent across the various marketing assets being created.

Advertising creates a link between the producer of the marketing material and the potential customer. Although advertising is more important for Retail Sales, it can also be used effectively for Corporate Sales. Proper use of advertising can generate numerous leads for the corporate sales team. Use of advertising is especially useful when the select target segment is large. In such cases, it can help the company effectively reach a broader audience in less time.

Examples of Branding and Advertising:

- A marketing firm has determined that one of its key markets is high-growth software startup companies looking to scale their marketing efforts quickly. The marketing company has chosen to conduct paid advertising and attempts to place byline articles in online publications dedicated to supporting the interests of tech startup companies.
- A well-established wholesale outdoor furniture company has always done some advertising, but since the business is over 50 years old, it mainly relies on repeat business. As Internet use has continued to expand greatly over the years, the company realized it needed to step up its online presence and create a cohesive brand image that is consistent across all media. The company reassessed its Marketing Strategy and clarified and strengthened its brand positioning as the leader in classic, elegant outdoor furniture that will last in any climate. It ensured its new, consistent messaging and tone are part of all its advertising—both online and traditional offline. The new messaging was also communicated to all sales reps and incorporated into sales pitches and marketing assets.

3.3.3 Outputs

3.3.3.1 External Marketing Assets*

External marketing assets include all assets created for the target segment, existing customers, and leads. Among these assets are presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, images, infographics, etc. The target segment in Corporate Sales is not as broad as in Retail Sales, but the value of revenue per customer is much higher. There is often a higher level of customization of these assets. One sale might generate enough revenue to justify developing a set of marketing assets specifically for use with one potential customer. The marketing assets should be designed with the intention of reducing the time to convert as well as to increase the conversion rate.

Example of External Marketing Assets:

- An enterprise software company with offices nationwide has leveraged various marketing tools in order to create a robust set of external marketing assets to reach its target clients in the technology and entertainment sectors. It developed a new campaign highlighting its latest product line. It also advertised in trade publications, attended tradeshows, ran a robust airport print campaign, and ramped up its Twitter and LinkedIn advertising. At the same time, the marketing and sales teams collaborated to create new customized collateral for the sales teams that tie into all the current advertising and messaging to generate leads.

3.3.3.2 Internal Marketing Assets*

Internal marketing assets provide sales personnel with the tools that enable them to clearly understand the sales value proposition. Internal marketing assets include scripts, FAQs, and features and benefits sheets for internal call center staff to be well informed and knowledgeable about products; ‘battle cards’ that provide sales personnel with the key features and benefits that differentiate the company’s products from the competitors’ products; and handouts, posters, presentations, or videos that are used to train staff on the company’s products. A strong set of internal marketing assets ensures that the key strengths of the company’s products and the sales value proposition are being consistently communicated to existing and potential customers and ensures that all customer-facing personnel are well informed and confident to sell the company’s products and services.

During the creation of marketing assets, many ideas are discussed and information is shared that would be useful within the company. Documenting such information and insights in the form of internal marketing assets and sharing this information across the company is a practice followed in successful organizations.

Examples of Internal Marketing Assets:

- JBS Inc. is an automation and digitization innovator specializing in providing integrated hardware, software, and technology-based solutions to support manufacturing companies in enhancing the flexibility and efficiency of their manufacturing processes. Its focus is on the integration of data from the start of manufacturing to completion of product, including development, production, and supplier data. Customers range from providers of highly technical medical equipment to automobile manufacturers and, in most instances, their clients are making purchasing decisions that will affect their manufacturing processes for a lengthy period of time. Given the highly technical nature of its products and services, JBS spends considerable time training sales personnel on the benefits of using JBS products and services. Sales personnel are provided with comprehensive FAQs, features and benefits sheets, presentation materials and video demonstrations. As well, internal client services and technical support staff are well informed to provide ongoing support in order to manage and maintain the relationship with the client on a long-term basis.
- Jackson Packaging is a supplier of various packaging materials, including stretch wrap, shrink wrap, poly bags, and corrugated containers, servicing various industries. Before every trade show, the team assembles to determine the key goals of the conference. All sales personnel are equipped with a “sales battle card” that highlights the key differentiators between Jackson and its two greatest competitors on the conference floor. In addition, all staff are given a scripted “elevator pitch” which sums up the key benefits and the sales value proposition of Jackson Packaging. As a result, all sales personnel at the conference are well-informed and equipped to generate leads and sales, and all messages to potential clients are accurate and consistent.

3.4 Create Sales Compensation Structure

The sales compensation plan defines how the corporate sales team is rewarded. Among other things, the company's sales compensation plan describes the various financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities. The components of the compensation plan include salary, incentives, and benefits.

Incentives are the additional amounts paid to reward performance and to further motivate the corporate sales team. Incentives can be in the form of commissions or bonuses. Sales incentives are directly linked to the selected sales targets. While the sales targets act as performance benchmarks, the sales incentives act as motivating factors for the corporate sales team. By linking the sales targets with sales incentives, the company is able to motivate and inspire the corporate sales team to achieve the desired results.

In order to make sure the overall objectives are achieved, the incentives are linked to sales targets using a variety of incentive plans. Incentive plans use various mathematical calculations and formulae that connect the targets with the incentive payout. The incentive payout and the type of incentives to be used are also dependent upon the Finance Strategy and Human Resource Strategy.

Figure 3-12 shows the inputs, tools, and outputs for the *Create Sales Compensation Structure* process.

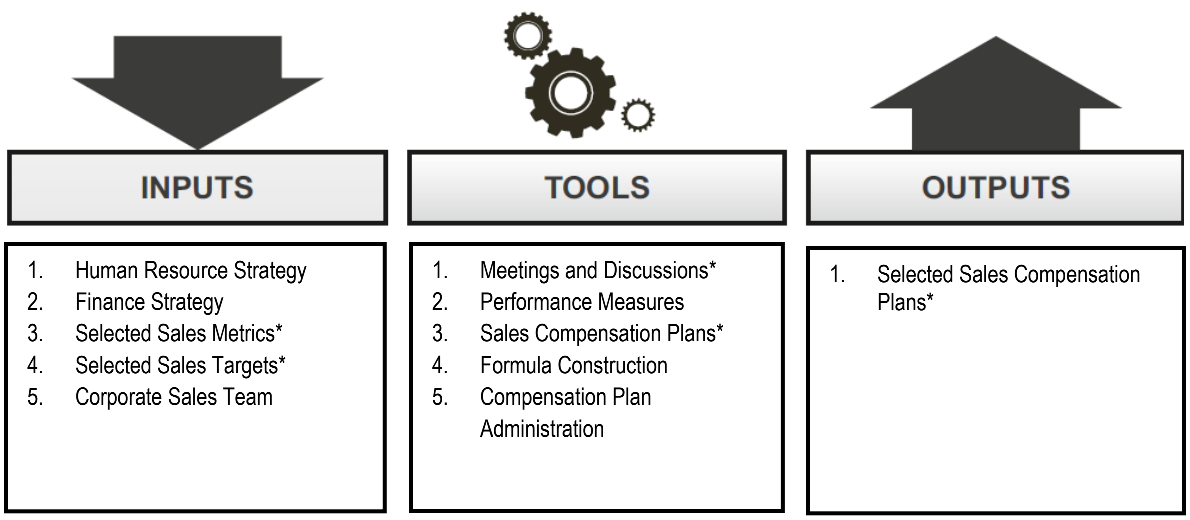

Figure 3-12: Create Sales Compensation Structure —Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

3.4.1 Inputs

3.4.1.1 Human Resource Strategy

The Human Resource Strategy details the human resource capabilities required to meet the objectives defined in the Corporate Strategy. The Human Resource Strategy considers plans for talent management and acquisition of skilled human resources. It outlines specific initiatives designed to attract, develop, and retain staff so that the organization can effectively compete in the market and ultimately meet the overall corporate goals. Performance of the corporate sales team is an important part of achieving the company's objectives. Incentives are a significant contributor to retaining top talent in the company. It is therefore important to keep the team members motivated throughout the sales cycle. While designing the incentive plan for the corporate sales team, it is important to understand the factors that really motivate the sales team and tie performance to incentives to ensure that strong performance is being appropriately rewarded. The Human Resource Strategy helps identify the performance measures that motivate the corporate sales team and thereby retain the best performers.

3.4.1.2 Finance Strategy

The Finance Strategy defines the financial approaches that are used by the company to pursue its economic goals and objectives. The Finance Strategy is a key input that helps determine the incentives that can be offered to the corporate sales team. The Finance Strategy sets the limit on the funds available for the corporate sales team to pursue sales objectives. In order to increase sales of a new product or retain market share, the company may need to further incentivize its corporate sales team and the Finance Strategy must be aligned with and support such incentives. The Finance Strategy, therefore, serves as a key input while designing any incentive plan for the corporate sales team. The budget available for incentives is based on the Finance Strategy of the company.

3.4.1.3 Selected Sales Metrics*

The Selected Sales Metrics are an output of the *Determine Sales Targets* process, and are used to measure the sales targets. The metrics to measure sales targets can be based on actual sales volume achieved, activity, or financial results. The metrics to measure sales targets are selected based on the nature of business or the type of products. While setting incentives, it is important to have a measure of the targets achieved so that the incentives can be paid out appropriately. The selected sales metrics are used to measure the performance of the corporate sales team and to quantify their performance. Once the performance is quantified, it can then be compared with the selected targets to decide the incentives to be paid out.

Example of Selected Sales Metrics:

- ActivVision produces fitness and motivational programming intended to be displayed on monitors and TVs in gyms and spas. As their revenue is based on advertising within the programming, ActiVision is aggressively trying to get its programming shown in as many gym franchises as possible. Increasing the number of outlets using their service increases the value of their service to advertisers. The key metrics for their new sales teams are number of locations their programming is shown in, number of screens their programming is shown on, and average number of viewers their programming reaches per month.
- To achieve annual revenue growth of 20 percent, ABC Consulting has asked its sales team to increase revenue by $500 thousand in each assigned sales territory. To achieve this, sales representatives in each territory must re-allocate 20 calls a month from current customer calls to call on new customer prospects identified in ABC's CRM system.

3.4.1.4 Selected Sales Targets*

The Selected Sales Targets are an output of the *Determine Sales Targets* process, described in section 3.2. Selected sales targets are the specific goals assigned to the corporate sales team to achieve over a period of time. Sales targets are significant motivators for the corporate sales team and help senior management achieve the overall objectives of the company. In the case of bonus payouts, incentives are set based on the selected sales targets. When a sales incentive is commission-based, the commission rates are calculated based on the target to be achieved. Sales targets are generally set for each individual in the corporate sales team. It is also important to know the sales targets to create formulas for incentive payouts.

Example of Selected Sales Targets:

- Durham Feed supplies bulk seed to large poultry farms. Supply chain costs have increased over the last quarter so upper management has put pressure on the sales department to increase their customer base to mitigate the impact of this additional expense on profitability. Management has set sales targets of a 15 percent increase in new customers and a 95 percent retention rate for existing customers for the last three quarters of the fiscal year.
- IRIS Inc. offers payroll systems to both small and large organizations. The company has recently performed an audit of its existing customers to identify accounts that have high market shares in slow-growing or mature markets. These accounts typically are not expanding their businesses and do not plan to hire new staff. While these accounts are valuable to IRIS Inc., the company would like to more aggressively pursue new business opportunities that will offer a greater return to IRIS Inc. in terms of future revenue potential generated by large employee payrolls. IRIS Inc. has therefore identified two additional customer segments on which to focus future sales activities. These customer segments include organizations with more than 300 employees and annual revenue growth exceeding 20 percent, and small to medium sized entrepreneurial companies that offer unique products and services. These two targeted customer segments are more likely than other customer segments to hire more staff and need additional payroll services in the short term.

3.4.1.5 Corporate Sales Team

The main objective of creating incentive plans is to motivate the corporate sales team to perform better and generate higher sales. The performance of the existing corporate sales team is an important input that helps the management understand if any changes are required in the existing incentive plan. Based on the performance of the corporate sales team, the performance measures, incentive plan, and/or the formula for the incentive payouts may be altered. The feedback of the corporate sales team is also used as input for creating the incentive structure.

3.4.2 Tools

3.4.2.1 Meetings and Discussions*

Sales compensation is a critical and complicated activity in sales force management. Therefore, the activities associated with the compensation of the sales team require involvement from many key stakeholders. Designing the sales compensation structure requires a thorough understanding of the objectives of the overall business and the activities of the sales function of the business. There are various plans available for sales compensation structure and no one plan fits the requirements of all organizations, even those in the same industry and geography. Depending on a company's business strategy and sales objectives, various stakeholders conduct meetings and discussions to devise the compensation plan for the company. Such stakeholders include senior management and key representatives from various departments like sales, marketing, finance, and human resources. Once the objectives of the sales compensation plan are established, different plans can then be explored, evaluated, and discussed in subsequent stakeholder meetings.

3.4.2.2 Performance Measures

Measuring sales performance is the first step in managing sales performance. Many performance measures can be utilized; however, choosing the right ones can go a long way in making the corporate sales team effective. The choice of performance measures also serves to link strategic sales decisions to tactical decisions. Once performance measures are chosen, prioritizing them is the next step. This is done by giving each measure a weight, based on its relative importance.

Choosing Performance Measures

Performance measures can be broadly categorized into four types:

1. **Production Volume Measures**—These measures help in determining revenue (e.g., revenue expected in a time interval, revenue achieved in an interval, revenue from repeat business, revenue from dormant customers); profit (e.g., gross margin, contribution margin); and items (e.g., number of items sold, contracts won).

2. **Sales Success Measures**—These measures help in improving sales results by focusing on areas such as product (e.g., assortment, balance, packages); accounts (e.g., new, remaining, penetration, growth, lost, win-back); orders (e.g., closure rate, size, period of contract, receivables); and price (e.g., discount promotions, percentage change).

3. **Customer Satisfaction Measures**—These measures evaluate customer satisfaction (e.g., customer surveys, number of complaints received) and stickiness/loyalty (e.g., market share, benchmarked loyalty scores, persistency of orders).

4. **Resource Usage Measures**—These measures help in validating effective use of resources and productivity (e.g., cost per dollar of order, quota sales loading); channels (e.g., partner success, partner participation rates, performance of outlets); and employees (e.g., supervisor balance performance, attrition, ramp up rate).

Weighting Performance Measures

The relative importance of the selected performance measures is designated by senior management by assigning a weight to each measure.

Guidelines for Choosing Performance Measures

It is important not to choose too many measures as part of a compensation plan. This ensures that the sales team can focus on specific activities to which they can relate. Output measures and actual sales results are most effective, as opposed to pre-sales activity measures such as calls made and e-mails sent.

Using no more than three performance measures and keeping 15 percent as a minimum weight for any one measure ensures that each measure is sufficiently important and has an impact. Performance measures should also be chosen carefully to ensure they are preferably mutually exclusive. While the weights assigned to performance measures will vary from one plan to another, a simple weighting plan is as follows:

	Sales Volume	Product Mix	Retention
Weighting	50%	20%	30%

Each job on the corporate sales team has its own mix of performance measures and associated weights.

Examples of Performance Measures:

- Johnson Hoteliers Janitorial Supplies has expanded its offerings to linens and has adjusted its sales performance metrics to accommodate this change. Sales team members now have a goal for linen/bedding sales in addition to regular supplies, and the goal is for the new line to comprise at least 10 percent of each representative’s sales, in addition to current sales goals for the other products, which are allocated according to territories and client mix. The company also has account-specific goals such as maintain an 80 percent retention rate, grow sales by 8 percent from its existing base, and acquire at least two new top tier hotels. Rounding out the sales goals are specifics on minimum order size, length of billing terms, and even rate of promotional usage.
- Many companies place a high value on customer satisfaction, and AGS Heating and Air Co. is no exception. It measures customer satisfaction both individually for sales representatives as well as at a company-wide level. For individual team members to receive full compensation they must have received no more than one complaint quarterly and must have received survey-scores consistently above 90 percent. As a measure of company-wide success, AGS measures Net Promoter Score (NPS) which scores the company on a scale of one to ten based on how likely its customers are to recommend them. It has set a goal of eight or above and consistently tracks this measure over time.

3.4.2.3 Sales Compensation Plans[7]*

The sales compensation plan describes how the corporate sales team is rewarded. Among other things, the company's sales compensation plan describes the various financial and non-financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities. The components of the compensation plan include salary, incentives, and benefits. Salary is the fixed amount that is paid at regular intervals. Incentives are the additional amounts paid to reward performance and to motivate the corporate sales team. Incentives can be in the form of commissions or bonuses. A commission is directly linked to the sales achieved by the sales person, whereas a bonus is paid out by the company for achieving or exceeding a certain level of performance. While commissions are paid for each unit of sales achieved, bonuses are paid out only after the sales person achieves or surpasses the desired target. As discussed in process 3.2, targets can be based on sales volume, activity, or financial aspects.

In addition to incentives, the company may also conduct sales contests. Sales contests offer additional rewards for sales people who achieve certain targets or objectives. Sales contests are generally conducted when the company wants to promote sales of a new product or to increase market share.

Benefits are also part of the compensation plan. The benefits that the company provides the corporate sales team may include housing, travel allowances, life insurance, medical and accident insurance, and retirement plans. The range of benefits offered by a company may increase for higher positions within a company. The company may also offer non-financial incentives, such as promotions, awards, and recognition in company publications.

Types of Compensation Plans

The plans to compensate the corporate sales team fall into two major categories: commission-based plans and bonus-based plans. The construction of the incentive formula in both these plans starts with identifying a target to achieve to qualify for an incentive amount. Targets for each sales person are based on territory size and sales potential. Either a commission-based plan or a bonus-based plan is used to calculate and pay out incentives.

Commission-Based Plans

In a commission-based plan, the commission rate is usually calculated by dividing the target incentive amount by the target sales volume to be achieved. Commission-based plans are generally used when sales territories have similar revenue opportunities.

The following are the common types of commission-based incentive plans:

1. **Flat Commission Plan**

[7] David J. Cichelli. (2010). Compensating the Sales Force. McGraw Hill.

The Flat Commission Plan is the simplest compensation plan. The commission rate is calculated by dividing the target incentive by the target sales volume.

Commission Rate = Target Incentive Amount/ Target Sales Volume × 100

This plan does not have a threshold at which point the incentive payout starts, nor does it have a cap on the incentive payment. It assumes that the territories have similar sales potential. Territories are often realigned to balance the sales potential. This type of commission plan, shown in figure 3-13, is not possible when the sales potential among territories differs significantly.

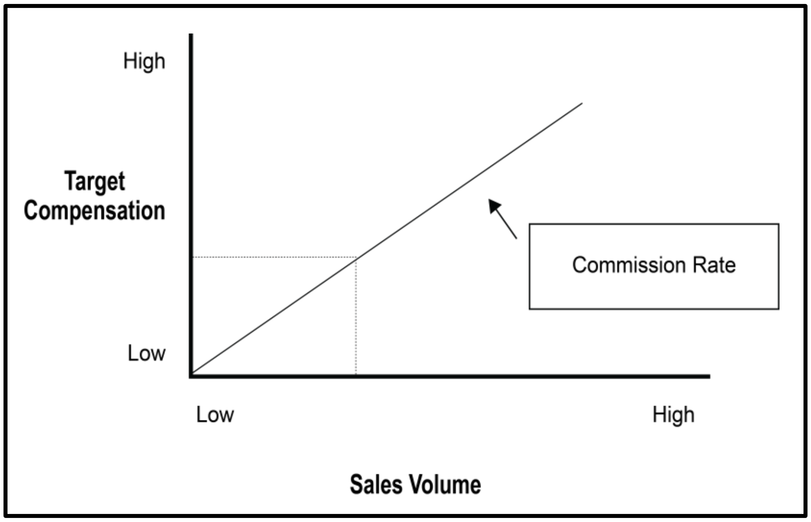

Figure 3-13: Flat Commission Plan

2. Ramped Commission Plan

In a Ramped Commission Plan, the commission rate is different for different levels of sales volume achieved. In the case of a progressive ramped commission plan, two commission rates are offered. The second commission rate is higher than the first commission rate as shown in figure 3-14. In this type of plan, when a certain sales volume is achieved, the commission rate is increased. This plan therefore rewards sales persons for additional sales volume achieved.

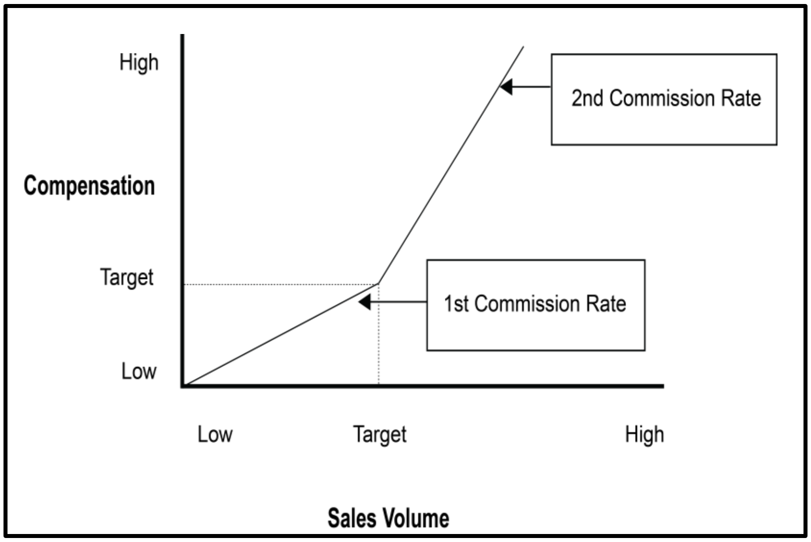

Figure 3-14: Progressive Ramped Commission Plan

A Ramped Commission Plan can also be regressive implying that the second commission rate is lower than the first commission rate. This is generally used when a company needs to avoid excessive payments and to adhere to predefined budgets.

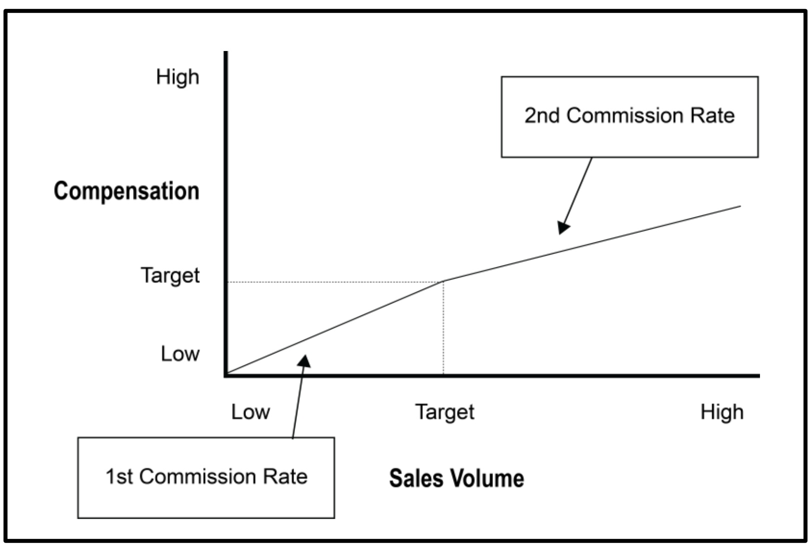

Figure 3-15: Regressive Ramped Commission Plan

3. Commission with Base Salary

The flat commission plan and the ramped commission plan do not offer a base salary. However, the commission with base salary plan does. In this plan, the commission paid is in addition to the base salary. The commission received can also be ramped either progressively or regressively based on sales targets.

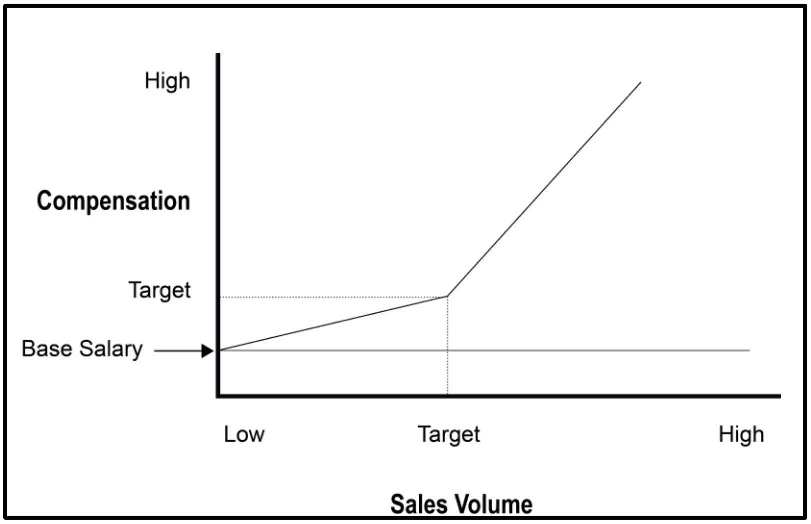

Figure 3-16: Commission with Base Salary

4. Commission with Limits

This plan places a threshold and a cap on the compensation plan. A threshold is the level below which no incentive is provided and a cap is the maximum level at which an incentive is paid. Any amount exceeding the cap will not qualify for additional incentive payouts. A threshold is generally placed primarily to motivate the corporate sales team to a minimum level of performance, which justifies the base salary being paid. It is also considered as the minimum level of acceptable performance.

Although caps are intuitively demotivating for the corporate sales team, a company may place caps when it needs to discourage excessive sales that are beyond the company's production capacity or exceed budget.

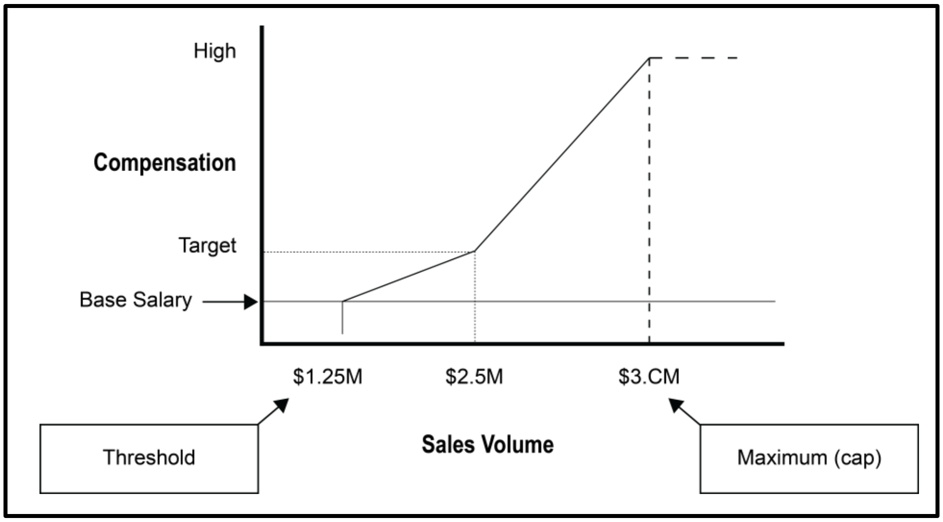

Figure 3-17: Commission with Limits

5. Variable Commission Plan

A variable commission plan offers different commission rates for different objectives. The most common form of variable commission involves offering different commissions for different product categories. This type of plan guides the corporate sales team toward the company's preferred sales outcome or to encourage sales of a product that is particularly challenging to sell. The variable commission plan may also use a value table. The value table alters the value of the sale depending on the product category while the commission rate remains the same. The value of the sale is altered by using an adjustment factor. For example, a sale of $10,000 of a particular product category with an adjustment factor of 75 percent would be adjusted to a value of $75,000 for compensation purposes.

Another method of employing a variable commission plan involves using product points. A product points plan awards different points for different product sales. This plan encourages the sale of products considered to be important by the company. For example, the points awarded per dollar of sale of a newly introduced product may be higher than the points for a mature product. The points are aggregated to determine the commission rate.

Variable commission plans may also be linked to profitability with higher margin sales being rewarded with higher commission rates than lower margin sales.

6. Linked Commission Plans

Linked commission plans are an advanced form of commission-based plans. These plans tie the payout of incentives to two or more performance measures. Linked commission plans may also have a negative impact if performance is not good. Three common types of linked commission plans are hurdles, multipliers, and matrices.

- **Hurdles**—Hurdles link two or more performance measures. These plans require the salesperson to accomplish one target to realize the benefits of a second target. Hurdles are generally used when the company wants to attain an objective but at the same time wants to meet certain conditions. A typical case is when the company wants to achieve revenue targets but also wants the sales of a particular category or categories of products to reach a certain level. For example, a link hurdle for a sales person can be that sales of products in category A and B must be at 80 percent of the target in order to trigger the ramped commission rate for all product categories.

- **Multipliers—**Multipliers link performance measures together using a multiplying factor. Unlike hurdles, multipliers may have a reducing effect on the incentive value of the first performance measure. However, some companies prefer to have only a positive effect from the multiplier. Table 3-1 provides an example of a multiplier-linked commission plan.

Component		
Measure 1: Commission Rate	Performance Above 100% Up to 100%	Commission Rate 8% 4%
Measure 2: Commission Multiplier	Performance 120% and above 110% to 119% 105% to 109% 100% to 104% 95% to 99% 90% to 94% 80% to 89% Below 80%	Multiplier 130% 120% 110% 100% 90% 80% 70% 60%

Table 3-1: Multiplier-linked Commission Plan

In this example, a sales person who achieves 106 percent of sales targets would receive commission at the rate of 110 percent of 8 percent. In this case, 8 percent is the incentive payout for the first performance measure and 110 percent is the multiplier.

- **Matrix**—A matrix-linked commission plan is used when the company wants to resolve and achieve two competing objectives. The competing objectives could be higher sales volume versus profitability, core business versus new product sales, etc. This plan is particularly useful when the sales person is required to achieve two competing or two unrelated objectives. This plan specifically indicates the incentive payout for various levels of performance.

  Figure 3-18 shows a matrix of the rate of commission applicable for various levels of sales volumes and gross margin achieved. The values depict the commission rates for which the sales person is eligible based on performance. A sales person who has achieved the target on both sales volume and gross margin is eligible for a commission of 3.8 percent.

Sales Volume

Excellence	4	4.4	4.8	5.2	5.8	6.0	6.4	7.0
	3.5	3.9	4.3	4.7	5.3	5.5	5.9	6.5
	3	3.4	3.8	4.2	4.8	5.0	5.4	6.0
	2.5	2.9	3.3	3.7	4.3	4.5	4.9	5.5
Target	2	2.4	2.8	3.2	3.8	4.0	4.4	5.0
	1.5	1.9	2.3	2.7	3.3	3.5	3.9	4.5
	1	1.4	1.8	2.2	2.8	3.0	3.4	4.0
	0.5	0.9	1.3	1.7	2.3	2.5	2.9	3.5
Threshold	0	0.4	0.8	1.2	1.8	2.0	2.4	3.0
					Target			Excellence

Gross Margin

Figure 3-18: Matrix-linked Commission Plan

7. Commission for the Stratified Sales Team

When sales people are assigned to customers, the accounts are classified based on the size and potential of the account. There may be large accounts, mid-size accounts, and minor accounts. Commission rates are fixed based on the account size. The group of larger accounts has the lowest commission rate, while the group of small accounts has the highest commission rate. This approach compensates for differences in sales volumes with respect to the territory size. Therefore, a smaller territory with comparatively lower sales potential generates similar total incentives to a large territory due to the higher commission rate.

Bonus-Based Plans

Bonus-based plans are used when the territories are not evenly sized and cannot be realigned to be made equal. In such cases, the sales volume or revenue achieved may not be directly related to the actual sales performance of the sales person but rather to the potential or size of the territory. In bonus-based plans, the incentives paid out are linked only to the target and not to the actual sales volume or revenue achieved. The incentive formula is therefore expressed as a percent or portion of the target incentive amount or base salary for percent of target accomplished. For example, Territory A may have a market size of $10,000,000 while Territory B has a market size of $5,000,000. In this case, sales people working in Territory A may have a 10 percent commission while sales people in Territory B may have a 20 percent commission.

1. Bonus Step Plan

The bonus with steps is the most commonly used bonus-based plan. It provides higher incentives for higher performance on a step-wise basis. It expresses the payout as a percent of the base salary or the total target incentive. Figure 3-19 shows a typical bonus plan with steps. In this example, a sales person who achieves 100 percent to 104 percent of a sales target would qualify for a bonus equivalent to 25 percent of the base salary of $100,000.

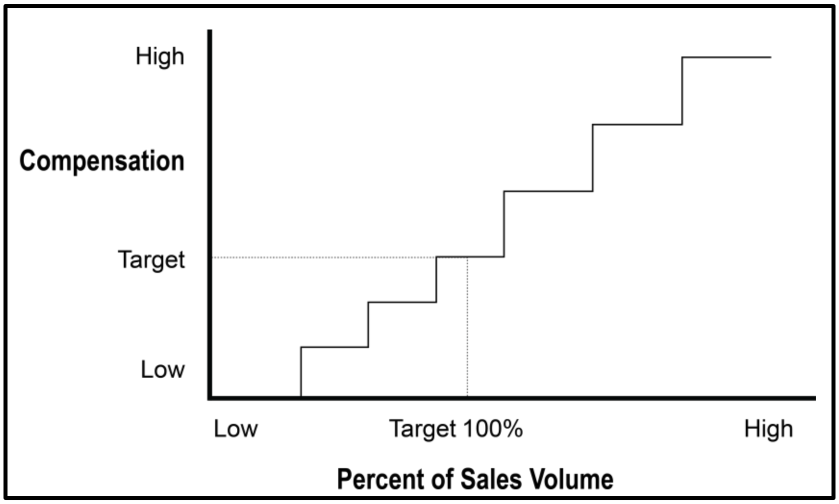

Figure 3-19: Bonus Plan with Steps

Component		
Base Salary	Annual Base Salary = $100,000	
Bonus Paid as a Percent of Base Salary	Performance 150% and above 125% to 149% 110% to 124% 105% to 109% 100% to 104% 90% to 99% 80% to 89% Below 80%	% Base Salary 100% 80% 60% 40% 25% 15% 5% 0%

Table 3-2: Bonus Step Plan

2. Bonus Formula Rate

The bonus formula rate does not have steps as seen in the bonus step plan. This plan instead allows for incentive payment over the full range of target achievement. It is similar to a commission plan. However, the incentive payout is based on the total target incentive rather than the actual sales volume. Figure 3-20 shows a plan with a bonus formula rate. The bonus formula plan details are shown in Table 3-3. In this example, an individual who achieves 90 percent of target receives a $36,000 bonus.

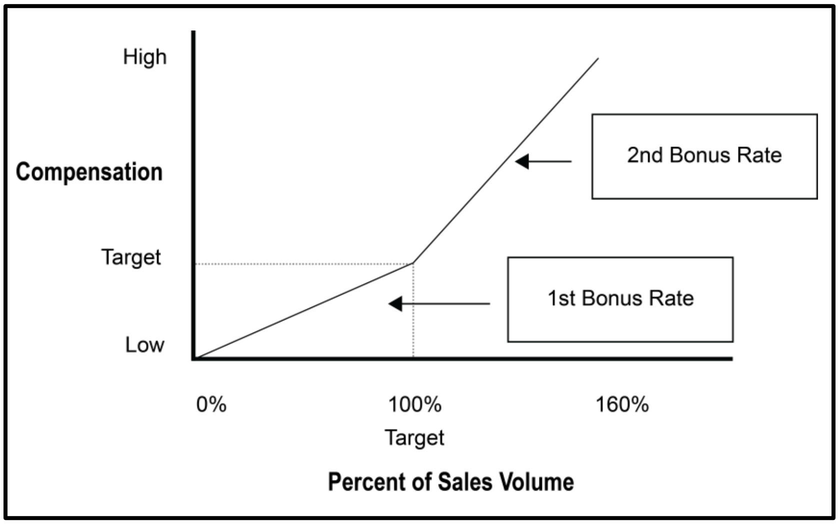

Figure 3-20: Bonus Formula Rates

Target Incentive	Annual Target Incentive = $40,000
Bonus Paid as a Percent of Target Incentive	Below 100%—1% target incentive for each percent of target achieved Above 100%—2% target incentive for each percent of target achieved

Table 3-3: Bonus Formula Plan

3. Linked Bonus Plans

Bonus plans use the same linkages as commission plans— hurdles, multipliers, and matrices.

- **Hurdles**—Hurdles link two or more performance measures together. Hurdles are generally used when the company wants to meet objectives with certain pre-conditions. For example, the company may want its salespeople to achieve a particular revenue target while at the same time maintaining a high customer retention rate. In such a case, a higher bonus or bonus for performance achieved above the target is paid out only if the precondition of customer retention is met.

- **Multipliers—**Multipliers link two or more performance measures using a multiplying factor. Companies generally use multipliers to increase the range of the incentive payouts or to add additional weights to objectives. In the case of more than one objective, the primary objective of achieving sales is directly linked to the bonus plan. Supplementary objectives are each assigned a multiplier, which can enhance the bonus payment. A bonus plan using multipliers is shown in Table 3-4.

Target Incentive	Annual Target Incentive = $40,000
Bonus Paid as a Percent of Target Incentive	Below 100%—1% target incentive for each percent of target achieved Above 100%—2% target incentive for each percent of target achieved
Multiplier	For objective 1—110% For objective 2—120% For objective 3—110% For objective 4—130%

Table 3-4: Bonus with Multipliers

- **Matrix**—A matrix linked bonus plan is used when the company needs to achieve two competing objectives. This is similar to the matrix-linked plan used to decide the commission rates. This plan gives the specific bonus payout percent for various levels of performance.

Special Plans

Special plans consist of hybrid plans, sales objective plans, and team incentive plans. While commission-based plans and bonus-based plans are the most commonly used incentive plans, there may be instances where special designs are required.

1. **Hybrid Plans**

   Hybrid plans are a mix of the bonus plan and the commission-based plan. In a hybrid plan, the company may use a bonus plan for performance achieved until the target is achieved and a commission-based plan after that. This helps to balance incentive payments in territories of dissimilar size.

2. Key Sales Objectives Plan

Key Sales Objectives (KSOs) are unique objectives created for each sales person. KSOs provide an effective framework that links the sales person's overall activities to performance incentives. KSOs provide a more holistic approach to assess the sales person's performance than sales volumes. Targets are based on the aggregate points that the sales person acquires from all the KSOs. The advantage of using KSOs is that the company is also able to control and incentivize the means by which the corporate sales team generates sales. The general practice is to set quantifiable KSOs and assign a weight to each KSO. When designing KSOs, it is important to note that:

- The weight of a single KSO should not be more than 50 percent or less than 10 percent.
- The number of KSOs should preferably be limited to five.
- The selected KSOs should have an impact on sales and need to be measurable.
- The KSOs need to be reviewed by at least two levels of supervisors.
- The selected KSOs need to be capped as required.

3. Team Incentive Plan

Team incentives are based on the performance of the team. In this type of plan, the entire team is rewarded when the team performs well. The team incentive component may comprise the entire or only part of the total incentives for an individual in a team. Team incentives are generally used by a company to motivate the individuals in a team to contribute towards the team objectives. Each team member may have a unique incentive plan where a part of the incentive is drawn based on achievement of the team's objectives and another part based on the individual's specific objectives. The team-based component drawn by an individual may vary depending on the role of the individual and the potential contribution of the individual toward achieving the team-based objective.

4. Gainsharing

Gainsharing plans link incentive payouts to the overall growth in company revenue or profit. Gainsharing is applicable not only to the sales team, but to the entire workforce of the company. It can be used as a measure to raise the overall motivation level of the workforce. When gainsharing is used as the only means of incentive payout, employees may not be motivated to perform well if they feel they cannot significantly impact financial results. However, gainsharing is more effective in small companies where the performance of each individual has a direct impact on the overall performance of the company.

5. Sales Contests

Sales contests are short-term incentive programs that are intended to motivate the corporate sales team to achieve certain sales targets or objectives. Sales contest rewards are sometimes called Special Performance Incentive Funds (SPIFs). They are not part of the company's regular compensation plan but are used when the company intends to increase sales of a product or launch a new product, or when the company is under pressure from competition. Sales contests may be team based or individual based depending on the company's requirements. SPIFs are generally given in the form of monetary rewards, prizes, or vacations for the sales person. Sales contests are designed to have a clear objective, an exciting theme, equal probability of rewards for all involved, and attractive rewards.

Examples of Sales Compensation Plans:

- Intero Mortgage implemented a commission-based plan for its sales agents whereby commission is paid continuously for every sale. A commission rate is multiplied by revenue generated to determine payout. The commission rates vary by product. For example, a salesperson might earn 3 percent on sales up to a territory goal and 5 percent on sales beyond the goal. The company has also included a salary component but the variable component is larger under this plan than with a bonus plan. Under this commission-based plan, each of the sales agents relies on commission earnings in addition to salary as an important part of income.
- Vaspar Insurance set up a bonus-based plan whereby each sales agent is typically given a revenue quota/target for a territory, and incentive payments are tied to performance relative to those defined targets. For example, the sales agent might receive a first bonus payment at 80 percent of quota, a second payment at 100 percent attainment, and a third at 115 percent. The company has also provided each sales agent with a salary component, so that if any sales agents do not sell enough to earn the bonus, they can still earn a reasonable wage.

3.4.2.4 Formula Construction

The compensation provided to the salesperson, as a percentage of the sales achieved towards the targeted sales, is called the payout rate. The payout rate varies based on the plan chosen. The following are the most common formula calculations for payout rates.

1. **Flat Commission Payout Graph and Formula**

When the payout to a salesperson is based on a linear relationship between compensation and sales, it is called a flat commission payout. Figure 3-21 shows the graph and formula for this kind of payout.

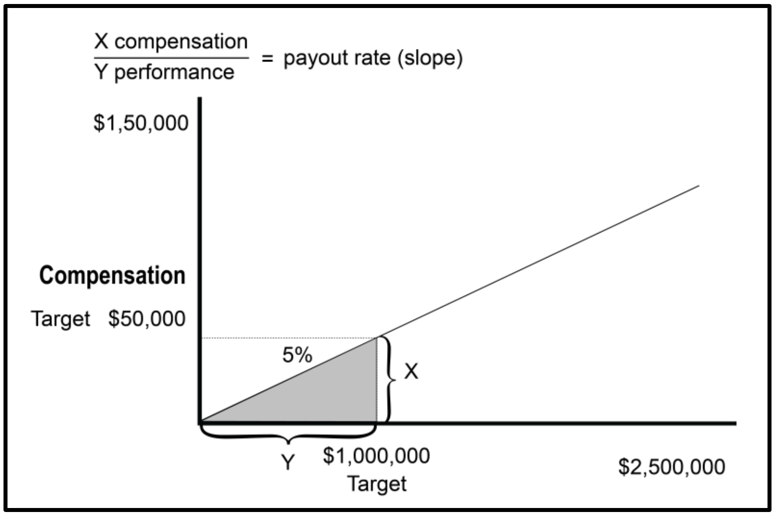

Figure 3-21: Graph for a Flat Commission Structure Formula

The slope, payout rate is calculated as follows:

If $50,000 is paid out for $1,000,000 of sales, the payout rate is calculated as:

50,000/ 1000,000 x 100 = 5%

(Multiply by 100 and add a % sign)

The flat commission schedule, when published for the sales team can be as given as shown in figure 3-22.

Component	Flat Commission Schedule	
Commission Rate	**Sales Performance**	**Commission Rate**
	All Sales	5%

Figure 3-22: Flat Commission Schedule

2. Ramp Commission Graph and Formula

When the commission paid out to the salesperson is governed by different payout rates for different ranges of sales achieved, a ramp commission structure applies. This is illustrated in figure 3-23.

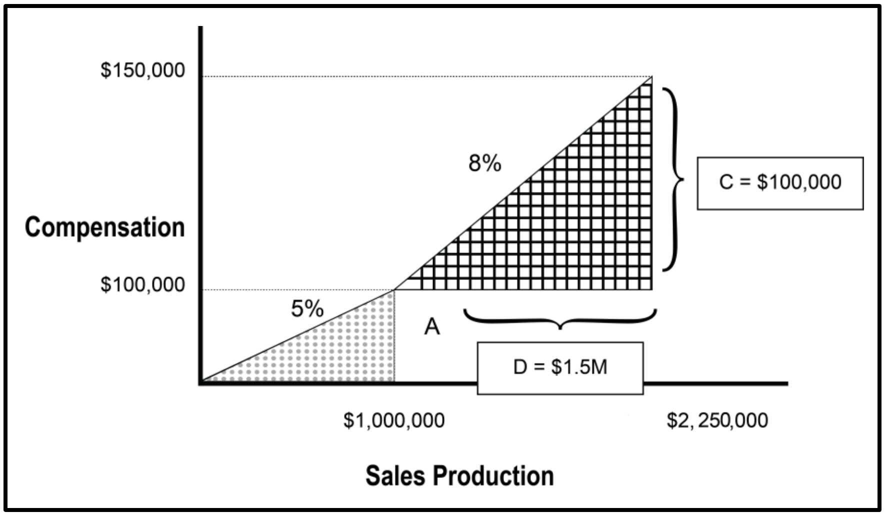

Figure 3-23: Ramp Commission Structure Formula

The calculation of the payout rate is carried out for different ranges. For the second slope indicated on the graph, the formula is the same as that of the flat commission. However, the numbers change as incremental compensation and sales are achieved as shown below:

(150,000 - 50,000)/(2,250,000 - 1,000,000) x 100 = 8%

This means the salesperson will receive 5 percent for any sales achieved up to the target of $50,000, and 8 percent for any sales achieved above $50,000. The sales commission paid out per dollar is 8 cents to every dollar for the second range of targets, as opposed to 5 cents per dollar in the first range.

3.4.2.5 Compensation Plan Administration

The success of any sales compensation plan depends to a great extent on the administration of the plan. Improper sales compensation administration can lead to sales force dissatisfaction and can affect the performance of the sales organization. Sales people depend on the administration to ensure a smooth and proper execution of the compensation plan. Failure to fulfill this responsibility can erode the trust of the sales team. There are generally four components of compensation plan administration. These are policies, procedures and accountabilities, automation, and reporting. These administrative components must be designed specifically to suit the requirements of the company and need to be effectively implemented to ensure the success of the sales compensation plan.

- **Policies**

  Sales compensation requires detailed policy statements. Such policies are necessary to avoid any confusion and to ensure smooth compensation administration. The following are sections that should be included in the policy document:

  - Quota allocation and linked incentives
  - Changes related to account assignments, territories, and incentive plans
  - Authority structure for approval of program changes
  - Changes in compensation program due to change in employment status of the sales force
  - Reimbursement of sales expenses
  - Sales crediting rules
  - Rights and obligations of the sales team
  - Expectations of personal integrity

- **Procedures and Accountabilities**

  Procedures provide the documented steps required to implement the sales compensation plan. Workflow charts need to be created to establish accountabilities and timelines. Such documentation ensures that everyone in the team knows his or her responsibilities. The following are some of the topics a workflow chart can address:

  - Assignment of Accounts
  - Sales Crediting
  - Management of Quotas
  - Calculation of Incentives
  - Audit and Assessment
  - Reporting
  - Exceptions and Adjustments

- **Automation**

  A variety of automation solutions are available today to manage the sales compensation administration functions. A specific type of automation system can be used depending on the needs of the organization. A few of the automation options available to sales compensation administrators are desktop applications, dedicated applications, and custom solutions. To run these systems, administrators can choose between installed solutions, hosted solutions, and outsourced solutions.

- **Reporting**

  Different stakeholders in the sales compensation program require different types of reports. Administrators need reports to track the implementation of the sales compensation program.

Finance needs sales compensation and performance data to prepare financial reports for the company. Senior Management in the sales team monitors sales compensation to understand the effectiveness of the program in meeting the sales objectives.

3.4.3 Outputs

3.4.3.1 Selected Sales Compensation Plans*

The selected sales compensation plans have a huge impact on the effectiveness of any sales organization. An effectively implemented sales compensation plan is a key motivator for sales people to acquire new accounts, upsell to existing accounts, maintain good relations with key accounts, and contribute to the overall success of the business. There are a variety of models available today to compensate sales teams. The components of the compensation plan include salary, incentives, and benefits. Compensation plans for the corporate sales team fall into two major categories: Commission-based plans and Bonus-based plans. No one model can fit the requirements of all sales organizations. Models therefore need to be modified and adapted to suit the specific needs of the company. The selected sales compensation plans should ideally motivate the sales people to achieve the goals set for them while also ensuring that the overall sales objectives are met.

Examples of Sales Compensation Plans:

- Nac Inc., an insurance organization, has created an effective sales compensation plan. Their sales compensation plan is clear, has focus, motivates the sales agents to work hard, and rewards success. The company determines that the best approach for its sales team is a commission-based plan, but it took some time to finalize plan details as the company explored a number of options, including a salary plus commission plan, offering bonuses for sales generated, and providing incentives for non-financial activities such as customer response times, number of leads generated, and customer satisfaction ratings. In the end, Nac Inc. chose the approach that best rewards strong performance, drives sales, and ensures employee satisfaction, as one of its primary goals in establishing the new plan was retaining top talent.
- HPS Assessments is a provider of psychological assessments for hospitals, mental health centers, private practitioners, and school psychologists. In addition to providing its sales associates with a bonus-based incentive plan, the company offers in-house client support representatives a team-based, gainsharing bonus that is based on the total revenue of the sales team's product line as well as on other performance metrics. The in-house team is evaluated using customer satisfaction ratings, so that if customer service targets and revenue targets are met, the entire team is rewarded. While the formula for the sales associates' total compensation is based on a 60/40 split between base salary and incentive, the in-house team's ratio of base to incentive is 90/10, recognizing that the in-house team has less control or impact on the overall revenue of the product line. This sales compensation plan not only rewards employees for strong performance, it promotes teamwork and fosters a cooperative environment.
- A national pharmaceutical company is rolling out a new sales incentive plan that is sales volume based. The new plan will include a point system to help simplify which products are priorities and drive sales accordingly. According to the new incentive plan, a sale of a new drug in its first year is considered a one hundred-point sale, as these sales are the most profitable. A sale of a drug that has just gone generic is awarded higher points to push the sales, but not as high as a new drug. These sales have a point value of sixty. All other drugs that have been on the market a long time are ranked from 0 to 50 based on specific internal profitability metrics.

  At the end of the quarter, the fifty sales representatives with the most sales will receive additional cash compensation, and the top ten will be awarded an island vacation.

4. TRAINING FOR CORPORATE SALES

Training is a key element of Corporate Sales. It is essential for the corporate sales team to be thoroughly trained in their job function and be very knowledgeable about the products or services they are selling, in order to capitalize on sales opportunities, capture the maximum value for sales, and maintain positive relationships with customers. Corporate selling relies on person-to-person relationships, and well-trained sales personnel are better equipped to initiate opportunities, communicate the value of a product or service to potential customers, and close sales. Training is important for existing corporate sales team members as well as new recruits. However, it is particularly important for every new member of the corporate sales team to undergo thorough training before being fully inducted onto the sales team.

The focus of sales and negotiation training is to generate increased gains in individual sales. Sales training covers the entire range of processes, tools, and skills required—from prospecting to closure. Negotiation training helps the sales teams understand the dynamics of the negotiation process, minimize conflicts, and arrive at mutually beneficial outcomes. Effective negotiation can promote lasting relationships between the company and its customers.

Product training is as important for the corporate sales team as sales training. Product training equips the corporate sales team to effectively address customers' technical concerns, communicate the value proposition, assess needs, and answer questions. Product training transforms the corporate sales team from being sales representatives of the company to becoming solution providers or consultants for the customer.

Figure 4-1 provides an overview of the processes associated with this chapter. These are as follows:

4.1 Sales and Negotiation Training—In this process, the sales team is trained in the sales process—from prospecting to closure of the sale—and is equipped with the necessary skills to negotiate the sale to arrive at mutually beneficial outcomes.

4.2 Product Training—In this process, the sales team is trained on the various products and services of the company in order to effectively communicate the value proposition, answer customer inquiries, and provide ongoing support to customers.

4.1 Sales and Negotiation Training

INPUTS
1. Corporate Strategy
2. Sales Process*
3. Channel Network Design
4. Rules for Channel Network*
5. Organizational Capabilities*
6. Assumptions and Constraints
7. Marketing Strategy*
8. Corporate Sales Team*
9. Internal Marketing Assets
10. External Marketing Assets

TOOLS
1. Sales Training Program*
2. Channel Partner Training*
3. Negotiation Training Program*
4. Trainers
5. CRM System

OUTPUTS
1. Trained Corporate Sales Team*
2. Training Processes and Documentation

4.2 Product Training

INPUTS
1. Product Strategy*
2. Product Features*
3. Sales Value Proposition*
4. Details of Competitive Products
5. Corporate Sales Team*
6. Internal Marketing Assets
7. External Marketing Assets

TOOLS
1. Product Training Program*
2. Trainers

OUTPUTS
1. Trained Corporate Sales Team*
2. Training Processes and Documentation

Figure 4-1: Training for Corporate Sales Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

4.1 Sales and Negotiation Training

The focus of sales and negotiation training is to generate increased gains in individual sales. It also helps the sales team understand the dynamics of the negotiation process, minimize conflicts, and arrive at mutually beneficial outcomes with customers and channel partners. A company that invests time, money, and effort in training its corporate sales team in sales and negotiation tactics specific to its industry makes itself far more likely to succeed than those that do not.

Sales training covers channel partner training as well as corporate sales team training. Sales training needs to be continuous and not limited to a single area or medium of training. The primary objective of sales training is to enhance the efficiency of the corporate sales team and thereby increase the revenue and profitability of the company. The corporate sales team is the company's first point of contact with its customers. Therefore, the company needs to make sure that the corporate sales team is well trained in both the internal sales processes and the customer's industry.

Figure 4-2 shows the inputs, tools, and outputs for the *Sales and Negotiation Training* process.

INPUTS	TOOLS	OUTPUTS
1. Corporate Strategy 2. Sales Process* 3. Channel Network Design 4. Rules for Channel Network* 5. Organizational Capabilities* 6. Assumptions and Constraints 7. Marketing Strategy* 8. Corporate Sales Team* 9. Internal Marketing Assets 10. External Marketing Assets	1. Sales Training Program* 2. Channel Partner Training* 3. Negotiation Training Program* 4. Trainers 5. CRM System	1. Trained Corporate Sales Team* 2. Training Processes and Documentation

Figure 4-2: Sales and Negotiation Training—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

4.1.1 Inputs

4.1.1.1 Corporate Strategy

Corporate Strategy is an important input to sales and negotiation. The Corporate Strategy includes the Marketing Strategy and the Human Resource Strategy and takes into account senior management direction and insights. These high-level strategies guide the training needs and structure for the sales team. The corporate sales team needs to understand the firm's strategic vision for its products before it can act as a representative of the firm to potential and existing customers.

The Human Resources Strategy establishes recruiting and training requirements for all facets of the business and thus is an important input to the sales training process. It is important, first, to ensure that recruiting efforts are designed to fill sales roles with appropriate personnel for corporate sales. A team that has relevant experience and is highly motivated will benefit most from corporate sales training and thus be most effective in sales roles.

As well, Corporate Strategy and senior management direction and insights provide critical inputs to ensure that training efforts are aligned with other functional areas in the organization and that the corporate sales team is well equipped to support the corporate objectives.

Examples of Corporate Strategy:

- Training the corporate sales team to sell a mobile phone that is expected to change the way devices are used would most likely involve inputs from members of top management.
- Recruiting a specialized sales staff for a new line of business requires HR strategy as an input to attract the most suitable job candidates.

4.1.1.2 Sales Process*

The sales process is an approach or method used to sell a product or service. From the selling company's point of view, the sales process involves profiling, lead generation and qualification, customer needs assessment, sales presentations, and negotiations and closure. The basic framework of the sales process is generally similar across industries. However, the sales process followed by a particular company is usually customized to match its needs. The customization is often in the form of the specific tools and tactics used or the specific procedures followed. The sales process is also dependent on factors such as the type of product and product category, targeted geographies, and market size. The sales process also defines the role for each member of the sales team. Knowledge of the sales process is therefore very important for the corporate sales team to be effective.

Example of Sales Process:

- DTS International is a parts manufacturer for the automobile industry. Typically leads are generated through various trade shows and cold calling. Once a strong prospect has been established, the potential customer is entered into the Customer Relationship Management (CRM) software, which is used for follow-up, tracking, monitoring sales, and eventually assessing sales performance. Corporate Sales personnel are assigned key accounts and are trained in specific strategies regarding follow up, negotiation, and closing the sale. All corporate sales representatives are supported by in-house customer service support personnel who assist in the administrative functions of supporting the client. New corporate sales personnel participate in a 2-week onboarding training program to become acquainted with the sales process of DTS. Periodic follow up sessions for all staff provide ongoing support and keep the team apprised of new processes, industry knowledge, and product training.

4.1.1.3 Channel Network Design

The channel network design is an output of the *Determine Corporate Sales Channels* process described in section 2.2. The channel network design defines the distribution channels needed to maximize reach in a selected target segment. The main objective of the channel network design is to effectively select and employ the best possible channel partners. Establishing a good channel design ensures the company is able to build a two-way, mutually beneficial program with each channel partner. It is important to have an understanding of the channel network to establish a training program that best equips the sales team to support relationships with channel partners and be effective in each sales channel.

4.1.1.4 Rules for Channel Network*

The rules for the channel network are an output of the *Determine Corporate Sales Channels* process described in section 2.2. These are the rules of engagement of a company with its channels and vice versa. The rules of engagement are formalized through various forms of agreements that define a company's relationship with its channel partners. These rules define the financial terms between the channel and the partner, the inventory management terms, the service and support guaranteed by the channel partner for the company's customers, and territorial rights. Establishing the channel network rules ensures that the channel operates according to the company's requirements. Channel network rules need to be addressed in channel partner training as well as in corporate sales team training.

Example of Rules for Channel Network:

- A software company typically uses a standard license agreement when partnering with potential distributors and resellers. The license might include details of the distribution rights of the licensee, including the length of the agreement; the territory in which the software can be sold; and the compensation to be paid to the software company for its intellectual property rights. Other possible inclusions might be non-compete, confidentiality, and termination clauses. The details of the agreement and specific clauses must be understood by the sales force before beginning any new sales or negotiations.

4.1.1.5 Organizational Capabilities*

Organizational capabilities include the infrastructure, resources, processes, strategies, and operational systems that have been established in an organization and which allow a company to achieve its organizational goals and gain a competitive advantage. Organizational capabilities are an important input to the corporate sales training process. If the type of training provided does not align with the processes and systems of the company, the sales staff will not be able to effectively use their training to achieve sales success.

Examples of Organizational Capabilities:

- A medical equipment manufacturer has gained a competitive advantage in the market as a result of its organizational capabilities, which include a lean operation and strong talent management. The business has also focused on developing internal processes and systems for meeting customer needs effectively and efficiently. These organizational capabilities align well with the activities of the corporate sales team and thus contribute to the success of the business.
- A company that acquires another company will have expertise in its own sales processes and product lines. This organizational memory needs to be transferred to the newly acquired company through training. Similarly, the newly acquired company has expertise in its own products and will need to train the acquiring company on product details.

4.1.1.6 Assumptions and Constraints

Assumptions and constraints serve as an important input to the *Sales and Negotiation Training* process. An assumption is a statement that is considered to be true without evidence or certainty. Assumptions are important and serve as a basis for strategic decisions when decisions need to be made with incomplete or possibly inaccurate information. However, assumptions about the product and sales process have to be carefully considered, explicitly stated, validated, and agreed upon before being used as a basis for decision-making. Because assumptions may prove to be false after further investigation, they need to be reassessed throughout a product's life cycle.

A constraint is a limitation or restriction that creates certain boundaries or obstacles. Constraints act as limiting factors, placing boundaries on the budget, duration, and scope of corporate sales training.

Examples of Assumptions and Constraints:

- The assumption that a product will be successful is one of the reasons the sales team is being trained in the first place. This assumption needs to be reassessed at a pre-determined time (e.g., six months after the training) to determine if the training has the desired impact on sales results. If not, new assumptions will need to be made about the sales team competencies, the quality of the training program, or the product itself.
- For senior management of a major media company, one assumption is that advertisers are going to continue moving their advertising dollars away from print to digital platforms and, as a result, training needs to focus on selling an integrated media package including print and digital. Further, it is assumed that if training is not provided, revenue will likely decline due to the lack of advertiser education on the benefits of an integrated media buy that includes print and digital advertising.
- A training budget is an example of a constraint. The head of training may be assigned a training budget of $10,000 for the current fiscal quarter. This budget will have an impact on the number of staff who can be trained and the type of program implemented.

4.1.1.7 Marketing Strategy*

Marketing Strategy is part of the overall corporate strategy. A company's current Marketing Strategy—with insights from senior management, market research, past success stories, performance of competitors, and other such factors—has a significant impact on the corporate sales training program. The Marketing Strategy establishes the company's unique value proposition, target markets, and strategies to connect with defined audiences. It also defines the type and frequency of promotions run by the company. Marketing Strategy specifies the overall pricing and distribution strategies of the company and outlines the targets, metrics, and budgets for all marketing activities of the company. Two of the key outputs from the Marketing Strategy are the selected marketing aspects and targets, and allocated budgets. The specific targets decided upon for Corporate Sales and Marketing will help define and quantify the training needs of the sales teams. Training should be structured with the ultimate goal of meeting these targets, while at the same time giving consideration to the budget to make decisions about training methods and frequency.

Examples of Marketing Strategy:

- A training provider hears about a competitor's plans to launch a new product, which has the potential to impact the training provider's revenue. This information may be captured in the Marketing Strategy. As a result, the company may decide to put a high priority on sales training and increase the training budget in order to ensure the sales team is knowledgeable and effective in contacting potential customers and communicating the value proposition before the competitor's product goes to market. Additional follow-up steps may be added to the sales process to ensure consistent and continuous touch points with the customer.

4.1.1.8 Corporate Sales Team*

The corporate sales team is the most important input to sales and negotiation training. Ideally, this team is composed of individuals with a background in sales and marketing of similar products with an aptitude to sell. The company needs to ensure that it has the best team available within applicable constraints such as salaries, incentive structures, and the available talent pool.

Examples of Corporate Sales Team:

- Almost every company, no matter what the size, has sales representatives. Sometimes a company's initial sales force comprises the founders and subject matter experts involved in the development of the original products. As a company grows, dedicated sales staff are added. It is important to train and update the skills of this team no matter what their past experience or background.
- Sales representatives with a positive attitude, strong work ethic, and a strong customer orientation serve as positive role models for the rest of the sales organization. Sales representatives will likely be motivated to learn from and imitate their peers, especially if these are the individuals who are the most financially successful and respected in the sales organization.
- A manufacturer of artificial turf for commercial use has a very talented corporate sales team consisting of individuals with an understanding of the industry and a strong sales and marketing background. They have participated in the company's extensive training program and are motivated to perform due to the attractive compensation package.

4.1.1.9 Internal Marketing Assets

Internal marketing assets are an output of the *Create Marketing Assets* process described in section 3.3. Internal marketing assets provide sales personnel with the tools that enable them to communicate the sales value proposition effectively to potential clients. Internal marketing assets can include FAQ sheets, videos, and posters, among others. Internal marketing assets can be used during corporate events such as periodic training and knowledge sharing sessions and can include documentation of sales processes, case studies, and experiences of the corporate sales team. A strong set of internal marketing assets ensures that the sales value proposition is being consistently communicated to existing and potential customers and that all customer-facing personnel are well informed and confident to sell the company's products and services.

Examples of Internal Marketing Assets:

- An auto parts manufacturing company hosted a three-day, offsite, internal sales conference for its sales and marketing staff. At the conference, designated sales and marketing leaders gave presentations on topics including various product and sales strategies. Product sell sheets were circulated to staff, and banners and videos promoting product features and benefits were introduced.
- A large media company holds regular sales conferences for their local and national sales representatives. These internal sales conferences range in length from two to four hours and focus on sales methodology and product details. The sales representatives not only participate in the in-class training but also are asked to conduct some follow-ups after the class with dedicated sales coaches to ensure that the in-class learnings are actually put into action out in the field.

4.1.1.10 External Marketing Assets

External marketing assets include all assets created for the target segment and for existing and potential customers. These include presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, and images. External marketing assets are frequently used for training the corporate sales team. The corporate sales team can use external marketing assets to develop an understanding of the marketing strategy and the sales value proposition.

Examples of External Marketing Assets:

- As part of a new product launch, the marketing team at a commercial lighting company created a consolidated plan to develop deliverables associated with the launch. These deliverables included a press release, a new page on the website, a brochure, and a video, which the company promoted aggressively through its social media channels.
- A landscape architecture company decided to participate in a trade show to showcase its products and services to contractors and garden centers. To educate customers and attract attention, the company developed brochures to illustrate its products and a video showing projects it had recently completed. Coupons were also available offering price reductions for a limited time, as well as to advertise the company's website and phone number.

4.1.2 Tools

4.1.2.1 Sales Training Program*

Sales Training Program is an important tool that helps the corporate sales team consistently deliver results. As the various Aspects of Sales and Marketing change over time, it is necessary for the corporate sales team to receive training on a regular basis. Sales training keeps the corporate sales team up-to-date about changes in the market, new sales techniques, gaps in existing processes, and changes in the industry with respect to PESTEL factors.

Sales training is essential for new sales team members as well as experienced professionals. The requirements and experience levels of the sales team members should be taken into account in designing training programs. If sales training does not match the team's level of proficiency, it will not be effective and its value may be questioned by the team. However, even basic sales training can be beneficial to all sales team members, and years of experience does not guarantee solid sales practices.

Sales training should be comprehensive and cover the entire range of processes, tools, and skills required from prospecting to closure. For sales training to be effective, it should be continuous and not limited to a single medium of training. The primary objective of sales training is to enhance the efficiency of the corporate sales team and thereby increase the revenue and profitability of the company. The corporate sales team is the company's first point of contact with its customers. Therefore, the company needs to make sure that the corporate sales team is well trained in the internal sales processes and the industry.

Sales training should impart the following to the corporate sales team:

1. Knowledge of sales processes
2. Knowledge of the industry, market, and target segment
3. Soft skills
4. Knowledge of tools and marketing resources

5. Motivation
6. Business values and ethics

1. Knowledge of Sales Processes

Sales training teaches the corporate sales team about the various processes involved in the sales cycle—prospecting, lead generation, qualification, needs assessment, presentation, and closure. It includes knowledge of the tools, systems, and processes that are used in the company. It is mandatory to offer training in these areas for new members of the corporate sales team who have had no previous experience in the company's corporate sales processes.

Examples of Knowledge of Sales Processes:

- A customer relationship management (CRM) system is common in many sales organizations today. CRM training is essential for a sales team to learn how to plan sales activities by using a customer database to develop target lists and identify customer needs and customer potential for specific products and services.
- MedIntellegence produces high tech lab equipment for hospitals and university research departments. Their senior staff have determined that the quality of their equipment is a factor that differentiates them from the competition. Their training programs emphasize this to new sales staff. The sales team is instructed to first communicate the higher quality and focus on the benefits of this quality to potential customers. Their sales processes might focus on in-house demonstrations showing the benefits, or the presentation of valid quality statistics, before price is ever discussed. Without training in these processes, the sales staff may initially focus on other factors, such as price, where MedIntellegence is less likely to be able to compete.

2. Knowledge of the industry, market, and target segment

Knowledge of the industry includes knowledge about competitors, understanding of the target segments, knowledge of macro-environmental factors that affect the industry, and knowledge of industry practices. The training of macro-environmental factors can be based on a PESTEL Analysis of the industry. Knowledge of the industry also includes rules, regulations, and norms followed by the industry. Knowledge of the industry helps the corporate sales team in the needs assessment process and later during the presentation process while pitching the products and services to customers. Decision makers expect corporate sales team members to have a firm grasp of the industry.

Examples of Knowledge of the Industry:

- A supplier of manufacturing equipment needs to understand the production processes of its customers. This allows the supplier to provide specific product recommendations to its customers to improve productivity, eliminate waste, or reduce manufacturing costs.
- A telecommunications company has hired a new sales rep with twenty years' experience in commercial real estate. He will require training in the decision-making processes and needs requirements of the telecommunications industry in order to be successful.

3. Soft Skills

Soft skills are the personal traits that define an individual's ability to communicate and interact with others. Soft skills such as communication skills and emotional intelligence, which includes factors such as self-confidence, interpersonal relationships, and flexibility, are crucial for the success of the corporate sales team. Soft-skill training is mandatory for new members of the corporate sales team, but should also be available for existing members. Soft skills help the corporate sales team develop and maintain good relationships with prospects and customers.

4. Knowledge of tools and marketing resources

Different companies may have different tools for managing the sales process. Implementation of a customer relationship management (CRM) system provides businesses with standardized processes and tracking ability. Sales training must cover CRM systems, so the corporate sales team understands how these systems are used during various stages in the sales process.

In addition to understanding the CRM system, sales personnel need to be aware of existing marketing resources such as presentation templates, e-mail templates, videos and other internal and external marketing assets that can be used during the sales process. The corporate sales team must be familiar with the quality standards and usage of these resources in order to effectively utilize them to communicate the sales value proposition and generate sales.

5. Motivation

Corporate sales teams may face constant pressure to achieve revenue targets. Under these stressful conditions, members may lose motivation. Motivating the corporate sales team is necessary to prevent lags and burnout. Motivational training is more important for existing corporate sales team members than new ones because of their longer exposure to achieving sales targets. A sales team can be motivated with monetary compensation, rewards, and prizes. The need for intrinsic motivation, which assists in longer-term drive and enthusiasm, can be better achieved through motivational training. Motivational training not only assists sales personnel in building self-confidence, a positive attitude, and a sense of self-efficacy, but it demonstrates that senior management is investing in the long-term success of each team member, which has long-lasting, positive effects on the corporate sales team.

6. Business values and ethics

A corporate sales team that demonstrates good business values and ethics will have a significant effect on the success of the organization. In the long run, good business values and ethical practices attract customers and employees to the company and foster a positive company image, both internally and externally. The corporate sales team must be trained on business values and ethics, irrespective of their experience prior to joining the company. Since corporate sales can be competitive, it is also essential to maintain healthy competitive practices within the corporate sales team.

Example of Business Values and Ethics:

- A company that requires new product development and continuous improvement would likely have innovation as one of its core values. Sales team members would be screened for this value during the recruitment process to ensure a match between the values of each individual and those of the business. Employees who demonstrate innovation by exploring and introducing new ideas and concepts would enjoy positive recognition on performance reviews, salary increases or sales bonuses, and commission plans. Ideally, customers would also recognize the company and its sales team for their innovative products and services.
- Policies pertaining to company ethics and values are frequently documented and supported with training to ensure the sales team knows a company's expectations with regards to individual and team practices and performance.

Modes of Sales Training

There are various modes of delivering sales training to the corporate sales team:

1. Classroom Training
2. E-learning
3. Libraries/Repositories
4. On-the-Job Training

1. Classroom Training

An instructor in a lecture hall or classroom typically conducts classroom training. This provides a setting for participants to learn new skills and concepts, and to practice and demonstrate the learned skills. Classroom training provides an opportunity for feedback, questions, and answers. It allows for instructor interaction, group collaboration, classroom exercises, and role-plays. Classroom training is the best mode of training for new members of the corporate sales team.

Benefits of classroom training include the following:

- Increased focus—there are specific training objectives within a finite period of time.
- Increased collaboration from group learning and shared experiences—participants may ask questions or encounter problems that others did not consider.
- Opportunities for role-plays—role-plays teach the corporate sales team how to interact during real scenarios and provide the most realistic experience of the sales process.

Disadvantages of classroom training include the following:

- It is sometimes difficult to address all issues and questions.
- The expense is often high compared to other modes of training.

2. E-learning

In e-learning situations, training is delivered through electronic media. E-learning can be provided through instructor-led virtual sessions, using on-demand content stored in a central repository, or through online forums for collaborative learning. A combination of these can be used by the corporate sales team for self-learning, allowing the team to learn about any skill or topic that requires improvement. In addition, management can direct staff to take training in specific areas as needed. The e-learning method can be used to train new members as well as to reinforce concepts with the existing sales team.

Benefits of e-learning include the following:

- Individuals can undertake training at their convenience.
- Time is not a constraint.
- Individuals can undertake training using their personal devices.
- A classroom is not required.
- An instructor is not mandatory.
- It is cost-effective.

Disadvantages of e-learning include the following:

- Real-time scenarios are difficult to simulate in a virtual environment.
- Greater limitations exist for the deeper explanation of concepts and responses to questions.
- The motivation of individuals to initiate or complete training may vary.

3. Libraries/Repositories

Libraries and repositories of industry reports, sales books, research data, and other texts can be used by the corporate sales team to increase knowledge about the industry and to improve existing sales processes.

4. On-the-Job Training

On-the-job training involves pairing new sales team members with senior sales team members to learn actual sales processes. The training is delivered by observing and coaching the sales team members. This is an effective mode of sales training for companies that have a low sales training budget. It enables new members to experience relevant, real-life situations. On-the-job training is traditionally the most commonly used mode of sales training.

Benefits of on-the-job training include the following:

- Real-time experience of the sales processes occurs.
- An individual adapts to the job quickly.
- There is an opportunity to discuss and learn from senior staff experience.

Disadvantages of on-the-job training include the following:

- The level of motivation to learn varies, depending on the individual.
- It is difficult to assess the knowledge level of an individual.
- Training expertise and styles vary from one senior member to another.

Sales training can be carried out using a combination of the above modes of training based on company requirements. Continuous sales training is recommended for the corporate sales team. Introductory training should be followed by reinforcement training on newly introduced concepts. A continuous training process raises retention and adoption of processes, resulting in better outcomes. In addition, process and skill assessment must be conducted periodically to understand the knowledge and skills of the corporate sales team. Training is only effective if the skills learned are transferred to the actual sales environment. These assessments help determine areas of focus for individual reinforcement activities.

Examples of Sales Training:

- A pharmaceutical company at the forefront of research and development requires a very knowledgeable sales team. In order to accomplish this, the company has developed a comprehensive training program focusing on product knowledge, market knowledge, and sales methodology/framework. All sales reps are required to attend and participate in this rigorous training program which also consists of field coaching and a strong mentoring program to ensure that all learnings in class are applied in the field.
- A marketing automation company recently introduced new integration capabilities with a leading customer relationship management (CRM) tool and has arranged for trainers from the CRM company to provide a series of in-house seminars to its sales staff on the most frequently asked questions of customers regarding the integration. This CRM system not only ensures that the team will adhere to specific processes that the company has established for the sales team, it also enables the team to effectively track and follow-up with existing customers and provides a system for measuring sales performance.

4.1.2.2 Channel Partner Training*

Channel partner training is a key activity in many organizations, but is particularly important in those that employ different types of channel partners. Various channels have different purposes in the value chain, and each channel member must perform the specific task assigned to them to complement the overall corporate goals. Therefore, it becomes very important that each channel partner is provided relevant sales and product training. Such training not only equips the channel partners with the skills required to perform the selling function but also provides them with the necessary confidence to participate in selling processes.

To design an effective training program, the first step is to identify the training objectives. The objectives can vary dramatically depending on the life-cycle stage of the company, its products, and various situations. The primary training objective for the new channel partners is to familiarize them with the product and sales methods. For existing channel members, ongoing sales and product training is required to regularly update the channel partner's sales force on the features and benefits of products and required changes in the sales process. Specific training should also be conducted for new product launches to educate the channel partners about the new product and its features and benefits. New product training also ensures that channel partners treat the new product as a priority. Training can also be provided to support market penetration. In this instance, educating the channel partner about the new market and encouraging the partner to sell in that market become training priorities. Some training also develops specific skills. For example, training can be conducted to develop sales skills, knowledge of competitors' products, and specific business skills.

The next step is to identify the individuals in the channel partner organization who require training. The sales force, customer support team, technical support team, and other sales and marketing professionals in contact with customers are the most obvious candidates. The level of training depends on the knowledge of the channel partner. The training sessions should always be well prepared and rehearsed before presenting to the channel partners. Apart from the field sales people and sales heads, it is also good practice to involve people from other functions to widen the scope of the training. The training can be conducted at a quiet place away from the distractions, preferably outside the channel partner site.

It is important to design the content of the training to suit the needs of the individual training partner. The training solution can be customized depending on the company's goals and the knowledge level of the channel partner. The training can include product knowledge, case studies of other channel partners, testimonials, competitor information, market knowledge, sales, and negotiation skills.

Example of Channel Partner Training:

- A software company enters a partnership with another company to act as a distributor and sales agent for software programs. Training is provided to the partner on the company's pricing strategy. This includes how much flexibility the partner has when quoting prices to win customer contracts, while at the same time ensuring profit margins are maintained for the software company's products.
- Kazman Office Furnishings, providers of workspace solutions, has been selling office furniture and accessories on behalf of a local steel office furniture manufacturer for many years. In order for all parties to benefit, the furniture manufacturer provides ongoing training about their products so that the Kazman sales team members are knowledgeable about their products and are comfortable marketing and selling them to businesses as part of their workplace design solutions.

4.1.2.3 Negotiation Training Program*

Negotiation is the discussion of needs and wants between two parties with the objective of achieving a mutually beneficial outcome. Negotiation is a common skill used by governments, businesses, legal personnel, and individuals in day-to-day life. It is a particularly useful and important skill during various stages of the sales process. Negotiation skills are much like an additional language. People who are unacquainted with the concepts and terminology of negotiation may find it intimidating. With proper training and constant use and practice it can be learned and mastered. Negotiation is a science, the finer aspects of which can be learned and applied over time. Even small improvements in the negotiation skills of an individual can result in substantial gains for themselves and their organization.

Negotiation Strategies

Negotiation can be broken into two types—Distributive Negotiation and Integrative Negotiation.

1. Distributive Negotiation

Also known as positional or hard-bargaining negotiation, this type of negotiation often results in a win-lose scenario. The parties involved in this type of negotiation work toward getting the most out of a fixed value or sum. Therefore, each gain for one party results in a loss for the other. Only one issue is discussed and negotiated in this type of negotiation. Given the nature of this strategy, few negotiations are truly distributive.

Example of Distributive Negotiation:

- In a one-time sales situation where a seller and a buyer do not have a need for a short- or long-term relationship, a win-lose negotiation is likely to occur. The seller wants to make the largest amount of money possible, while the buyer wants to pay the least amount of money possible. In this situation, the more one side gains, the less the other side will gain.

2. Integrative Negotiation

Also known as interest-based or principled negotiation, this type of negotiation is carried out with the objective of achieving a win-win scenario. The deals negotiated with this strategy are meant to create and deliver value for both parties by integrating both parties' interests. Two or more issues are discussed simultaneously in this type of negotiation.

Example of Integrative Negotiation:

- When a seller wishes to conduct ongoing business with a buyer over a short- or long-term period of time, there is likely to be room to negotiate an outcome that is satisfactory to both parties. A win-win or integrative negotiation over price allows a seller to make a profit, while the buyer is willing to come up in price. Both parties get what they need to preserve a positive working relationship for future transactions.

Negotiation Styles[8]

Kenneth W. Thomas identified five styles of responses to negotiation. These five styles are based on the dual-concern model. According to this model, an individual's strategy for dealing with conflict is based on two dimensions:

- a concern for self (assertiveness)
- a concern for others (cooperativeness)

In this model, individuals balance the concern for personal needs and interests with the needs and interests of others. Depending on the individual's preference for the two dimensions, he or she uses one of the following five styles.

- Accommodating—Individuals emphasize personal relationships and consider another party's problems during negotiation.
- Avoiding—Individuals do not enjoy negotiation and try to avoid its confrontational aspects.
- Collaborating—Individuals enjoy problem solving and tend to use creativity to come to a mutual agreement.
- Competing—Individuals enjoy and dominate the negotiation process.
- Compromising—Individuals are eager to close the deal by being fair to all the parties involved.

Important Concepts in Negotiation

A number of key concepts factor into the negotiation process and should be understood by the corporate sales team prior to initiating the negotiation process with prospective customers. These include the following:

- BATNA—Best Alternative to a Negotiated Agreement
- Reservation Price
- ZOPA—Zone of Possible Agreement

1. BATNA (Best Alternative to a Negotiated Agreement)

BATNA is the next best option that a negotiating party has if the current negotiation fails. A negotiating party should not accept any deal that makes them worse off than their BATNA. Each party should know their BATNA before getting entering into any negotiation and should use it as a point of leverage during the discussions. It is also a good strategy to research and find out the BATNA of the other party to gain an upper hand during the discussions. If your BATNA is weak compared to that of the other side, you can either:

[8] Kilmann, R.H. and Thomas, K.W. (1977). "Developing a Forced-Choice Measure of Conflict-Handling Behavior" *Educational and Psychological Measurement,* Vol. 37, No. 2, pages 309-325.

- Improve the BATNA by trying to find alternatives. For example, a manufacturing company can look for alternative suppliers.
- Decrease the BATNA of the other party. For example, if a supplier acquires all of its competitors to establish a monopoly, customers who need the supplier's products cannot source products elsewhere. The BATNA of the customers is therefore reduced, as customers have no alternative but to purchase products from the one supplier.

2. Reservation Price

Reservation price in a negotiation is the lowest price that the seller is ready to provide and the highest price that the buyer is ready to pay. It is the price beyond which the negotiator is willing to walk away from a negotiated agreement.

Example of Reservation Price:

- If the cost of manufacturing a widget is $5, the reservation price of the seller could be $5 (assuming the seller is prepared to sell at no profit). Anything less than this price would not be acceptable to the seller.

3. ZOPA (Zone of Possible Agreement)

ZOPA is the range in which the agreement is possible without causing loss to any of the parties in the negotiation. It is the "bargaining range" within which an agreement can be reached. Each party in a negotiation assesses its own ZOPA and works toward ensuring that the proposed solution is within this range. Both parties should assess each other's goals for negotiation to derive a ZOPA. The derived ZOPA can then be adjusted as the parties learn more about each other.

Example of ZOPA:

- If a manufacturer is willing to sell a part for a minimum of $1,700 and a customer is willing to pay up to $2,000, then the ZOPA for this negotiation is $1,700 to $2,000.

There are five steps to prepare for a negotiation:

i. Consider what would be a good outcome for both parties. Negotiators should determine their own interests and objectives as well as those of the other party. This can be accomplished through research or by having a dialogue with the other party. Once a positive outcome for both parties is established, the focus should be on identifying how the desired value can be created. Areas of common ground, compromise, and opportunities for favorable trade must be understood.

ii. Identify BATNA, Reservation Price, Negotiation Styles, and ZOPA—for both sides. Research must be done to identify all of these to create a strong negotiation strategy.

iii. Determine the authority level of the person with whom you are negotiating. Ideally, the negotiator on one side should have similar authority as the negotiator on the other side. To determine the authority of the negotiator, one must try to understand the decision-making process of the other side.

iv. Learn about the people on the other side before negotiations begin. Negotiating is an interpersonal activity. Experienced negotiators know this and try to learn as much as they can about the people with whom they are negotiating. The experience levels of the negotiators, their negotiation styles, their levels of authority, the cultures of their organizations, and the importance of the deal for their organizations are some of the things that can help during negotiation.

v. Gather external information about factors that will influence decisions and negotiate from a position of strength. Each side wants to achieve a fair and reasonable deal at the end of the negotiation. It is good practice to benchmark industry standards for the negotiation. There are many criteria for fairness and reasonableness.

Example of Negotiation Training:

- An IT company that designs, installs, and maintains servers for large corporations might have a semi-annual series of negotiation role-play sessions for its corporate sales staff. These will simulate the various scenarios the sales staff are likely to encounter. By working in groups, both as buyer and seller, the staff will gain experience in determining the major components to be researched prior to negotiation, including BATNA, reservation price, negotiation styles and ZOPA. They will also have the opportunity to practice listening, adjusting strategies, and capitalizing on opportunities presented during a negotiation. The lessons learned in these sessions can be captured by the group and incorporated into the company's negotiation strategy.

4.1.2.4 Trainers

Trainers are one of the more critical components in sales and negotiation training. Content and the training methodology are important, but the role of the trainer is even more significant. A trainer can mean the difference between a successful training session and an ineffective one. Some of the essential qualities of a sales trainer are as follows:

Experience—Becoming a sales trainer requires formal education in sales, years of experience, and a successful track record. A trainer should have a firm grasp of sales tactics and strategies and the practical experience required to understand their purpose and effectiveness. Most sales trainers have a background in various aspects and types of sales such as business-to-business sales, inside sales, or direct sales. Experienced sales trainers have personally acquired stories, tips, and anecdotes to share and better explain tactics and concepts.

Teaching Skills—As in any form of training, it is important for the trainer to be adept in the art of teaching. A sales trainer must be extroverted, well spoken, diligent, and effective at explaining concepts. Trainers should also have mastery of the content they are delivering. Delivery is one the more important facets of any sales training and requires a lot of preparation. The trainer should learn and practice the content until it is perfected. The training solution should be designed to fulfill the needs of all of the stakeholders and should include a measurement process to monitor and improve the learning process. A trainer should also be capable of managing group involvement in experiential learning methods, such as brainstorming, role-plays, case studies, games, and group discussions.

Energy and Patience—Training sessions can run for hours, days, or even months. The trainer should be energetic and provide momentum and enthusiasm throughout the training. Trainers should be humble, patient, and empathic toward learners. Sales concepts and techniques require a lot of practice to master. The trainer needs to create an environment that supports learning.

Example of Trainers:

- GLC Technologies decides to shift its sales strategy away from catalog- and web-based selling, placing a higher priority on corporate sales initiatives. Senior management decides to double the size of the sales team and implement an extensive training program to train new staff, and reinforce key messages and strategies for the existing sales personnel. The director of sales provides the onboarding training to the new members, given her understanding of the business, its products, and the industry, and product specialists are introduced at various points during the onboarding process to educate the team on the product features and the sales value proposition. For the sales and negotiation training the company chooses an external trainer with sales and negotiation expertise in the industry. The sales training consultant is contracted to provide a five-day sales training designed to prepare the new team members for their new role and provide a refresher for existing sales personnel. The training program results in a strong, knowledgeable sales team equipped to communicate the sales value proposition and negotiate sales for the business, supporting the new strategy to increase sales through corporate accounts.

4.1.2.5 CRM System

Customer relationship management (CRM) systems are the information systems used to record and monitor sales processes. In today's competitive business environment, it is important to keep pace with technological advancements. Most sales organizations use a customer relationship management system. It is essential for the corporate sales team to be trained and proficient with such systems.

A typical CRM system contains a contact management system, a sales lead tracking system, sales forecasting, order management, and product information. The contact management system records the profiles of all of all customers, complete with contact details and the history of previous contacts made with a given customer. The contact management system is necessary to avoid loss of information about client communications. It also ensures that multiple sales staff can refer to information about specific clients.

CRMs must integrate different functions in the company to ensure that all the departments have access to the information and communication history of the customers. Advanced systems not only store client records but also include advanced features. Such features may include alerts to take certain actions, such as following up at appropriate times; analytical tools, to track and measure sales performance; mobile access; and integration with e-mail software. These features increase the efficiency and effectiveness of the sales staff. Other features like prioritization are common in such systems, providing the ability to support the team in focusing on high-gain activities and effectively managing time, for example, by prioritizing leads based on importance.

Examples of CRM System:

- An international, executive training company may have a cloud based CRM. This will allow sales reps in any location to access and update the platform with information regarding deals in progress, accounts acquired, and contact information. The head office will also be able to keep the sales team informed of leads, changes, and other information vital to their success.
- A food and beverage wholesale company uses its CRM to track the progression of leads through various stages of the sales process from initial contact to RFP (request for proposal) to deal negotiation. It also uses the CRM to track marketing return on investment by associating the origin of each lead to a sales or marketing activity (e.g., conference, e-mail blast, cold call, etc.).
- A business machine supplier uses CRM to plan marketing efforts around the purchasing patterns of its customers. This allows the supplier to predict when specific customers are most likely to do their purchasing, such as during different seasons or budget cycles, Using this information, the supplier can then build an advertising and promotion campaign to target specific customers at specific times of the year.

4.1.3 Outputs

4.1.3.1 Trained Corporate Sales Team*

A trained corporate sales team is one of the most critical ingredients for sales success. In today's competitive business environment, a strong sales team can provide a considerable edge over competitors. The skill and proficiency of the sales team is a key factor in influencing the buying decisions of clients. Once trained in sales and negotiation skills, the team can approach the sales process with the confidence and skills necessary to succeed. Sales and negotiation training hones key sales skills, such as overall communication skills, administrative skills, knowledge of sales methodology, and negotiation skills. The better trained the corporate sales team, the better they perform.

Examples of Trained Corporate Sales Team:

- JB & Associates has an extensive training program comprising a 4-week onboarding session, including on-the-job mentoring and annual sales refreshers because they know that they benefit from having a strong sales team. Some benefits include revenue growth; knowledgeable sales personnel; a good understanding of customer buying behavior, cross-selling strategies, and up-selling techniques, and a motivated sales team that recognizes the investment that the business is contributing toward their success.

4.1.3.2 Training Processes and Documentation

Training processes and documentation is an output of activities associated with sales and negotiation training. This documentation is necessary to ensure that new or modified procedures are captured and communicated. The established training processes are improved with each iteration of training. Lessons are learned every time a new group within the corporate sales team is trained. These lessons need to be documented and acted upon to fine-tune the corporate sales training process. Documentation of the training process is essential so that subsequent training can run smoothly and so that the business can improve both the sales efforts and the training program based on lessons learned from each training experience.

Examples of Training Processes and Documentation:

- Waterford Shipping has an established training process for its sales staff. The office in Sydney recently conducted training sessions and found that the majority of its sales team was not using the CRM effectively. New processes and training were put into place to resolve the issue. If this information is properly captured and documented it can be used by other offices to ensure that this potential problem is addressed within their sales departments as well.
- A national hotel chain operator decides to create a corporate travel advisory board to solicit feedback from local businesses on how to improve service levels provided to corporate travel departments. The hotel chain sales team can then use this feedback to update employee training programs to better support key business accounts.
- ZiZi Inc., a manufacturer of computers, had an extensive training program for its sales reps, but the program was lacking follow-up with the sales team after classes, so key learnings in the class were not being applied in the field. In order to address this issue, a new sales process was created, documented, and implemented requiring all managers to create a sixty-day action plan for each of their sales reps who had attended training. Among the requirements for the action plan was a follow-up session to gain an understanding of the extent to which the in-class learnings were being applied in the field as well as a plan documenting how any gaps would be addressed using additional support, including on-the-job training with mentors.

4.2 Product Training

The corporate sales team's knowledge of the product or service is an important element of the overall training process. By undergoing product training, the corporate sales team becomes equipped to address technical concerns of the customer, better communicate the sales value proposition, assess customer needs, and answer questions. Product training transforms the corporate sales team from being sales representatives of the company to becoming solution providers or consultants for the customer.

Product training is required for new members as well as existing members of the corporate sales team. For the new members, product training is an introductory session that helps them become familiar with the products. For existing members, product training is required to reinforce knowledge, introduce new products and product features, communicate changes in usage patterns of customers, and communicate new benefits that add to the sales value proposition.

Figure 4-3 shows the inputs, tools, and outputs for the *Product Training* process.

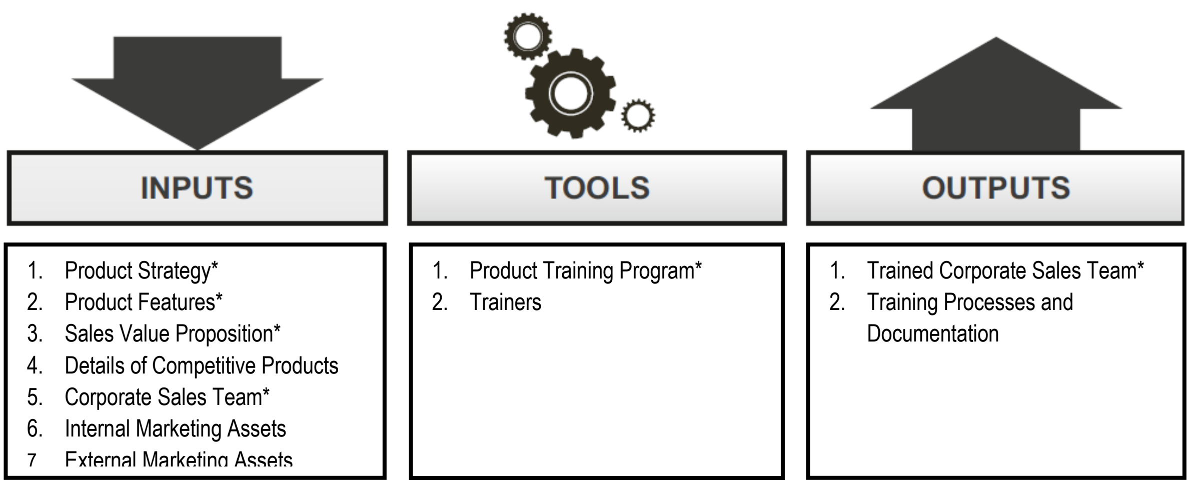

Figure 4-3: Product Training—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

4.2.1 Inputs

4.2.1.1 Product Strategy*

Product Strategy defines the products or services the company currently offers or may want to offer, and the research and development efforts invested or required in making the products or services available to the end customer. Product Strategy is one of the primary inputs for conducting product training. It gives insight to the corporate sales team regarding the company's product development and the customer needs or requirements that the company aims to satisfy.

4.2.1.2 Product Features*

Product features are an output of the *Create Differentiated Positioning* process in the *SMstudy® Guide*—Book 1, Marketing Strategy (section 3.3). Product features include features that a product must have in order to be identified as part of a product category, as well as those that it possesses in order to differentiate itself from the competition. By having a comprehensive understanding of the product features, the corporate sales team will understand the fit between the customer need and the product. An understanding of product features is a mandatory requirement for the corporate sales team.

Examples of Product Features:

- SecurTec installs security, monitoring, and alarm systems for office buildings and industrial complexes. They have been in the industry for many years and have an established product strategy of always being at the leading edge of technology. The corporate sales team at SecurTec will need in-depth knowledge of the features of each component and service they offer. Their video monitoring devices may feature the ability to view security camera footage remotely, manipulate the angle and zoom on any mounted camera, and download and playback recordings from the last six months. Knowledge of these features will help the team to differentiate their systems from those of their competitors.

  As well, SecurTec offers a wide range of products and a variety service packages that are tailored to suit their customer needs. From a customer standpoint, the flexibility of the offerings is a significant feature, particularly for those customers that already have some security in place. For the sales team, this flexibility means they are able to work with customers that are seeking a full security system in a new property as well as those who are looking for a retrofitted solution where a security system can be integrated with older systems and technology. It is therefore important for the sales team to understand both the technical features of the product offering as well as the benefits that are of greatest interest to potential customers in order to be successful in the sales role.

4.2.1.3 Sales Value Proposition*

The Sales Value Proposition is an output of the *Understand Sales Value Proposition* process described in section 2.1. The sales value proposition clearly communicates how a company's offering can enable the customer to achieve desired results, thus helping decision makers in making faster and better buying decisions. It determines how the product can be best positioned by the sales team in the market to demonstrate how the product meets customer needs in a way that stands out from other similar products in the market. The sales value proposition conveys the following:

- a thorough description of product features
- an explanation of the product benefits for the selected target segment
- a projected business outcome for the selected target segment

An understanding of the sales value proposition is tremendously important during the sales process because it helps the corporate sales team to overcome initial objections from decision makers by conveying measurable business outcomes.

Example of Sales Value Proposition:

- For a business like SecurTec, where their products and services are relatively expensive, the sales staff will need to inform potential customers of the long-term benefits and cost savings from using their systems. Their value proposition is based on lower operational costs due to a decreased need for physical security guards and quantifiable savings from theft and vandalism prevention.

4.2.1.4 Details of Competitive Products

Details of Competitive Products is an output of the *Identify Competition* process in the *SMstudy® Guide*—Book 1, Marketing Strategy (section 3.1). Product details include the performance of competitive products and services on selected criteria, as well as their positioning statements, pricing, and sales volume. This input provides a basis for comparison of existing products or services. It also helps set a benchmark for any new products or services offered in the same segment. An analysis of the competitors' product features can bring out the key success factors associated with such products as well as reveal drawbacks. While communicating to leads or customers during the sales process, it is important for the corporate sales team to have a comprehensive understanding of the relevant competitive offerings.

4.2.1.5 Corporate Sales Team*

The corporate sales team is composed of individuals with a background in sales and marketing of similar products, with an aptitude to sell. Sales teams should be provided with sufficiently attractive incentives to motivate them to perform.

The firm needs to ensure that it has the best team available within applicable constraints such as salaries, incentive structures, and available talent pool. The team members bring their experience, insight, and understanding of a company's values to the sales process, and ensuring alignment of the corporate sales team members with these elements contributes to the overall success of corporate sales efforts. Often strong members of the team support new members, and peer learning and mentorship can prove to be as important as learning from an instructor. Senior management should identify strengths among the team and maximize their contribution in order to establish an effective corporate sales team that is collaborative, supportive, and successful.

Example of Corporate Sales Team:

- BGG Inc. is a well-established IT company with a sales team comprising seasoned staff and new personnel. Their corporate sales team is successful because they work in cooperation—not in competition. Training, mentoring, and incentive programs are aligned with the corporate culture which supports a cooperative environment, and staff are rewarded for both individual and team achievements. A company such as BGG Inc., with many years of experience in the industry, has a competitive advantage when the existing sales team can and is encouraged to provide insight and knowledge to newer staff for the betterment of the organization.

4.2.1.6 Internal Marketing Assets

Internal marketing assets are an output of the *Create Marketing Assets* process described in section 3.3. These marketing tools are used to build the knowledge base among sales personnel and stakeholders of the company. During the creation of marketing assets, many ideas are discussed and much information is shared that can be used by all customer-facing personnel. Documenting information and insights about products in the form of internal marketing assets and sharing these materials internally ensures consistency of messaging across the team and enables the sales personnel to be informed of the key features and benefits of products. Internal marketing assets may range from posters or banners to videos and presentations that are displayed in various places within a company's premises or used in presentations during internal corporate events, such as staff meetings or periodic training and knowledge-sharing sessions. Internal marketing assets may be created by R&D teams within the company to facilitate sharing of technical knowledge and product information. Such assets are frequently shared with the corporate sales team so that they can develop a better understanding of the product and its features.

Example of Internal Marketing Assets:

- Product spec sheets, FAQs and competitive overview documents are available to the corporate sales team at Higgins Inc, a pharmaceutical manufacturer, so they can be prepared to speak with clients. All of these assets are stored on an asset management system called PRO. This system is Internet based and can be accessed by the sales reps 24/7 from any location.
- A surgical equipment company decided to develop a video on the proper use of a new surgical tool during open heart surgery. This video was also used internally as a training video for the company's sales representatives. Gaining this information from the video allowed the sales representatives to speak more knowledgeably to hospital purchasing groups about the costs and benefits of using the new equipment.

4.2.1.7 External Marketing Assets

External marketing assets include all assets created for the target segment, existing customers, and leads. These include presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, and product images. External marketing assets are frequently used for training the corporate sales team. Repositories of external marketing assets are generally available as online or offline material within the company. The corporate sales team can use external marketing assets to develop an understanding of the company's various offerings, product features, and the sales value proposition.

Example of External Marketing Assets:

- The corporate sales team members at Brock Inc. have access to all relevant brochures, presentations, marketing presentations, and individual product feature sheets. They need thorough knowledge of these materials prior to presenting them to any prospective customers and often leave such materials behind with clients who are still in the decision-making stage. These materials can be shared with other stakeholders in the organization to help move the client toward a final purchase decision.

4.2.2 Tools

4.2.2.1 Product Training Program*

Product training program should impart an in-depth knowledge of the product or service being offered to the sales team. As a general rule, product training ensures that the sales team understands:

- the features and functionalities of the product
- the customer's use of the product
- competitors' products and their similarities and differences
- how the product actually achieves the promised sales value proposition
- industry trends (related to product use)
- additional offerings

1. The features and functionality of the product

The features of the product are captured in detail in the input Product Features. When product features are presented to sales personnel, it is important to focus on how the features will benefit the customer. The sales team will need to be instructed on the intent and use of each feature. They may require practice using the product or demonstrations of its functionality. The corporate sales staff should have a level of familiarity with the product that enables them to explain the value of each feature, display the product's ease of use, and answer any questions the customer might have about the features.

2. The customer's use of the product

The way in which the customer uses the product, or integrates it into their existing system, is a key area that the corporate sales staff must understand. The ability to view the product's purchase and implementation from the customer's point of view greatly helps the sales staff to communicate with the customer, as it demonstrates knowledge of the customer's needs. Descriptions of customer use and integration may be captured as part of the product strategy, the product features, and the sales value proposition.

3. Competitor's products and their similarities and differences.

The corporate sales staff needs to be trained on the specifics of any competitor's products. Knowledge of similar products will help the sales staff focus on areas in which their product is superior, and anticipate customer questions.

4. How the product actually achieves the promised sales value proposition.

Being able to effectively communicate how the sales value proposition is applicable to a specific customer or target audience is a key component of corporate sales. The sales team will need training on the sales value proposition, which areas are of interest to which companies, and the quantifiable results of using the product.

5. Industry trends (related to product use)

Industry trends related to product use help the corporate sales team understand the usage patterns of customers over time. This can also help determine future buying trends. Knowledge of industry trends needs to be updated regularly. The corporate sales team must have access to market research reports to stay updated on current trends.

6. Additional offerings

Additional offerings refer to any incentive programs, sales commissions, and gifts for customers. The corporate sales team must know the company policy related to additional offerings when meeting with and presenting information to customers. Many buyers in large organizations are prohibited from accepting gifts or commissions from sellers. The seller can offer "value-adds" as part of the contract. This avoids the appearance of impropriety because it provides the incentives to the buying organization rather than to any one individual.

Examples of Additional Offerings:

- A supplier might offer free training to a company as a value-added service to support the introduction of a new product.
- An extended warranty can be offered at a reduced rate to entice customers to buy a new product.
- Free tickets to a sporting event or entertainment venue may be perceived by some companies as an inappropriate incentive because this would not be associated with a supplier's products or services.

Modes of Product Training

Product Training can be imparted through the following means:

- Classroom Training
- E-learning
- Libraries/Repositories

Classroom training and instructor-led e-learning are more effective for introductory training because the trainee may require explanation or additional support in order to understand the product features, which may be technical in nature. The individual may also have questions and concerns that can be answered immediately by an instructor. The above modes of training have been discussed in detail in section 4.2.2.1.

Example of Product Training:

- An ad agency that recently hired five new staff members has made it a priority to have these new employees participate in an onboarding training session that will cover an in-depth overview of the company as well as the products and services that are offered. It's important for the new employees to be knowledgeable and prepared to speak with customers about the product and service offerings and answer questions as they arise.

4.2.2.2 Trainers

Trainers are one of the most significant contributors to the success of a training program. Often product training is most effective when conducted by in-house product specialists or research and development personnel, as such individuals can offer expertise in the technical elements of the product that sales personnel can use during the selling process. It is important for sales personnel to understand the key elements and functionality of products, and to understand these components from the standpoint of the customer in order to best communicate the product features and the sales value proposition to customers. Strong trainers will have a good understanding of the product features and benefits as well as teaching skills, energy, and patience, in order to be effective in their role. Additional details regarding trainers and the characteristics of effective trainers can be found in section 4.1.2.4.

Example of Trainers:

- A developer of clinical assessment equipment employs a large staff of research and development personnel who are responsible for both developing quality assessment tools and training internal staff on their use. Senior members of the research team provide extensive training sessions to the corporate sales team and work with the marketing team to build internal and external marketing assets that will assist the corporate sales team in their sales role. In addition, given their knowledge of the industry, the research team provides periodic lunch and learns for the sales team in order to keep the team current regarding ongoing research relevant to the industry.
- An organization that sells heavy equipment to construction companies needs to provide expert training on how to operate the machinery it sells. In addition to product knowledge, trainers need actual experience operating the machinery to establish credibility with trainees. Trainers also need to be able to communicate complex tasks simply and know when further coaching and support is needed, based on the competency levels of each trainee.

4.2.3 Outputs

4.2.3.1 Trained Corporate Sales Team*

A trained corporate sales team is one of the most critical ingredients for sales success. A strong sales team can provide a significant edge over competitors. The knowledge and proficiency of the sales team about the company's offerings is a key factor in influencing the buying decisions of clients. It is essential for the corporate sales team to understand the various features of the product before communicating with the lead or customer. In every instance of the sales process, the communication generally starts with an exchange of product-related information. Product knowledge is therefore vital for the corporate sales team when communicating with customers and addressing questions.

Example of Trained Corporate Sales Team:

- Irrigation Systems Inc. sells irrigation equipment to commercial properties. The company has recently experienced declining sales because it is losing market share to a competitor. Senior management turns to the sales team for their insights on customer objections, and discovers that often customers are simply not well enough informed on what differentiates Irrigation Systems' products from those of its competitors. Based on this feedback, the company decides to train its sales team on how to better explain the features, benefits, and advantages of its irrigation systems relative to competitors' products and works with the marketing team to build stronger marketing assets that reinforce key marketing messages.

4.2.3.2 Training Processes and Documentation

Training processes and documentation is an output of product training. As new products are introduced into the portfolio, new training sessions are introduced, each providing new learnings for the team. Sales personnel can bring valuable insights from their discussions with clients, providing additional sharing opportunities and information from which all members of the sales team can benefit. Customer feedback and points of pain should be documented and incorporated into future training to ensure that the knowledge base within the company grows and that all customer-facing personnel are equipped to handle customer inquiries and provide solutions.

Example of Training Processes and Documentation:

- A negative response from customers to previous sales presentations may be the result of any number of customer objections including price, after-sales service, or dissatisfaction with current product offerings. Product training curriculum needs to be continuously updated to capture these types of customer objections because sharing this knowledge will allow the team to better manage objections in the future to close more sales.
- JBS Inc. has a step-by-step sales training process and procedure that has been documented and agreed up to ensure business continuity, clarity, and compliance within the organization. In-house product specialists conduct training on all new product launches to ensure that all corporate sales staff are informed of the features and benefits of the product, and periodic follow-up sessions are organized to discuss customer feedback and specific concerns. Features and benefits sheets are distributed to all customer-facing staff including corporate sales staff, in-house sales support, and technical support representatives. These marketing assets are updated after each training session to ensure all staff are apprised of the selling features and the insights that can help overcome objections and generate sales.

5. SALES PROCESS–PROSPECTING

The first step in the sales process is prospecting. Prospecting focuses on the market segment that is most likely to yield the highest number of customers and results in the acquisition of leads that match a defined profile.

Prospecting begins with the *Profile Target Customers and Decision Makers* process. The outputs of this process are used in the *Lead Generation and Qualification* process. Lead generation objectives are created and appropriate tools are selected to reach these objectives. The profiled criteria and benchmarks are also used to generate better leads.

Figure 5-1 provides an overview of the processes associated with this chapter. These are as follows:

5.1 Profile Target Customers and Decision Makers—In this process, the sales team identifies and benchmarks profiling criteria for prospects and decision makers.

5.2 Lead Generation and Qualification—In this process, the sales team assesses the prospects to identify if they are interested in the company's products or services.

5.1 Profile Target Customers and Decision Makers

INPUTS
1. Industry Reports
2. Selected Target Segments*
3. Sales Value Proposition
4. Corporate Sales Team
5. Existing Customer Database
6. Acquired Customers
7. Senior Management Direction and Insights*

TOOLS
1. Meetings and Discussions
2. Profiling*

OUTPUTS
1. Profiled Target Segment*
2. Profiled Decision Makers*

5.2 Lead Generation and Qualification

INPUTS
1. Profiled Target Segments*
2. Profiled Decision Makers*
3. External Marketing Assets
4. Senior Management Direction and Insights*
5. Corporate Sales Team
6. Sales Value Proposition
7. Existing Marketing Research Reports

TOOLS
1. Digital Marketing
2. Cold Calling
3. Referrals
4. Trade Shows
5. Lead Qualification*
6. CRM System

OUTPUTS
1. Qualified Leads*
2. Leads Assessment and Updates

Figure 5-1: Sales Process – Prospecting Overview

5.1 Profile Target Customers and Decision Makers

In the *Profile Target Customers and Decision Makers* process, the sales team identifies the characteristics of ideal customers. These characteristics are then converted to benchmarks in the profiling criteria. Because they represent the best customers for the company, those prospects from the selected target segment whose profiles satisfy the benchmarks are given a higher preference during the lead generation and qualification process. The data generated while profiling can also be used in the processes that follow lead generation and qualification such as needs assessment, negotiation, and closure.

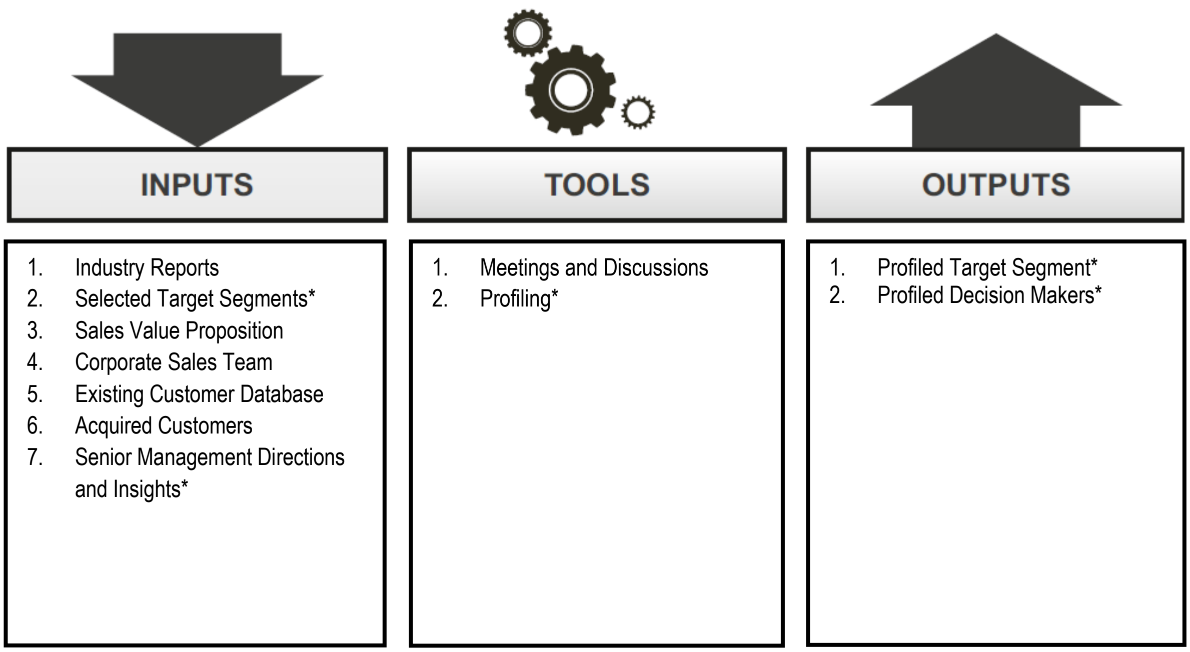

Figure 5-2: Profile Target Customers and Decision Makers—Inputs, Tools, and Outputs

5.1.1 Inputs

5.1.1.1 Industry Reports

Industry reports are specific to a company's industry and may contain current industry trends, potential difficulties, legal and regulatory norms, and future developments. Industry reports may also provide information about market leaders in a particular industry. They may provide insights into the strategy pursued by specific market leaders as well as the details of market leaders' revenue and sales results. They may also contain specific data about a target segment that can be used for profiling.

5.1.1.2 Selected Target Segments*

A selected target segment defines the market segment that the company intends to target. It contains information such as the specific requirements, differentiating characteristics, and growth rate related to the target segment that makes the segment attractive for the company. By understanding the selected target segment, the process of profiling becomes more focused.

Examples of Selected Target Segments:

- A landscaping company may have determined that residential developers are the most appropriate segment for them to target within the overall construction market. This decision is based on the fact that contracts with residential developers include multiple homes. By focusing on this segment the landscaping company hopes to gain a greater volume of total business than that which would be gained by focusing on commercial developments, which often have the need for only a single area of landscaping in each development.
- A software vendor has developed a new program that will simplify accounting practices in small businesses. The vendor identifies solely owned businesses with annual sales of less than one million dollars as a primary target segment for the new software. Once identified by geographical location, the software vendor can then identify targets for its sales force to call upon in each assigned territory.

5.1.1.3 Sales Value Proposition

A sales value proposition communicates clearly how a company's offering can help a customer achieve better results or desirable benefits. It presents measurable business outcomes to help decision makers make buying decisions about the company's products and services. The sales value proposition is an important input that helps in identifying profiling criteria and benchmarks. Ideal customers are chosen based on projected satisfaction levels and the measurable results they are likely to achieve using a company's products or services.

Example of Sales Value Proposition:

- A marketing software company wants to offer an e-mail advertising program that will allow small businesses to compete with companies with large advertising budgets. The marketing company develops a website to introduce its advertising software with the following sales value proposition: "Leading designers and companies are using e-mail campaigns to manage and attract qualified customer leads to their business. We can help your business, regardless of size, to conduct impactful e-mail campaigns to attract, monitor and analyze new customer leads for as little as fifteen dollars a month."

5.1.1.4 Corporate Sales Team

The corporate sales team includes both experienced as well as new members of the corporate sales team who have undergone training in sales, products, and negotiation. They are directly involved in the process of profiling. Based on their experience in the sales process and customer insights, the corporate sales team can also help to identify the profiling criteria.

> *Examples of Corporate Sales Team:*
>
> - A manufacturer of artificial turf for residential clients has a very talented corporate sales team consisting of individuals with a sales and marketing background. These professionals have participated in the company's extensive training program and are motivated to perform due to the attractive compensation package that is in place to incentivize and motivate all participants.
> - Sleep Inn a national hotel chain relies on corporate sales for relationship building and consultative selling. The corporate sales team works in conjunction with their telesales team to sell it's services to corporations and local businesses.

5.1.1.5 Existing Customer Database

The existing customer database houses a complete list of past and current customers of the company. The database categorizes parameters such as revenue generated, satisfaction levels, and alignment with product strategy. Customers that score high on these parameters are selected as ideal customers. Characteristics of ideal customers are then used to benchmark profiling criteria.

> *Examples of Customer Database:*
>
> - PowerGen Refrigeration manufactures large scale cooling rooms. They have a current customer list including national grocery store chains and florists. They may compare prospects to current clients based on benchmarks of annual franchise/outlet growth and revenues of their existing customers.
> - MT Inc., an IT consulting firm, uses their database and customer relationship management system (CRM), which holds valuable information about their customers, to help them understand their customers' needs. They are able to look at many data sets, including purchasing history, trends, seasonality, and revenue by customer type, to help in their profiling efforts.

5.1.1.6 Acquired Customers

Acquired Customers refer to customers that the company has recently acquired. Details about acquired customers can be used to identify the type of profiles to be prioritized. By analyzing details such as company size, geographic location, and product portfolio, the specific characteristics of ideal customers can be identified. Since markets can experience significant change, it is important to closely examine recently acquired customers for changes in specific needs and to determine the specific product benefits that appeal to the ideal customer segment. This analysis involves comparing the profiles of existing customers against the profiling criteria.

Example of Acquired Customers:

- AMS, a marketing firm, developed a plan for reaching their target customers—small to medium sized businesses looking to expand their customer reach through digital media. They started with an understanding of the specific services the segment is interested in and then reached out to them informing them about AMS and the value added their business can provide. Numerous purchases were made, making these new clients AMS's "acquired customers" for profiling purposes. The new clients were compared with the profile to assess the validity of the current target segment profile and the assumptions that AMS had made. AMS then encouraged the newly acquired customers to 'Like' AMS, share their success stores, or 'Tweet' about AMS and their experiences using AMS's services for expanding customer reach through digital marketing, exposing the company's existing clients and social media followers to the updates and newsfeeds.

5.1.1.7 Senior Management Direction and Insights*

Since senior managers regularly interact with the account management teams, as well as with the sales and marketing teams, they have a comprehensive view of the characteristics of customers who can be classified as ideal customers. Based on their understanding of the sales process, senior management can also provide insights on profiling criteria and benchmarks that need to be set for the profiling criteria.

5.1.2 Tools

5.1.2.1 Meetings and Discussions

Meetings and discussions are held between the corporate sales team and the account management and product teams to identify the profiling criteria and the desirable customer profiles. Since the account management and product teams are in direct contact with customers after the sales process, they can provide feedback on the profiles of ideal customers. Meetings and discussions are also held to discuss product strategy in order to understand if any changes in the product strategy can affect the profiling criteria or the profiles that need to be targeted.

5.1.2.2 Profiling*

Profiling is the process of categorizing the prospects that fall into a selected target segment. It is also necessary to profile the decision makers in these companies. The main objective of profiling is to identify the characteristics of ideal customers and use them to target the best prospects. The ideal characteristics become benchmarks in the profiling criteria.

By undertaking the process of profiling it is possible to achieve the following:

- Identify high revenue customers
- Identify customers who have potential for high growth
- Identify past customers who have not contributed to the current product
- Identify and benchmark the profiling criteria
- Add focus to the process of prospecting

Profiling is not only important for prospecting but also for post-sales and account management. It helps in prioritizing accounts and guides the account management teams in deciding which accounts to focus on. Once profiled, the data can also be used for the processes of lead generation, lead qualification, needs assessment, negotiation, and closure. The corporate sales team can use this information to better understand how the decision-making process works for a given prospect. The corporate sales team can also use this information to prioritize their work based on the outputs from profiling.

Identification of Profiling Criteria

While the profiling criteria may be similar in different companies, the ideal profile that companies target will differ based on each company's corporate strategy.

Some of the commonly used profiling criteria are as follows:

1. Industry

2. Type of company
3. Size of company
4. Financial factors
5. Operating geography
6. Product strategy
7. Organizational structure
8. Profile of decision makers

1. Industry

The industry in which a prospect operates is an important criterion for profiling. Different industries have their own potential based on various factors such as consumer trends, technology, government regulations, and potential for growth. Each industry also has its own set of laws, regulations, and norms.

Examples of Using Industry as a Profiling Criterion:

- If new government regulations require all commercial vehicles carrying hazardous material to install GPS in their transport vehicles, this new requirement presents a sales opportunity for a company that provides GPS tracking solutions. In such a scenario, the company can target prospects operating in the business of transporting hazardous materials such as petroleum and chemical processors.
- A new creative agency was founded by former entertainment and media executives. They have made key hires in these industries, as well as in the areas of CPG. Therefore, they are specializing in these areas where they have the most expertise and can provide the most value. They will profile target clients in only these industries.

2. Type of Company

Type of company can refer to the type of ownership of the company: sole proprietorship, partnership, privately owned corporation, publicly traded company, or government owned organization. Companies may prefer not to target all of these types of organizations for their goods or services. Targeting certain company types can help focus the sales team on those organizations most likely to purchase, and therefore prevent their time from being diverted to companies that they are less likely to convert.

Examples of Using Type of Company as a Profiling Criterion:

- If a supplier or vendor wants to target customers who can make quick purchasing decisions, sole proprietorships would be a better choice than government-owned enterprises. In government-owned enterprises, the purchase decision typically must go through several rounds of review.
- Well-established private companies and government-owned companies usually demand a period of credit before payment is made. This can have an effect on supplier or vendor cash flow, impacting the ability to operate the business. If quick payment for goods and services is needed, vendors need to consider what type of companies can meet this need.
- In some countries, government enterprises are encouraged to purchase from small businesses to promote entrepreneurship. Small businesses therefore may have a better chance of acquiring a government contract than a larger organization. Thus, targeting and profiling government enterprises is a focus for such businesses.

3. Size of Company

The number of employees, the number of offices or manufacturing facilities, and the total value of a company are factors often used in profiling. Companies generally prefer to have associations with large-sized customers given the relatively high scale of transactions and revenue generated. As well, a testimonial from a top-level decision maker of a well-known large company can act as a future lead generator. However, large companies tend to have a strict qualification process prior to making purchasing decisions, which can be a barrier to a sale.

Example of Using Size of Company as a Profiling Criterion:

- An IT solutions company providing accounting software may target small to mid-sized companies in its sales efforts as these companies do not require a solution as complex as a large organization would require.

4. Financial Factors

Financial factors such as revenue, profitability, growth rate, sales volume, funding, and overall financial strength are considered in the profiling process. The financial strength of a company is generally linked to its buying patterns and payment processes. Financial trends regarding actual spending levels or budgets for spending also serve as good profiling indicators.

Examples of Using Financial Factors as a Profiling Criterion:

- A media buying agency tries to identify retail businesses that have recently had a good sales performance and are trying to maintain or improve its share in the market. Such businesses need to increase its budget towards advertising so as to maintain their relative position in the market and are therefore targeted by the media buying agency.
- A drilling service provider targeting exploration companies can review the following in profiling target customers:
  - the company's drilling activity and resources recovered per well over the last five years
  - land sale cost expended over that time period
  - the financial statements available in the company's annual reports, including share prices and capital reserves

5. Operating Geography

The locations in which prospects operate can be used as a profiling criterion. For example, if a vendor or supplier has had previous sales success in certain regions of a country, there would be a preference to target prospects in those regions for additional products or services. Such targeting can be done at regional, country or state/provincial levels. Other factors that impact profiling by geography include laws and regulations, culture, and language.

Examples of Using Operating Geography as a Profiling Criterion:

- The popularity of spicy food in some markets requires food wholesalers to target specific restaurants and grocery stores, often in specific geographical areas, with food selections that will appeal to these types of consumer tastes.
- Seafood is sold more heavily along coastal areas, where the supply is fresh all year.
- A company that provides wind and solar power services will investigate the safety and regulatory regulations of a region before attempting to win contracts in that geography. They will also look into government grants available for energy efficient improvements, weather patterns of the region, and the competing energy industries in the area.

6. Product Strategy

During the process of profiling, it is important to understand the product strategy of the prospect. If the prospect's product strategy is complementary to the company's product strategy, the prospect can be flagged as a high potential opportunity.

Example of Using Product Strategy as a Profiling Criterion:

- An inexpensive and less sophisticated CRM system would appeal to small companies that typically have small budgets. For this reason, a data management software company that offers a basic, less costly CRM system will likely target small businesses for its software.

7. Organizational Structure

The organizational structure of a prospect is usually linked to the decision-making process. The less bureaucratic an organizational structure, the quicker the decisions are made. It is therefore beneficial to understand the organizational structure of the purchase or vendor management teams in an organization. This can help reduce time by allowing vendors to connect more quickly with the correct decision makers.

Examples of Using Organizational Structure as a Profiling Criterion:

- A company that sells commercial ovens to restaurants will probably deal directly with the business owner in a small, independently owned restaurant. While the owner may consult with employees in the company, the owner can make the final buying decision quite quickly. In a larger organization, a corporate buyer may represent the interests of a large restaurant chain and will make buying recommendations to head office management to meet the needs of franchise owners at multiple sites. This process will likely be significantly more time consuming than with the small restaurant owner, based on the organizational structure.
- A consulting firm may decide that smaller to medium sized company's operate with a smaller chain of command, fewer managers involved in the decision making process, and a greater need for outside support. Their profile of the appropriate organizational structure may be privately owned companies, without a board of directors or procurement department.
- A construction company might focus solely on government contracts due to their knowledge of the specific RFP process, the large capital expenditures, and the reliability of payment.

8. Profile of Decision Maker

The profile of the decision maker takes into account the position and the position's associated responsibilities within a company. Corporate sales teams also look at factors such as the previous positions and buying behaviors of decision makers. Such information can be obtained through the corporate sales team's professional network, as well as from social media platforms such as LinkedIn. There are four key questions typically asked by buyers:

- Does the product solve a problem?
- How effective is it?
- Is the cost of the product justifiable?
- Will it yield a good ROI?

It is important while profiling decision makers to understand who would make the decisions based on these four factors.

Examples of Using the Profile of a Decision Maker as a Profiling Criterion:

- There may be a team of corporate buyers in a large organization that make buying decisions. A supplier of office equipment will benefit from knowing which of these buyers has prior involvement in making office equipment decisions in their organization. These are the buyers who have knowledge of pricing, features, and benefits of competing brands, and who are in the best position to make ROI decisions when making new office equipment purchasing decisions.
- An HR software provider is looking to increase sales of its new software solution for large manufacturing companies. They need to understand not only who the decision maker is but their needs and familiarity with similar software. They may target decision makers who have used their software in previous organizations or who they know have prior experience implementing significant IT changes within an organization and making relatively large scale purchases. Such experience can reduce many barriers in the conversion process.

Identifying the Desired Profiles

After the profiling criteria have been identified, it is important to benchmark each of the criteria to create a desired prospect profile and decide the most favorable profiles to target. The desired profile becomes a reference for the corporate sales team while pursuing prospects to generate and qualify leads. The desired prospect profile is different for different products. Therefore, the process of identifying the desired prospect profile must be carried out for each product.

Prior to profiling, it is important to have a source from which a list of prospects can be generated. Once the list of prospects is generated, it can be profiled. Some techniques and tools generate profiling information, while others are only used to generate a list of prospects. To generate a list of prospects, it is necessary to have an idea of the selected target segment. The following tools can be used for this process:

- Social Media
- Databases

Social Media

Social media platforms can be used to generate a list of prospects and decision makers. With the advent of digital marketing, companies as well as decision makers are active on social media platforms. Business-oriented social networking sites are considered more effective in generating prospect lists and profiles than non-business-oriented sites.

Examples of Using Social Media for Profiling:

- LinkedIn is one business-oriented social networking service used by a large number of businesses and professionals globally. It serves as a good database for generating a prospect list and an effective tool for profiling the prospects. Since most professionals update content regularly, LinkedIn also serves as a good tool for generating an up-to-date list of decision makers. The following features in LinkedIn are especially useful in generating a list of prospects and profiles:
    - Advanced Search—The Advanced Search feature in LinkedIn provides the option to search prospective companies and individuals based on company, functions, industry, and location. These features can be used to generate a list of prospects as well as decision makers. The list of companies and individuals can be further updated by examining the profile pages of companies or individuals.
    - Groups—LinkedIn groups are a subset of people who have common interests or belong to the same functional group in different companies. LinkedIn Groups can be used for discussions on current or relevant topics related to an industry. Groups that are associated with a selected target segment are a good source for generating a list of decision makers and prospects.
- A sales lead at an advertising analytics company has decided to use social media to help generate a targeted prospect list. He decides that LinkedIn is the best place to start. He first searches for companies in the people field to generate a list of individuals who work in target companies, specific locations, and specific roles. He might also examine work history to expand the target company list. He also uses LinkedIn to cross check inbound leads, confirming their job titles, companies, locations, etc. He may even follow new contacts to see their activity and possibly unearth new opportunities, such as upcoming projects, based on their posts.

Databases

Databases can be purchased from third-party providers or found on websites of industry associations. These are called external databases. External databases generally provide a broad list of companies that operate in a particular industry. They might also list names of decision makers and their designations. Data from such databases can then be imported to internal tools for profiling. Databases acquired from external sources serve as a starting point to build a more elaborate and detailed internal database that contains all information necessary for profiling. Details required to fill in missing data can be obtained from company websites, from social media, and from the corporate sales team's professional network.

Usually, companies also own databases of customers, leads, and prospects. These are called internal databases. Internal databases constantly change as data is added or modified. Internal databases are typically maintained by the corporate sales team. These databases may also contain details of former customers or customers who are currently inactive. Such customers are identified with the help of the account management teams, so the corporate sales team can reinitiate communication with them.

5.1.3 Outputs

5.1.3.1 Profiled Target Segment*

The profiled target segment is a list of prospects that fall under the selected target segment. The segment is profiled using the profiling criteria. Prospects that match the benchmarks under the profiling criteria are considered to be desired profiles. The profile criteria and benchmarks are subsequently used in lead generation and qualification. This helps to identify the prospects or leads that are more likely to become ideal customers for the company.

Examples of Profiled Target Segment:

- A printing company specializing in large scale banners and billboards will develop a list of profiled customers who meet the following criteria:
    - local companies, or companies who's head office is located in the same region as the printing company,
    - companies with a prior use of billboards and large-scale reproductions, and
    - companies with a product category in an industry known to use large public media for advertising—specifically, real estate, the hotel and travel industry, restaurants, and entertainment venues.
- A telemarketing company is hired by a national newspaper to sell advertising space to commercial accounts. To target potential customers, the newspaper provides the telemarketing company with the following lists of commercial accounts to contact:
    - accounts that have previously advertised in the newspaper,
    - business accounts that currently advertise in competing national news publications, and
    - new businesses that have started operations nationally over the past year.

5.1.3.2 Profiled Decision Makers*

Decision makers of the respective companies in the profiled target segment are identified and profiled using the profiling criteria. Profiles of decision makers include the position and buying behavior of the decision makers. Profiles also categorize the type of decisions made by decision makers, including decisions on product feasibility and financial factors, such as ROI and pricing.

Examples of Profiled Decision Makers:

- A software company selling complex cost management software may determine that the most applicable decision makers will need to understand the financial problems their service solves. In order to ensure that their software's value is understood they will seek decision makers with documented financial experience, such as certified accountants, MBAs, or CFOs. A secondary requirement might be decision makers with computer systems or IT experience.
- The decision on whether to purchase expensive plant equipment will likely involve technical experts, production managers, and health and safety experts. Each of these participants has his or her own set of priorities when making purchasing decisions. LinkedIn allows a plant equipment manufacturer to send product information to all of these potential decision makers, based on a search of specific types of industries and job titles. In this way, the manufacturer can target all potential decision makers in a cost-effective way.

5.2 Lead Generation and Qualification

Lead generation is the act of identifying prospective customers with the objective of gaining new customers. A lead is a prospect that has some interest in buying a company's product. Generating a constant supply of leads for the corporate sales team is one of the most important priorities of a business. The lead generation and qualification process helps the company not only in its efforts to provide quality leads to the sales team, but also in raising brand awareness. The quality of leads plays a crucial role in determining the success of the organization.

Finding leads has always been a difficult activity for organizations. Traditionally, lead generation was accomplished through direct mail, event sponsorships, or cold calling. With the advent of the Internet, other tools such as search engine optimization, pay-per-click, social media, blogs, and content marketing have changed the way leads are generated today. A mix of inbound and outbound tools is also used to generate leads. An integrated lead acquisition strategy helps companies maximize their lead generation efforts.

Figure 5-3 shows the process of lead generation, qualification, and conversion. The *Lead Generation and Qualification* process starts with identifying the objectives of lead generation. The objectives could be generating the maximum possible leads, reducing the cost per lead, or increasing the ROI of sales campaigns. Once the objectives are decided, the appropriate target audience is identified. The target audience should be as specific as possible to increase conversion rates.

The next step is to identify the best methodology for lead generation in the selected target segments. Depending on the demographics and other characteristics of the target segment, some methods of lead generation might be more suitable than others. The most popular methods of lead generation are digital marketing (SEO, SEM, social media, e-mail marketing), branding and advertising (direct mail, TV commercials, print ads, radio ads), event sponsorships, databases, and referrals.

The generated leads need to be qualified before they are provided to the corporate sales team. Qualification of leads is an important step to ensure the quality of the leads. Poor quality leads result in wasted time and resources for the sales team, while quality leads improve productivity and conversion rates.

Partially qualified leads or inquiries must go through another step called lead nurturing. Nurturing involves development of the leads through communication and trust building. When such leads are ready to be conveyed to the sales team, they are added to the pool of qualified leads. The qualified leads are then passed on to the sales team for further needs assessment, presentations, negotiations, and closure. These steps are discussed in subsequent chapters of this book.

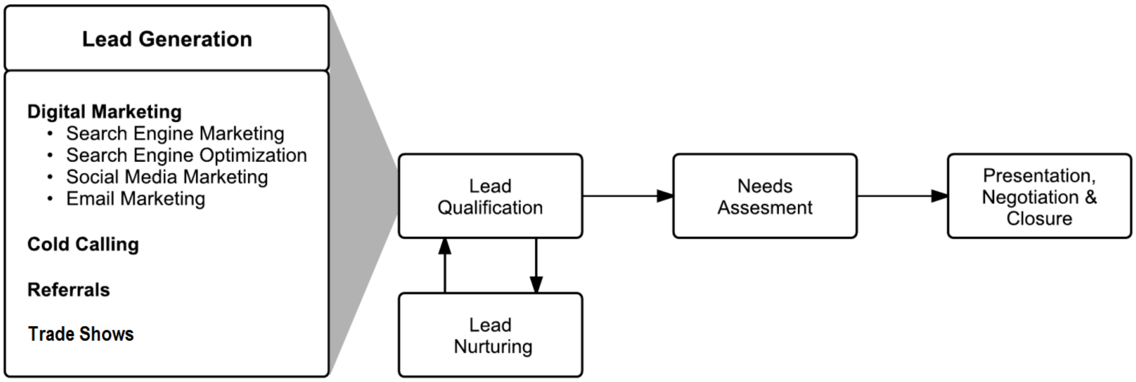

Figure 5-3: Process of Lead Generation, Qualification, and Conversion

Figure 5-4 shows the inputs, tools, and outputs for the *Lead Generation and Qualification* process.

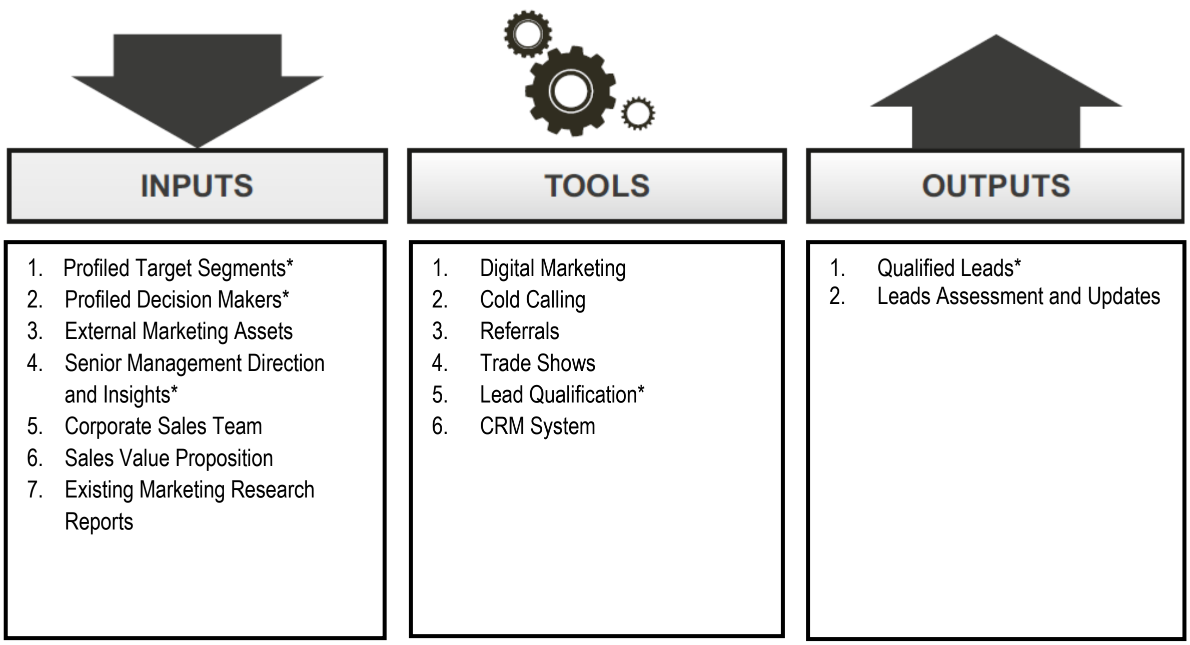

Figure 5-4: Lead Generation and Qualification—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

5.2.1 Inputs

5.2.1.1 Profiled Target Segment*

The profiled target segment includes a list of prospects that fall within the selected target segment. These prospects are profiled using the profiling criteria. Such prospects can be directly approached through calls or e-mails. The profile defines the profiling criteria and the benchmarks that are used in lead generation and qualification. Potential customers are compared with profiling criteria to be flagged as strong or weak leads, depending on whether the prospects meet certain criteria of the profile. Among the profiling criteria are specific factors, such as company size and location, core values, and financial details that the company uses to qualify leads. Such leads are determined through lead generation activities, such as digital marketing and trade shows.

Example of Profiled Target Segment:

- AdMed Inc., a developer of medical equipment, attends targeted trade shows to demonstrate its products. Several leads are gathered by the sales team members who attend the show. The leads fit the criteria for the target segment as the tradeshow is designed for the type of customer that AdMed typically services; however, AdMed's profile criteria includes specific revenue thresholds that must be met in order to qualify leads. Once leads have been categorized using the profiling criteria for the target segment, sales representatives are assigned potential customers for follow-up.

5.2.1.2 Profiled Decision Makers*

Profiles of decision makers include the position and buying behavior of the decision makers. The profile also categorizes the type of decisions made by decision makers, including decisions on product feasibility and financial factors, such as ROI and pricing. Knowing the profile of the decision maker reduces the time and effort required for lead qualification. It allows the corporate sales team to be well informed prior to calls made and e-mails sent to the lead.

Example of Profiled Decision Makers:

- An enterprise IT solutions provider may consider private schools among its target segment. While faculty may be the end users in this instance, the decisions makers with regards to implementing an IT solution may be senior administration or IT directors or managers. Knowing the profile of the decision makers in the organization will help the sales team message the sales pitch to appeal to the specific needs of the decision maker, and sometimes the needs of the decision maker may not align with the needs of the end users. It is, therefore, important to know who the decision makers are in an organization and how best to appeal to them.

5.2.1.3 External Marketing Assets

External marketing assets include all marketing assets created for the target segment, existing customers, and leads. These include presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, and images. These serve as inputs for the lead generation and qualification process to generate interest from prospects. Marketing assets such as videos, advertisements, images, content for social networking sites, and blog articles are used for promotion through digital marketing. E-mails, images, and videos are used as inputs for e-mail marketing. Websites and mobile apps are primarily used as landing pages to persuade prospects and to convert them into leads.

5.2.1.4 Senior Management Direction and Insights*

Senior management direction and insights—which can be provided by the founder(s), CEO, and others in senior management positions—provide direction to employees with regard to strategic vision and future goals. Senior management, through their experience and insights, can help determine market shifts and customer needs, and can provide guidance on lead generation channels that work best for the industry. Given their experience in the industry, they can also provide expert guidance on how to approach different lead generation channels to derive the best possible results.

5.2.1.5 Corporate Sales Team

The corporate sales team utilizes various tools required for the lead generation and qualification process. A corporate sales team has a thorough understanding of the product strategy of the company, its product offerings, sales and negotiation techniques, and the features and benefits of its products and services. The corporate sales team also helps in generating quality referrals for lead generation.

5.2.1.6 Sales Value Proposition

A sales value proposition communicates clearly how a company's products or services can help the customer achieve better results or attain desired benefits. It presents measurable business outcomes to help decision makers in making faster buying decisions. It is an important input for the lead generation and qualification process, as the value proposition forms the basis of communication with prospective customers. All the messages used for lead generation should clearly portray the value proposition offered by the company.

Example of Sales Value Proposition:

- Hanson Parts, an automotive parts manufacturer, provides low-cost parts solutions to customers. The sales team must clearly communicate to prospects that Hanson products can help businesses save money on manufacturing.

5.2.1.7 Existing Marketing Research Reports

Existing marketing research reports are useful in the lead generation and qualification process. Research can help a company wisely allocate funds and resources. Marketing research reports are also helpful in setting up the lead qualification criteria as these can provide insights into the desired criteria for a lead. Secondary data such as Internet databases, market trends, and past performance reports can also help solidify lead generation efforts.

Example of Existing Marketing Research Reports:

- A car manufacturer can refine its communication to vendors for its new luxury car segment, if existing marketing research suggests a market trend that supports sales growth in this segment.

5.2.2 Tools

5.2.2.1 Digital Marketing

Digital Marketing plays a crucial role in lead generation today. Digital Marketing includes all marketing activities that use electronic devices connected to the Internet to engage with customers (e.g., computers, tablets, and smartphones). These include activities related to creating and managing effective websites and mobile apps as well as promoting a company's products and brand through various online channels in order to help meet marketing objectives. Online lead generation can be conducted through multiple Digital Marketing channels. Some of these channels include websites, search engine marketing, search engine optimization, blogs, social media, e-mail marketing, and social media marketing.

Website

A company's website serves as the central hub and foundation for its online activity. An effective website is also a critical component of lead generation. Generally, companies have dedicated lead generation pages, which require potential customers to provide some data regarding themselves and their requirements.

Gathering this information helps in both generating and categorizing leads. Leads can also be generated through the ‘contact us’ page where contact details, such as phone numbers and e-mail IDs, are collected.

Effective website design is essential for lead generation. The website should be designed according to the target customer group. If the target customer does not generally have the appropriate comfort level with technology, the website should have a simple, text-based layout with easy navigation and basic features. If the target customer is comfortable and familiar with the Internet and computer use, a more intricate, interactive, and information-rich website can be implemented. If potential customers are not able to navigate through the website easily, the chances of their contacting the company will be low. Similarly, if enough information about a company’s product or services is not provided on the website, lead generation will not be successful.

Search Engine Marketing (SEM)

Search engine marketing refers to all marketing activities that use search engine technology for marketing purposes. SEM promotes a business and its products by ensuring the company appears in search engine results pages. SEM includes search engine optimization (SEO), paid listings, and other search engine related services and functions that are designed to increase reach and exposure of a website, resulting in greater traffic. Specifically, SEM increases the visibility of websites through paid search advertising and/or search engine optimization with the intent of increasing traffic to a company’s website. SEO marketing is categorized as either off-page SEO or on-page SEO. The objective of off-page optimization is to improve the reputation of a website so that the ranking of the website increases. Off-page SEO refers to off-site factors that have an effect on a website and that are not controlled by coding within the website. On-page SEO refers to the activities and content that website developers use to ensure a company’s site is recognized by search engines.

SEM is one of the most efficient tools for lead generation. Companies of all sizes and different marketing budgets can use this tool to provide the corporate sales team with active leads collected from users who search for keywords related to the company’s specific products or services. There are various search engines in the market that support SEM. Search engine marketing is described in detail in the *SMStudy® Guide–Book* 3, *Digital Marketing* (section 4.1.2.2)

Examples of SEM for Lead Generation:

- Google AdWords is Google's advertising program. AdWords allows the creation of simple, effective ads that can be displayed to people who are already searching online for information related to a business. Advertisers can purchase Google AdWords ads, which appear on the right side of a web page or above the search results. The AdWords program includes local, national, and international distribution.
- A new and growing office supplies company has decided to expand their digital marketing efforts to bring in new clients. They have heard that search can offer a good return on investment and can often show that return quicker than other media. They do not yet have internal expertise, so they hire an agency to build both paid (SEM) and organic (SEO) search. They establish the available campaign budget so they can set their maximum cost per click (CPCs) for the relevant keywords they have selected, and then they begin advertising. They focus on early ad testing so they can ensure they boost their quality score to help lower CPC over time. At the same time they employ several on- and off-page SEO optimization tactics to increase their organic rank for relevant searches. This effort includes working on their page tags; optimizing the page content, images, and video; link building; blog posting; and increasing engagement on related sites. They will continue to monitor and test their site to maximize their reach and ROI.
- A local commercial real estate management firm has never tried paid search because they assumed that, since they rank high organically for their top search terms, they need not invest in paid search. However, they have learned they are missing a lot of potential traffic by not engaging in this marketing activity, which can allow them to appear at the top of the listings page. With a bit of time, effort, and money, they are able to increase traffic from their top search terms, as well as gain rank on related terms they hadn't ranked for, but that are driving relevant traffic. They like the flexibility that they have to increase budget as needed to increase leads.

Social Media Marketing

The majority of businesses today invest in social media, and this trend is increasing steadily. Companies are allocating budgets to social media and other digital marketing strategies, seemingly at the expense of budgets spent on traditional marketing and advertising. Social media platforms and sites offer a focused target audience and facilitate campaigns for companies. Therefore, if used effectively, social media marketing can be used to generate quality leads for the company. It is important for a business to have a good grasp of current social media trends, research the applications of each channel, and understand their use. This will help the company to utilize the best available channels for maximum reach, relationship building, and reputation for its business.

Examples of Social Media Marketing for Lead Generation:

- Increasing visibility is an important first step in lead generation. Facebook reaches a large total audience and can be effectively used to establish brand recognition. A service company may not anticipate direct sales from a Facebook advertising campaign, but it can increase name recognition and reputation with industry decision makers.
- LinkedIn is the largest social media platform for professional networking and is a critical tool for reaching B2B leads. It offers a platform for both networking and influence building. Since professionals use LinkedIn for business contacts and information, it is important for companies to have a presence on this platform to demonstrate industry expertise and thought leadership. As discussed previously, the corporate sales team should actively use LinkedIn for profiling and lead generation. For advertisers, LinkedIn offers the option to promote updates and display ads.
  - **Sponsored Updates**—Like Facebook, LinkedIn allows companies to promote their posts and updates to their own followers as well as to those outside of their existing networks through paid campaigns. Companies can pay LinkedIn to promote their posts for maximum engagement and lead generation. Advertisers can also choose a target audience based on characteristics such as geographic location, job title and function, industry, company size, and seniority. Once a decision is made on which posts to promote, subsequent decisions can then be made on the budget, payment options, target audience, and ad schedule. It is important that the promoted posts contain a clear call to action, along with a compelling image, as posts with images gain much more attention and engagement than those without images.
  - **LinkedIn Ads**—LinkedIn ads can be highly effective for B2B advertising. The following are the steps to set up a LinkedIn ad:
    - From https://www.linkedin.com/ads/, click the "Get Started" tab and choose the option to create an ad.
    - Name the ad campaign and choose what to promote from the webpage.
    - Design the advertisement. Choose an appropriate image or video, using the media drop-down list, and create the copy of the ad by entering a headline and text within the character limits suggested by LinkedIn.
    - Choose the target audience based on age, sex, location, company, designation, school, skills, etc.
    - Set the budget and indicate how long the ad will run.
    - Choose the payment option as credit card, debit card, or Paypal.

    Once posted, LinkedIn Ads should be tracked for their effectiveness. Because they are highly targeted, they often provide one of the most effective means of building awareness and generating strong leads for follow-up.

- Twitter is a microblogging social media platform that allows users to post and read short messages up to a maximum of 140 characters. Such messages are called tweets. Twitter provides a platform that allows businesses and individuals to provide real-time updates by sending tweets. Twitter is a useful tool for word-of-mouth marketing and allows for high user engagement.

  Twitter products that help in lead generation include the following:

  - **Promoted Accounts—**Twitter provides an option for individuals and companies to promote their Twitter profiles by paying a fee. The promoted accounts feature a "who to follow" section for users who might be interested in a company, based on companies they have followed in the past. This feature helps companies increase the number of followers on their Twitter account, helping them reach a wider audience through their tweets.

  - **Promoted Tweets**—Twitter provides an option similar to Facebook and LinkedIn by which companies can pay to promote important tweets, which can result in maximum engagement and lead generation. Advertisers can specifically choose their target audience based on demographics such as age, gender, location, and interests. Since Twitter enforces a limit of 140 characters, it is important to phrase the tweet appropriately. The copy should be attention getting with a relevant hash tag, website, or social media page link, and a clear call to action. Twitter follows a bidding process in which all companies bidding for the promoted tweets compete against one another. As a payment method, Twitter uses the cost per engagement (CPE) method, whereby advertisers pay each time a user clicks on the promoted tweet, retweets it, marks it as a favorite, or replies to it.

  - **Promoted Trends—**Promoted Trends is an expensive but powerful tool offered by Twitter. One advertiser is permitted to promote a trend that it wants users to tweet or talk about. Promoted Trends appear at the top of the list of hash tags trending on that day and are visible to all Twitter users. Companies promote special events such as product launches and sales through promoted trends. This feature helps businesses start conversations about specific types of events. For example, a smartphone manufacturer launching a new model can use Promoted Trends on the launch date to create a buzz about the new product.

  - **Twitter Lead Generation Cards**—Twitter Lead Generation Cards (LGC) can be inserted in tweets to collect user information. This is a direct form of lead generation that allows marketers to collect e-mail addresses, Twitter handles, and the names of the followers who have clicked on a tweet. When users expand a tweet, they see a call to action such as an invitation to download an e-book or receive a free sample or trial. The user is asked to send information to the company, which is then stored in the company's Twitter account and can be exported as a CSV file. Twitter also allows leads to be directly exported to a company's CRM system.

E-mail Marketing

E-mail marketing is a form of direct marketing that uses e-mail as the delivery medium for communicating a marketing message to a group of people. Any e-mail sent to existing or prospective customers can be regarded as e-mail marketing. E-mail marketing is used for both internal customer contacts or customer prospect lists purchased from external sources. It is one of the most effective tools for lead generation. E-mail marketing can be used to enhance relationships with current or previous customers and can encourage customer loyalty and repeat business, help to acquire new customers, increase sales to current customers, deliver information via newsletters, communicate promotional offers, and more.

Types of E-mail Marketing:

Promotional E-mails—The main focus of promotional e-mails is to deliver offers or invitations that are relevant to a subscriber's preference settings, resulting in either a sale or another predetermined action. It is important to make sure the e-mail is relevant to the recipient and well written to ensure the customer will want to continue receiving and paying attention to such e-mails.

Confirmation E-mails—Confirmation e-mails are sent to customers to confirm receipt of a customer request. Some common types of confirmation e-mails include subscription confirmations, e-mail address verifications, login details, auto-responses to customer e-mails, updates to subscription preferences, unsubscribe requests, and more.

Informational E-mails—Informational e-mails are sent to educate subscribers on topics relevant to their preference settings with the provider. This type of e-mail is often in the form of a newsletter. For example, an agency specializing in corporate travel may send an e-mail about special rates on business class flights and discounted hotel rates for business travelers.

Lifecycle E-mails—Lifecycle e-mails are sent to customers to support acquisition, conversion, growth, retention, and reactivation of subscribers. When a marketing automation software company sends an e-mail about an upcoming webinar on strategies for lead generation to prospects who previously downloaded an e-book on the same topic, it supports the earliest stage of the customer lifecycle—raising awareness of the company.

Transactional E-mails—Transactional e-mails are usually trigger-based e-mails based on a customer's action with a company, often to acknowledge that a business transaction has been completed. Purchase receipts are the most common type of transactional message. As these e-mails are usually opened and read by the customer, transactional e-mails provide an opportunity to cross-sell or up-sell by including promotional messages within the body of the transactional e-mail.

E-mail Content and Frequency

Growing the size of an e-mail list is important, but it is only valuable if there are engaged customers on the list. Companies need to build strong, trusted relationships with their subscribers. Repeated e-mail messaging that does not engage customers will be ignored and will result in customers unsubscribing from the list. If a company sends advertisements or promotional e-mails too frequently, subscribers may feel like they are being overly targeted and tune out the messages or unsubscribe.

When designing e-mail content, it is important to identify the key messages the e-mail is intended to communicate, the most persuasive points the company can make, and the specific information that must be included to overcome any potential barriers to conversion. Additionally, marketers should consider how the product or service benefits or supports the key messages, as well as proof points, ideas, facts, or features that support the sales value proposition.

E-mails must have a clear call to action (CTA). Marketers must be clear on what they want the recipient to do and why the offer is of value to the recipient, and must provide incentives for the recipient to respond immediately. Incentives can include a deadline for ordering, a pending price increase, an introductory special deal, a limited time lower price, a free gift or premium, a "no risk" trial, or something that is not otherwise available.

Once the recipient responds to the call to action (e.g., visits a landing page), it is important to decide the next steps in the process (e.g., what the recipient will see on the landing page and what will happen there to build interest and move the lead toward conversion). Additionally, marketers must consider whether a confirmation or transactional e-mail should follow.

Offers in e-mails should allow adequate response time. Offers that provide too little time to respond may not allow the recipient enough time to make a purchase decision. Conversely, offers that provide too much time to respond will likely create inertia. Marketers should also ensure that offers are specific. For example, an offer advertising a savings of $100 on an installation charge will not be meaningful if it is not clear how much the company typically charges for installation. Additionally, offers that do not differentiate a company from others, offers that are too good to be true, and offers that are overly complicated are less likely to elicit positive responses from recipients.

Even when sending valuable content, the frequency of the delivery must be carefully monitored. While there is no rule that works for all companies and audiences, weekly communications tend to be an observed industry standard. If a company has a high number of messages (e.g., service or product information and marketing messages), it should have a coordinated release schedule to avoid excessive e-mails. This can be aided by establishing frequency guidelines for each department. E-mail marketing is described in detail in the *SMStudy® Guide–Book* 3, *Digital Marketing* (section 7.1).

Examples of E-Mail Marketing for Lead Generation:

- Newtech Telephony Inc. has used e-mail to communicate with existing clients for years. Historically, e-mail has been used for servicing or informational type e-mails as well as to promote new products and sales and order confirmation. Newtech has traditionally relied on direct mail for acquisition; however, the new marketing manager has decided to divert some of the budget to test e-mail for acquisition. She decides to start by purchasing relevant lists of companies with appropriate purchasing contacts. The marketing team creates a campaign that aligns with their direct mail campaign, to reinforce the message of new offerings and pricing. They set targets and monitor key metrics such as open rate, bounce rate, click-through rate (CTR), conversion, and of course cost per thousand (CPM). They will track this data against their historic and current direct mail campaigns to help gauge the effectiveness e-mail as an effective acquisition tool.
- Phelps Office Organizers has a robust e-mail marketing strategy in place that is the cornerstone of their digital marketing efforts. They not only use e-mail to bring in new leads and carefully manage the leads with a CRM program, but they have a sophisticated contact strategy for existing clients. They send promotional e-mails and lifecycle e-mails, including a newsletter, but are careful to never e-mail their clients and leads more than once per week. They also send confirmation e-mails for orders, or service requests, as well as other servicing/account management type e-mails as necessary. Part of their success is based on their adherence to a contact schedule, and careful monitoring of key metrics, such as open rates, unsubscribes, and CTR to continually improve their e-mail effectiveness.

5.2.2.2 Cold Calling

Cold Calling is a process in which the corporate sales team contacts prospects who have not previously expressed an interest in a product. Cold calling is carried out using a customer profile list to target the respective decision maker (if available). Cold calling is generally done over the phone and is usually the first communication made to a prospect. In corporate sales, cold calling is used more as a tool for lead generation and less for lead qualification.

Contact lists for cold calling are also available for purchase. Such lists contain names of companies and the decision makers with contact details. However, the details on the list may not be fully accurate. In addition, the prospects listed in the contact list must be profiled prior to the business contacting them. The process of profiling is discussed in detail in section 5.1.2.2.

It is highly recommended that the corporate sales team use a script for cold calling. This script can be jointly created by the marketing team and the corporate sales team. During the cold call, the corporate sales team has limited time to communicate the sales value proposition to the prospect. By using a standard script for cold calling, the corporate sales team can ensure that the script is consistent with the sales value proposition and the desired business outcomes. It also ensures that all members of the corporate sales team consistently communicate the same messages to all prospects.

It is essential that cold callers practice and rehearse the script so that they sound fluent, accurate, and natural. The caller has limited time to gain a prospect's attention and communicate the value proposition. A well-rehearsed sales representative will be more effective in generating interest and engagement.

A cold calling script should include the following:

- Self-introduction
- Brief description of the company and the purpose for calling
- Product relevance for the prospect
- Sales value proposition, including the business outcome
- Next course of action

It is important to generate the next course of action from a prospect during the cold call. This can be in the form of an appointment for a detailed discussion, e-mail exchanges, or an agreement for a product demo or trial. The prospect details are subsequently entered into the customer management system and assigned to a member of the corporate sales team for the next course of action.

Voice Mails

It is highly likely while cold calling that the caller will reach a prospect's voice mail. During work hours, the probability of reaching a prospect's voice mail is typically high. In most cases, cold calls are heard but remain unreturned. It is therefore important to differentiate a voice mail message in the cold call script to ensure a return call or to generate interest until the caller is able to eventually reach a prospect. A good voice message should accomplish the following:

- **Establish Trust**—In an answered cold call, the caller provides a self-introduction. However, voicemails require an initial statement that helps establish trust as well as provide an introduction. As a prospect might have numerous voicemails, the caller may be able to promote him- or herself by referring to an individual with whom a prospect is acquainted. This can be a colleague working in the same company as the prospect, or someone who referred the calling company to the prospect. This helps gain early attention.

- **Generate Curiosity**—After the introduction, the caller needs to generate the prospect's curiosity about the product and/or company. This can be done by mentioning measurable outcomes that can be achieved by using the product, or by sharing relevant information or trends that appeal to a prospect's business outcomes. This might include sharing an example of how a product helped achieve measurable results for a similar customer.

- **Give a Call to Action**—The voicemail must end with a call to action such as a request from a prospect for an appointment or a return call.

Example of Cold Calling for Lead Generation:

- An outsourcing agency contacts sales managers in call centers to ask them to consider transferring their call centers to less costly locations. If the sales managers are not interested, an alternate outsourcing solution is offered to increase staffing levels with contract employees provided by the agency. Follow-up appointments are then scheduled with customers who are interested in either of the two outsourcing options.

5.2.2.3 Referrals

Referrals occur when a company's products are recommended to prospects by a third party, usually a customer, a qualified lead, or a member of the corporate sales team. Referrals have a high degree of credibility, and the prospect will be more likely to be interested in evaluating the product. Unlike referrals in retail sales, referrals in corporate sales may not lead to a quick buying decision. Referrals work best when the referrer provides a personal introduction to a contacted lead. This step helps build instant trust and rapport with the lead. Referrals also enable the corporate sales team to reach decision makers more quickly.

Although the corporate sales team must try to generate referrals from all customers, referred leads are more likely to be generated from key account customers and customers who are highly satisfied or newly converted. Referrals can also be generated from qualified leads, from other corporate sales team members, and from professional and personal contacts.

The growth of digital marketing has created more avenues for generating referrals. A satisfied customer who places the company's name and product on their website or on any of their social networking sites can generate numerous inbound leads as referrals. Referred leads can also directly be pursued through social media platforms such as LinkedIn. Additionally, companies can launch campaigns where referrals are rewarded. Such rewards provide incentives for customers or leads to recommend a company's products or services to others. In addition, the corporate sales team can keep in touch with account management teams to identify any significant achievements or milestones accomplished by customers with the help of the company's products or services. Highly satisfied customers are more likely to give referrals and publish achievements on their websites or on social media platforms when referring to a company's products or services.

Example of Referrals for Lead Generation:

- A company that specializes in helping clients in developing customer loyalty programs relies heavily on client referrals to grow its business. To do this, the company includes testimonials from satisfied customers on its website. In addition, the company offers free gift cards for referrals of corporate clients who subsequently sign up for new customer loyalty programs.

5.2.2.4 Trade Shows

By participating in trade shows, a company can exhibit its products, advertise, and sometimes demonstrate thought leadership through speaking opportunities. These events also provide the corporate sales team with opportunities to meet face-to-face with prospects. For prospects, trade shows provide an excellent opportunity to compare products and assess their suitability for their needs. Participating in trade shows, therefore, is a particularly effective means of lead generation. However, trade shows have a high cost of setup and installation. It is therefore important that the corporate sales team participate at trade shows that have the right audience to enable them to generate maximum leads.

The company should participate in those trade shows that are more likely to attract a selected target segment. The profile of attendees and speakers, location, the presence of competing vendors, and previous experiences (if any) should be considered when selecting trade shows. Since exhibiting in trade shows involves a high degree of planning and expenditure, the corporate sales team should also consider the marketing budget as a factor when deciding on the trade shows in which to participate.

Companies are generally provided booth space at trade shows to exhibit their products. The location and design of the booth space are important factors that can attract prospects to a company's booth. The booth location should ensure good visibility and the booth design needs to be consistent with the company and brand images. The product demos or samples need to be supported by external marketing materials in the form of brochures, fliers, or leaflets that clearly communicate the sales value proposition. In addition, the activities of other Aspects of Marketing, such as Digital Marketing and Branding and Advertising, should be aligned with the sales team's trade show activities, in order to most effectively utilize these events to promote awareness among existing customers, leads, and prospects.

The corporate sales team can generate and qualify leads at trade shows because they get a chance to meet prospects face-to-face and discuss products in detail, including the sales value proposition. The corporate sales team must also use a suitable technique to collect and store information gathered from those who visit the booth. This information is vital for customer follow-up.

Other Events

Companies can conduct events such as workshops, seminars, and conferences to educate current customers, leads, and prospects in the selected target segments about new product launches, industry trends, new technology, or regulations that affect the industry. Events can also be promoted through Digital Marketing techniques to attract targeted prospects. Such events can help the company develop and improve its brand image as well as project itself as a thought leader in the industry.

Examples of Events for Lead Generation:

- Trade shows are often held annually and used by companies to increase their knowledge of trends, advancements, and new products available in a particular industry. Trade shows provide an environment where potential leads are not only accepting of information regarding new products, but actively seeking it out. A company who provides IT solutions will want to be represented at IT conferences to provide buyers with the sales value proposition for their particular products and services.
- Industry parties, charity events, and awards dinners are types of events where corporate sales leads can be generated. These events are not specifically held for product sales purposes but they are attended by industry professionals, and are valuable forums for networking and lead generation.
- A digital media company may hold regular “lunch and learn” sessions to provide information on trends and emerging technologies to a target group. This group may include existing clients, past clients, or qualified leads. Such events may also be or open to the general public.

5.2.2.5 Lead Qualification*

Lead qualification is the process through which leads are assessed for quality. Only quality leads are passed to the corporate sales team for follow-up. Companies that focus on generating a large volume of unqualified leads can waste the corporate sales team’s valuable time. Therefore, it is important to provide only leads that can potentially result in a sales opportunity. One of the most widely used criteria for lead qualification is BANT, which stands for Budget, Authority, Need, and Time Frame.

Budget—Budget is one of the most important criteria to use when determining the quality of a lead. For example, a $1,000 watch cannot be sold to someone who only has $200 to spend. Therefore, the first question that the corporate sales team should ask leads is, “What is the available budget for the product or service?” Companies should focus on those prospects whose budgets fall within an acceptable range for the products or services offered.

Authority—The contacted prospect should have the formal authority to sign a deal or should be an influencer in the decision-making process. If not, an attempt should be made to reach an appropriate person in the company who has the authority to make a buying decision.

Needs—One of the critical conditions required to sell a product is a specific need. A lead might be interested in a product, but unless the product can solve a particular customer problem or meet a specific need, a sale is unlikely.

Time Frame—Even if a lead has the required budget, authority, and need for a product, it is important to know the time frame needed to make a purchasing decision. If the time frame is too long, the sales effort can be wasted. If the time frame is too short, the company may be unable to deliver goods or services on time.

Lead qualification is performed at different stages of the sales process, but primarily after leads have been generated by the sales and marketing teams. The team gets answers to questions about BANT during each lead generation process.

Lead Nurturing

When leads are not qualified completely or returned by the corporate sales team, they are taken through a process of incubation called lead nurturing. Lead nurturing is required in a situation where the lead has put the buying decision on hold or has no current requirement. In this process, leads are contacted to gather more information on their needs and to build trust. Lead nurturing can be done through various channels including e-mail and social media. Leads can also be invited to trade shows that the company participates in or to events being conducted by the company. During this phase the company can also communicate to the lead regarding product features, pricing details, and customized promotions. This is an ongoing process, which ends when the lead is ready to be handed over to the corporate sales team.

Example of Lead Qualification:

- Watson Uniform Supply has been receiving a lot of complaints from the sales team about the leads they have been passed. They say they have called on all leads with very low success rate. Management determines that perhaps the lead qualification process has been somewhat lacking and implements the BANT criteria for qualifying leads currently in the pipeline. They ensure that leads passed on to the sales team have met budget, authority, need, and time frame criteria. This means that leads will only be passed to the sales team if they represent key purchasing decision makers of companies with over $500K annual sales, and if they are likely to buy in the next six months. Leads that have potential, but that are not quite ready to purchase, are left in the system, and are "nurtured" and flagged to be called by newer sales staff to better assess qualification at a later date. In time, the leads with potential will be passed to the sales team, once qualified, or noted in the system as closed.

5.2.2.6 CRM System

Customer relationship management (CRM) systems are the information systems used to record and monitor sales processes. A typical CRM system contains a contact management system, a sales lead tracking system, sales forecasting ability, order management functionality, and product information. The contact management system records the profiles of all of all customers, complete with contact details and the history of previous contacts made with a given lead.

The CRM system helps in following up with leads as well as identifying leads that are more likely to purchase. It also helps in keeping track of the communication that was sent to various leads and in planning future communication. CRM systems often include features such as alerts to take action and integration with e-mail software to ensure timely and systematic communication with leads. Features such as prioritization are common in such systems, providing the ability to support the team in focusing on high-gain activities and effectively managing time, for example, by prioritizing leads based on importance.

Example of CRM System:

- A computer chip manufacturer generates customer leads from multiple sources. These include inquiries received on the manufacturer's website and the 1-800 customer support line. Other leads are generated from direct mail and advertising campaigns, as well as trade shows. The manufacturer captures all of these leads in a CRM system and ranks the top prospects, based on future sales potential. It then sends weekly contact lists to its sales representatives to follow-up with the top account prospects.

5.2.3 Outputs

5.2.3.1 Qualified Leads*

A qualified lead is the most direct output of the *Lead Generation and Qualification* process. Leads are generated through various tools such as digital marketing, cold calling, trade shows, and referrals. Such leads are then qualified based on some pre-decided criteria such as BANT. The qualified leads are passed on to the corporate sales team for follow-up. These leads should be relevant and should have a high probability of conversion. It is essential to give the corporate sales team enough qualified leads for follow-up. Therefore, the quality of leads generated through this process is very important for increasing the success and efficiency of the corporate sales team.

Example of Qualified Leads:

- An accounting department at a leading advertising company helps to qualify new customer leads, based on each potential customer's credit history and past revenue and sales volumes. Accounting then passes this information on to key account managers to propose advertising services to the most financially viable companies.

5.2.3.2 Leads Assessment and Updates

The *Lead Generation and Qualification* process not only results in qualified leads for the corporate sales team, but also gives a very detailed understanding of each of the leads. The following information about leads is derived from this process:

- Budget allocation for products or services
- Time frame of purchase
- Size of the opportunity
- Authority of the respondent and other key people
- Needs of the lead

Such information can be used by the corporate sales team to develop further steps leading to closure.

Example of Leads Assessment and Updates:

- Having revised its lead generation and qualification process, Watson Uniform Supply began producing better, more qualified leads to pass to its sales team. In addition the business gained a much better understanding of its leads and had also implemented a system that would ensure proper follow-up with potential leads with longer term purchasing plans. The business continues to track and report on the leads so that they better understand client budgets, purchasing time frames, and needs. This way they can use this information to better close future sales and further refine their offerings to better meet client needs.

6. SALES PROCESS–CONVERSION

The next stage in the sales process after prospecting is conversion. Conversion starts with the *Needs Assessment for Each Qualified Lead* process. Using various tools for needs assessment, the corporate sales team gathers the requirements of prospects for products or services. The corporate sales team then works to create a proposal for the solution with the objective of fulfilling those needs. The solution is presented to the prospects through a formal presentation or meeting. Demonstrations and other techniques are used to present the features, advantages, and benefits of the proposed product or service features. Any objections to the proposed solution are raised by the prospects at this stage. Such obstacles need to be anticipated beforehand and addressed during the presentation. Thereafter, final negotiation can occur to close the deal.

Figure 6-1 provides an overview of the processes associated with this chapter. These are as follows:

6.1 Needs Assessment for Each Qualified Lead—In this process, a needs assessment is conducted that documents both the explicit and implicit, or implied, needs of qualified leads.

6.2 Presentation, Overcoming Objections, and Closure—In this process, the final stage in the conversion cycle, a presentation of the features and benefits of new products or services is conducted and objections are addressed and overcome, with the end goal of closing the sale.

6.1 Needs Assessment for Each Qualified Lead

INPUTS
1. Sales Value Proposition
2. Qualified Leads*
3. Senior Management Direction and Insights
4. RFXs
5. Corporate Sales Team

TOOLS
1. Communication*
2. Interviews
3. SWOT Analysis
4. Gap Analysis
5. Questions*

OUTPUTS
1. Client Needs*
2. Enabling Conditions
3. Negotiation Criteria*

6.2 Presentation, Overcoming Objections, and Closure

INPUTS
1. Sales Value Proposition
2. Understanding of Product*
3. Corporate Sales Team
4. Senior Management Direction and Insights
5. Client Needs*
6. Enabling Conditions
7. Negotiation Criteria

TOOLS
1. Meetings and Discussions
2. Presentation and Demonstrations*
3. Overcoming Objections*
4. Negotiation*
5. CRM System

OUTPUTS
1. Acquired Customers*
2. Value of Account
3. Customer Insights
4. Negotiated Terms*

Figure 6-1: Sales Process–Conversion Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

6.1 Needs Assessment for Each Qualified Lead

In corporate sales, a need may not immediately lead to a purchase because a decision to buy may involve multiple stakeholders with conflicting needs. Needs may also not be clear or explicit at this initial stage. An explicit need is one where there is a strong requirement expressed for a new product or solution. A needs assessment, therefore, takes into consideration both the explicit and implicit, or implied, needs of qualified leads.

This process may be time-consuming depending on the perceived value of a proposed product or solution. The complexity of the product or solution can also increase as the need increases in complexity. The availability of decision makers and influencers and their readiness to accept a new product or solution may also affect the needs assessment process. In addition, in this process, the corporate sales team needs to overcome any objections to newly proposed products or services.

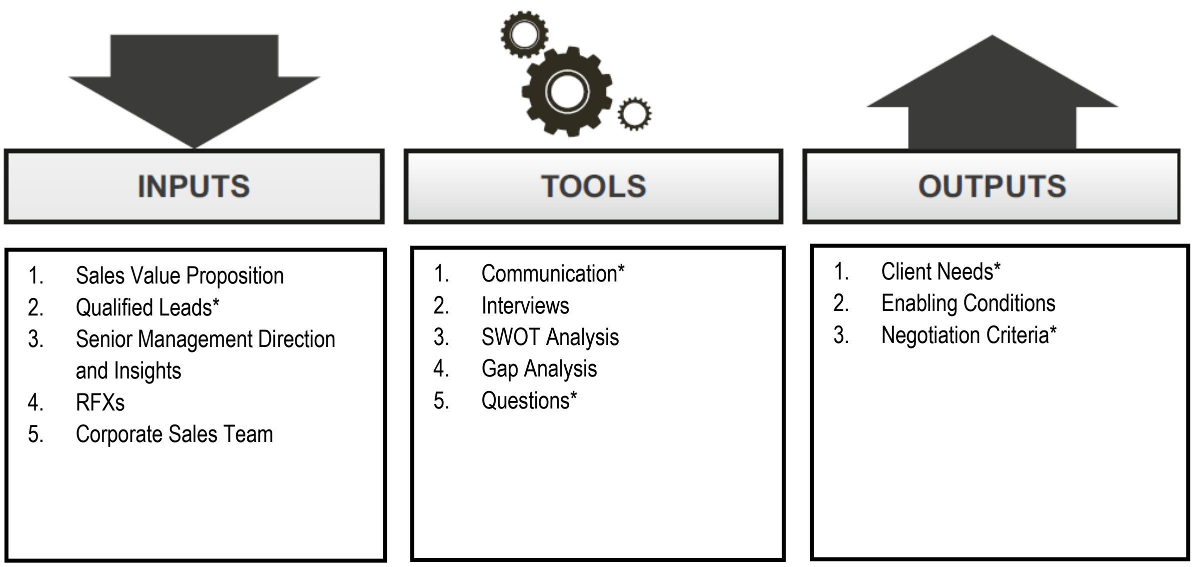

Figure 6-2: Needs Assessment for Each Qualified Lead—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

6.1.1 Inputs

6.1.1.1 Sales Value Proposition

A sales value proposition is an output of the *Understand Sales Value Proposition* process described in section 2.1 and clearly communicates how a sales team can help the customer achieve better results. It presents measurable business outcomes to help decision makers make buying decisions and conveys the product features, benefits, and business outcomes that impact the client. It is an important input in identifying key negotiation criteria that can be used for the negotiation of the sale.

6.1.1.2 Qualified Leads*

Qualified leads are an output of the *Lead Generation and Qualification* process, described in section 5.2. It is the responsibility of the corporate sales team to assess the needs of each qualified lead and the relevant stakeholders. The corporate sales team must also use various tools to convert implicit needs to explicit needs.

Examples of Qualified Leads:

- The sales team at a commercial water filtration company has been given a list of marketing generated leads as the result of a webinar the company recently produced. The leads are actually classified as suspects in the company's CRM system until such time as the sales team is able to follow up by phone with each of the leads to determine whether they are the right decision makers or influencers and whether there is a defined budget for the implementation of a new commercial water filtration as well as an appetite to initiate the installation of the product within the next six to nine months.
- A media company targeting advertisers established specific criteria that will be used to determine which leads to target for a new business initiative. With the specific criteria outlined, such as company size and annual revenue, any leads that did not meet that criteria were considered unqualified because they do not meet all, or even some, of the identified criteria for moving forward with the lead in the sales process. Once any leads were classified as unqualified, missing criteria was documented and the leads were set aside. Leads that met the criteria were put into a sales pipeline and imported into the company’s CRM system to be contacted by the sales team.

6.1.1.3 Senior Management Direction and Insights

Senior management's experience in, and knowledge of, an industry are used to help the corporate sales team assess the needs of a qualified lead. Senior management insights are especially useful in understanding implicit needs. Senior management can also help factor future trends into the *Needs Assessment* process.

6.1.1.4 RFXs

RFX is a generalized acronym that references any or all Requests for Bid (RFB), Requests for Information (RFI), Requests for Proposal (RFP), and Requests for Quotation (RFQ). These documents contain the requirements identified by a prospect when looking for a new vendor, product, or solution. Using the RFX format, the corporate sales team employs needs assessment tools to identify and outline the proposed solutions.

Examples of RFXs:

- A sales representative at a telephone company identified that one of the company's target accounts had a contract with a competitor that would be coming due in the next eight months. The sales representative correctly anticipated that the business at the target account would go out for RFP six months in advance of the contract expiration date and had proactively identified and engaged with key decision makers on both the procurement team as well as the business owners themselves. As a result of this consistent and ongoing communication, the telephone company was invited to submit a proposal.
- The official plan of a large urban centre documents the city's plans for the reconstruction of the major transportation routes in and out of the city. Metro Construction has built a rapport with city planners for several months in order to ensure that they are added to the preferred vendors list at the city. They want to make sure that when the city begins soliciting proposals, Metro Construction is invited to participate in the bidding process. The RFP, once issued, will provide Metro Construction with the scope of work and other specific requirements of the project, including key deliverable dates and budgetary concerns. Metro Construction will craft a proposal that not only meets the needs as set out in the RFP, but reflects insights that the team has gained through building a rapport with decision makers within the city planning department.

6.1.1.5 Corporate Sales Team

The corporate sales team is responsible for assessing the needs from qualified leads. The corporate sales team must be adept at using the appropriate tools to perform each needs assessment. The team should also be trained on how to communicate needs to qualified leads with perseverance and patience. In corporate sales, especially for highly sophisticated products and solutions, the *Needs Assessment* process may be time-consuming. The corporate sales team is expected to be diligent in clearly assessing and communicating the needs to qualified leads.

6.1.2 Tools

6.1.2.1 Communication*

Effective communication is needed to obtain the desired response from a qualified lead. This involves clearly expressing thoughts or ideas and having well-honed listening skills to gain a clear understanding of a qualified lead's requirements. This is especially important when communicating with decision makers and other influential stakeholders.

Communication with a qualified lead in the *Needs Assessment* process can be through various media, including direct, face-to-face communication; telephone; e-mail; or other online media. The corporate sales team knows a qualified lead's preferred medium of communication to conduct the needs assessment.

It is important for the corporate sales team to be persistent and patient while assessing needs. For example, a high-value purchase of a sophisticated solution requires greater understanding and additional approval from various stakeholders. The corporate sales team members will also need to interact with multiple stakeholders in their own company to gain an in-depth understanding of how their products and services can provide solutions to qualified leads. In addition, the team needs to discuss financial and service needs with other stakeholders in the company to complete the RFX process.

Conversational skills enable the sale team to build rapport with qualified leads and gain a good understanding of the qualified lead's business and industry. While communicating with the qualified lead, the topic of conversation may shift to general topics such as the industry or the overall business environment. The ability to discuss these topics can be beneficial in developing a strong personal relationship with the qualified lead. By building a good relationship with the qualified lead, the corporate sales team can also gain an understanding of additional factors that can help convert the qualified lead to a customer.

One of the most significant contributors to successful communications in corporate sales is maintaining ongoing dialogue or follow-up. Even if leads are qualified, they may not respond to the corporate sales team unless a need is explicit. In most cases, the corporate sales team may need to follow-up more than once with qualified leads to get their attention. This is especially important with influencers and decision makers in large companies who may be involved in a range of activities that keep them continually occupied. Even while assessing needs, the corporate sales team must ensure regular communication with the qualified lead to complete the needs assessment.

When dealing with different nationalities, cross-cultural differences also need to be understood. Understanding non-verbal cues is useful during the *Needs Assessment for Each Qualified Lead* process. Non-verbal cues are different across countries and cultures. What could be a positive gesture in one country or culture may be perceived as negative in another country or culture. Being mindful of cultural differences and similarities can help achieve effective communication.

Example of Communication:

- The sales team at an enterprise software company understands that it needs to communicate regularly with key decision makers in the procurement teams of their target accounts. The sales and marketing teams coordinate to create a communication plan for these decision makers which includes both e-mail campaigns (developed by marketing) and follow-up phone calls initiated by the sales team.

6.1.2.2 Interviews

In an interview, information is collected directly from a single person or multiple persons in order to address the questions of qualified leads.

In a needs assessment interview, the focus is entirely on the qualified lead's business and needs. It is preferable in a needs assessment interview for the interviewer to limit time spent talking about the company or the product. The focus instead is on listening and interpreting the requirements of the qualified lead. These requirements may include details about technical or service requirements, financial constraints, organizational structure, decision makers, and influencers. The interviewer must also be alert to identify additional business opportunities.

An approach that centers on information gathering and listening conveys to qualified leads that their business is important to the sales team. Active and engaged listening enables the sales team to identify and prioritize client needs and fosters a good relationship with the potential buyer.

Though interviews can be conducted through telephone or online media, a direct, face-to-face interview is the best method to build a personal rapport with a qualified lead. This approach also helps in understanding non-verbal cues from the qualified lead. In addition to collecting information, interviews can also validate information already collected during the *Profile Target Customers and Decision Makers* process, described in chapter 5. However, interviews are time-bound and a face-to-face interview may not always be possible due to geographical limitations or other constraints.

Needs assessment interviews are generally unstructured. The interviewer typically does not use a fixed questionnaire, but is rather guided by an objective. The objective may be to understand whether or not a feasible solution can be provided or to understand the qualified lead's requirements. The majority of the questions asked should be open to allow the qualified lead to provide detailed answers. Open questions are defined in section 6.1.2.5.

Examples of Interviews:

- A sales representative at an IT consulting company conducts an in depth interview of a decision maker at a major retail organization regarding the company's plans to upgrade its point of sale (POS) systems. The sales rep logs the notes and when the IT company is later given the opportunity to present an RFP response and oral presentation, the sales rep is able to use those notes as business intelligence to help guide the solution design and response.
- A production planning software company wants to conduct a telephone survey to identify two or three of the major challenges companies are facing in the current business environment. The software company offers to share its findings with all of the participants who participate in the telephone interviews. Based on the common needs identified in the survey, the software company then launches a direct mail campaign to communicate both the results of the survey as well as the solutions it can offer to address production planning problems in each facility.

6.1.2.3 SWOT Analysis

SWOT stands for strengths, weaknesses, opportunities, and threats. The strengths and weaknesses are internal to the product or solution. Opportunities and threats are external in nature. Opportunities and threats can arise out of macro-environmental or micro-environmental factors. Macro-environmental factors are those over which a company has little control or influence. These may include political, economic, social, technological, environmental, and legal factors commonly used in the PESTEL analysis framework. The micro-environment of a company consists of environmental factors that have a more direct impact on the operations and success of the business. Some of these factors pertain to customers, distributors, suppliers, and other stakeholders.

A SWOT analysis in the context of a needs assessment implies an understanding of the strengths and weaknesses of the current product or solution being used by the qualified lead.

In many cases, the strengths listed by the qualified lead can be analyzed to determine the weaknesses of the current product or solution. These can be used to infer threats that the lead's company may be facing. However, it may be difficult to gather all of the weaknesses from the qualified lead. This is often due to the bias of the qualified lead in favor of the existing product or solution, as well as resistance to change.

Opportunities are areas that the qualified lead would like to actualize. Threats are factors that a qualified lead feels can disrupt their business.

Opportunities and threats are best used to interpret needs. Together, the weaknesses, opportunities, and threats are used to generate the needs of the qualified lead and to upgrade and modify current products or solutions, based on the qualified lead's understanding of future market opportunities and potential threats. Additional opportunities and threats are added to the list by studying industry reports and marketing research reports.

Example SWOT Analysis:

- A software company that sells cloud-based learning management systems, is attempting to sell to a global manufacturing corporation. From discussions with the VP of Information Systems, the software company has determined the following strengths, weaknesses, opportunities, and threats of the existing system:
    - Strengths—Because the current solution was developed in-house, it is highly customized to the environment of the manufacturing company, and the company questions whether an off-the-shelf solution would be able to match its specific needs.
    - Weaknesses—Knowledge of the backend system is limited to a few highly paid and very specialized developers within the business and effective knowledge transfer is not happening, in part, due to the complexity of the customization of the system.
    - Opportunities—Opportunities exist to further customize the system as the needs of the business change.
    - Threats—As new communication and video training platforms enter the market, the current, home-grown solution is not able to effectively integrate.

  Based on the analysis of the current solution, the software sales rep understands that customization and flexibility are of high value to the prospective client. Therefore, if the company can a) demonstrate that it can match the level of customization of the current solution b) deliver the solution at a lower cost due to its less expensive development resources, and c) allow the solution to more easily integrate with other add-on products in the market, it may be able to make a sale.

6.1.2.4 Gap Analysis

A gap analysis involves a comparison of present performance with the future performance needed to attain a desired output. This is done by comparing targets and objectives using metrics chosen by the qualified lead. A gap exists if there is a deficiency in the outcomes or an inability to achieve the desired targets.

The gap identified can be one of the following:

- **a Functional Gap,** which results when a product or solution does not closely match the functional needs of the potential client

- **a Technology Gap,** which results from the use of outdated or old technology, often causing a deficiency in output
- **a Financial Gap,** which is created when a product or solution results in higher costs, affecting overall financial targets
- **a Performance Gap**, which is created when a product or solution does not match the set performance criteria such as total production output, efficiency in production, or number of defects
- **a Process Gap**, which is created when the existing process is not delivering the required output

Once a gap is identified, an analysis is done to understand the reasons for the gap. After the reasons are identified, the company identifies ways to resolve the issues that are creating the gap. The result of a gap analysis may then lead to a proposed change in the product or solution.

Examples of Gap Analysis:

- A finance and accounting outsourcing company was finding it difficult to win new deals following RFX submissions. A gap analysis determined that while the proposed solutions were functionally sound and met the needs of the potential clients, the company's pricing was too high compared to its next closest competitor. To resolve this issue, the company looked at which processes could be automated through new technology and which functions could be performed offshore by lower cost resources. The result was that the company was able to effectively reduce its hourly rate of service and win more business.
- A manufacturer is losing business to competitors because it cannot quickly fill rush orders. After conducting a performance gap analysis, the company introduces an automated order picking system to eliminate the labor intensive, paper-based system it currently uses to fill orders. By introducing the new order picking system, the manufacturer is also able to reduce shipment times and back orders by sourcing product from multiple warehouse locations instead of one.
- An assessment publishing company identifies a qualified lead in an HR services business that uses various assessments in both recruiting and shortlisting candidates to fill positions for its clients. Typically the HR company uses personality assessments for these purposes but is open to considering a number of other factors that help in identifying strong candidates. The publishing company identifies an initial functional gap—they specialize in emotional intelligence and adaptability assessments. The test publishing company will need to demonstrate that emotional intelligence and measures of adaptability are better predictors of employee success than typical personality assessments in order to address the perceived functional gap.

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6.1.2.5 Questions*

Questions are an effective tool for the *Needs Assessment for Each Qualified Lead* process. Asking questions is especially useful when the qualified lead does not have clearly stated needs. Even in cases where requirements are documented, questions are an effective approach to gain a better understanding of the need or needs driving those requirements. Questions are also helpful in conveying a better understanding of the lead's industry. Answers to the questions during this phase serve as inputs for designing, creating, or customizing a solution.

The questions asked during the *Needs Assessment for Each Qualified Lead* process are generally classified into two types:

Closed Questions—Closed questions can be answered with either a simple "yes" or "no," or the answer may lie in a single word or phrase. Typical examples of closed questions include the following:

- Is your annual revenue above $5 million?
- Does your company use an ERP system?

Open Questions—Open questions require longer answers and cannot be answered with a "yes" or "no." Typical examples of open questions include the following:

- What can you tell me about your current business environment?
- What can you tell me about your manufacturing process?

Needs assessment uses a combination of closed and open questions.

SPIN Model for Questions

The SPIN[9] model for questions is widely used in the *Needs Assessment* process. SPIN refers to Situation, Problem, Implication, and Need-Payoff. The SPIN model provides a sequence for questioning.

Situation—Situation questions are those that are used to gather facts, information, and background data about a qualified lead's existing situation. Although situation questions are essential for needs assessment, they must not be overused. A high number of situation questions during needs assessment shows inexperience and lack of knowledge about a lead's business and industry. Therefore, it is important to frame only a limited number of situation questions after an analysis of available data and information pertaining to the qualified lead's business.

[9] Rackam, N. (1988). "SPIN Selling" TMH Publications.

Examples of Situation Questions:

- How many units are used for this process?
- What is the energy rating for this equipment?
- What technology is used for this process?

Problem—Problem questions follow situation questions in the SPIN model. Problem questions are used to understand difficulties and dissatisfactions with the qualified lead's current solution or product. Problem questions uncover implied needs and form the basis for the remaining sequence of questions in the SPIN model. However, problem questions do not quantify how serious or urgent a problem may be and may not lead to effective closure in the needs assessment. The qualified lead may therefore not be able to justify the cost of a new solution proposed by the sales team.

Examples of Problem Questions:

- Are you satisfied with the existing machine?
- What issues with quality control annoy you the most?
- How easy to use is your existing tool?

Implication—Implication questions explore the effects or consequences of a problem on the qualified lead's overall business. They help the qualified lead understand the urgency, seriousness, and scale of a problem. They also help the lead realize how the problem affects outcomes such as costs, productivity, profitability, and revenue and can justify the cost of a newly proposed solution.

Implication questions are particularly useful in technology-related product sales where there may be resistance to change. Realization of losses in measurable outcomes can overcome this resistance.

Examples of Implication Questions:

- What effect does this have on the output?
- Can it lead to increased costs?
- Will it lead to loss in revenue?

Need-Payoff—Need-payoff questions are positive, solution-centered questions that address the value or usefulness of solving a problem. These types of questions have a high correlation with successful sales closure by encouraging the qualified lead to explain the areas of the problem that can be solved by a new product or solution. This reduces objections from the qualified lead and makes the selling company's product or solution more acceptable.

Need-payoff questions also help prepare the influencer for selling a proposal to other internal stakeholders. Questions help focus attention on how the product can help solve a problem rather than on the details of the product.

Examples of Need-payoff Questions:

- What benefits can you achieve from the solution?
- Why is it important to solve this problem?
- Would that method help in this process?

Examples of Questions for Needs Assessment:

- An e-mail marketing software company has been having a hard time gaining traction with new customers. They decide they have to improve and standardize the questions they are asking in the needs assessment process. They develop an established set of both open and closed questions for the sales teams to leverage. The questions include such closed questions as "Are you sending more than ten e-mails per month?", "Do you use an e-mail marketing software", "Are you happy with your current email software?" They ask many open-ended questions to both clarify the closed answers and gather additional information. They ask "What are you most happy about your current e-mail software"?, "What do you think needs to improve?", "What challenges are you currently facing?" The combination of open and closed questions provides the company with a better understanding of the business and the specific needs of this potential client.
- Heavy Lifters, a fork lift manufacturer, has been steadily improving their needs assessment gathering process to grow their leads; however, senior management feels that they need a more structured approach. They decide to implement the SPIN model. The company's head of sales, Bob, is the #1 sales rep and the first to try SPIN. At his client meeting with Greyson Manufacturing, he gets a feel for their business and their needs with a few key situational questions about the volume they are manufacturing and shipping out and what their current process looks like. He then goes into problem-based questions about what may not be working for the client, and tries to base his questioning on the information he just heard. Bob then asks questions that are implication type to try to call out the scope of the problem and further clarify the impact to the business. The client indicates their current fork lifts are frequently being repaired resulting in too much down time, and some have a more limited load capacity. Bob probes this area a bit further and then goes into more need-payoff questions to start to focus on how solving these problems can improve the business's shipping capacity and reduce costs. This information will help Heavy Lifters target their solution to the client's specific needs.

6.1.3 Outputs

6.1.3.1 Client Needs*

Client needs include all of the specific requirements that the product or solution satisfies. Needs may be directly related to the product or solution or a single product feature that satisfies a need. Positive outcomes may be operational or financial in nature. Operational outcomes mainly improve productivity. Financial outcomes relate to improvements in revenues or profit. A number of tools can be used to pinpoint the specific needs of each qualified lead in order to ensure the company is offering a solution that addresses the specific requirements of each qualified lead.

Examples of Client Needs:

- A software company that sells to insurance companies identified that its larger clients tend to have a common need to reduce costs. To address this need, the company's latest product is an easy-to-implement, cloud-based solution that only requires monthly licensing fees rather than expensive infrastructure and setup costs.
- A company manufactures tools to install heating and air conditioning (HVAC) systems. The company conducts focus groups with a sample of HVAC installation companies to identify which tools are not currently meeting their needs when completing work at job sites. The data from the focus groups shows a common need for a more powerful screwdriver, capable of driving sheet metal screws into ductwork with less effort. Based on this need, the manufacturer proposes a solution from its line of products.

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6.1.3.2 Enabling Conditions

The *Needs Assessment* for *Each Qualified Lead* process also helps identify enabling conditions. Enabling conditions are factors that increase the chance of converting a qualified lead. The tools that are utilized in the *Needs Assessment of Each Qualified Lead* process, such as effective communication and rapport building, interviews, SWOT analysis, and gap analysis, allow the team to identify and remove barriers, resulting in enabling conditions that ultimately facilitate conversion. Enabling conditions may be in the form of people (e.g., understanding the skillsets required of human resources to effectively implement and sustain the solution), processes (e.g., understanding the buyer's existing processes and how they can be streamlined to address a need to reduce costs), or technology (e.g., understanding how new technology, or integration of new technology with existing systems, can make the solution most effective).

Example of Enabling Conditions:

- A large urban centre transit corporation discovered that it was losing significant revenue due to counterfeit transfer tickets. The transit corporation viewed the issue as a training gap, building additional processes into their training plans to ensure transit operators were better equipped to identify fraudulent tickets, but the training measures were ineffective and the transit company continued to lose revenue due to fraudulent transfer tickets. A local printing company approached the transit company with a new solution—using current technology, the printer was able to make it impossible to copy the transfer tickets. While the new printer was relatively more expensive than the current printer providing the service to the transit corporation, the additional production costs paid off for the transit corporation. The new printer was able to create enabling conditions through innovative printing technology and was ultimately able to overcome the objections of a premium price by providing a solution that significantly reduced lost revenues for the transit corporation.

6.1.3.3 Negotiation Criteria*

A comprehensive understanding of the qualified lead's needs provides the team with insights that can result in a successful negotiation. Negotiation criteria are derived from understanding the needs of the lead while being mindful of the company's sales value proposition. From this information, the sales team can derive insights that will inform the negotiation criteria that can be used to facilitate conversion. Such criteria include pricing, timing, innovation, and support, among others. These criteria can provide valuable inputs to formulate the various elements of negotiation, including the negotiation style and key points of discussion during negotiation, as well as the BATNA, ZOPA, and reservation price.

Examples of Negotiation Criteria:

- A computer manufacturer quotes prices to commercial customers on a job-by-job basis. The manufacturer is aware of the need to keep its prices competitive. Most of its clients will ask for multiple quotes from other suppliers before deciding where to buy. The computer manufacturer therefore needs to check competitor prices daily to ensure it can provide the best alternative price for its products, while at the same time negotiating an appropriate profit margin with each individual customer.
- After Heavy Lifters, a fork lift manufacturer, completed their needs assessment process for prospective client Greyson Manufacturing, they were able to construct their negotiation criteria. They had an understanding of the client needs and other relevant information to successfully enter the presentation and negotiation phase. Having met with the client they also understood the approach to take, including pricing, servicing and other sensitivities, to help form an approach that would appeal to the client and create a win-win outcome.

6.2 Presentation, Overcoming Objections, and Closure

The previous process, *Needs Assessment for Each Qualified Lead*, discussed how to obtain the necessary information to propose a customized solution to qualified leads. The next process describes the final stage in the conversion cycle, including the presentation of the features and benefits of new products or services to prospects. The prospects at this stage present their objections to the proposal. It is the job of the corporate sales team to overcome these objections in order to close the deal.

Figure 6-3 shows the inputs, tools, and outputs for the *Presentation, Overcoming Objections, and Closure* process.

INPUTS	TOOLS	OUTPUTS
1. Sales Value Proposition	1. Meetings and Discussions	1. Acquired Customers*
2. Understanding of Product*	2. Presentation and Demonstrations*	2. Value of Account
3. Corporate Sales Team	3. Overcoming Objections*	3. Customer Insights
4. Senior Management Direction and Insights	4. Negotiation*	4. Negotiated Terms*
5. Client Needs*	5. CRM System	
6. Enabling Conditions		
7. Negotiation Criteria*		

Figure 6-3: Presentation, Overcoming Objections, and Closure—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

6.2.1 Inputs

6.2.1.1 Sales Value Proposition

A sales value proposition clearly communicates how a vendor can help the customer achieve better results. It presents measurable business outcomes to help decision makers make buying decisions more quickly. A sales value proposition should convey the following:

- Product features
- Relevant product benefits
- Business outcomes

Most of the time, the best way to overcome the objections raised by prospects is to inform them about the value provided by a proposed product or service.

Example of Sales Value Proposition:

- We help large companies significantly reduce manufacturing costs without the expense of adding new equipment or technology.

6.2.1.2 Understanding of Product*

The corporate sales team delivering the presentation must have a comprehensive understanding of the product that is presented. This includes product features and technical details related to the product. Product knowledge also covers the advantages and benefits the vendor's products offer over competitive alternatives. Furthermore, a better understanding of the product helps the sales team become more confident and close deals more quickly. Decision makers need a deep understanding of every aspect of the product before making a final buying decision.

6.2.1.3 Corporate Sales Team

A corporate sales team with product knowledge and trained in negotiation and selling skills typically has a thorough understanding of the product strategy of the company, the products offered, and the value each can contribute to customers. Therefore, the corporate sales team is ideal to carry out the *Presentation, Overcoming Objections, and Closure* process.

6.2.1.4 Senior Management Direction and Insights

Senior management direction and insights can be provided by the founder(s), CEO, and other senior managers to give specific directions to employees as well as to communicate the company's strategic vision and future goals. Handling key prospects requires special preparation on the part of the sales team. The experience of senior management in dealing with accounts in similar industries can help the corporate sales team in preparing the right approach for the presentation of the sales value proposition and the product features. Management insights can also prepare the sales team to anticipate and overcome any sales objections.

6.2.1.5 Client Needs*

Client needs are an output of the *Needs Assessment of Each Qualified Lead* process and include all of the specific requirements that the product or service needs to satisfy. Needs may be satisfied by a product feature or can be an outcome that the product or solution can help achieve. Such outcomes may be operational or financial in nature. Client needs is a primary input to the *Presentation, Negotiation, and Closure* process. Such needs form the core of the solution proposed to a prospect.

6.2.1.6 Enabling Conditions

Enabling conditions are an output of the *Needs Assessment of Each Qualified Lead* process. Enabling conditions are factors that increase the chances of converting the qualified lead. They may be in the form of people, processes, or technology. Enabling conditions should be kept in mind while preparing for a presentation or meeting with a prospect because they can be leveraged during the presentation to tilt the balance in favor of the seller.

6.2.1.7 Negotiation Criteria*

Negotiation criteria are an output of the *Needs Assessment of Each Qualified Lead* process described in section 6.1. They are derived from an understanding of the sales value proposition and the specific needs of each qualified lead. They are used to formulate various negotiation strategies. Negotiation criteria can be used to determine the approach; the BATNA, ZOPA, and reservation price; and other details to be used during negotiation in order to overcome objections and close the sale.

6.2.2 Tools

6.2.2.1 Meetings and Discussions

Meetings and discussions are necessary to plan and execute the presentation, negotiation strategy, and closure activities. Financial considerations are discussed as well as service levels required from the account management teams to support qualified leads. Discussions are also held with the legal team to finalize customer agreements.

Example of Meetings and Discussions:

- Heavy Lifters has decided they are ready to enter the presentation phase with Greyson Manufacturing now that the team has completed a very thorough needs assessment. In the past Heavy Lifters was unable to acquire Greyson as a client and they do not want to lose out again so many internal meetings take place to review the presentation, past experiences and objections with Greyson, servicing commitments they will make, and more. They ensure everyone internally is on the same page and they can make the best proposal possible to gain the client.

6.2.2.2 Presentation and Demonstration*

After understanding the needs of the prospects, the corporate sales team creates the sales proposal to outline the capabilities of its products or services. The proposal is a customized solution designed to fulfill the needs of each particular prospect. The presentation and demonstration is one of the most important opportunities to prove the worth of the product or service to customers by focusing on the Features, Advantages, and Benefits (FAB) of the product or service.

Features

- Features are the facts about the product. They provide complete information about the product or service, including data and specifications.
- Prospects do not buy the features; they buy the advantages and benefits derived from those features. Therefore, it is not a good practice to overemphasize the features.

Examples of Features:

- Cruise control, seat heater, automatic transmission, sunroof, leather seats, and navigation systems are some examples of automobile features.
- Longer battery life, video calling, camera, flashlight, music player, and e-mail are some examples of available smartphone features.

Advantages

- Advantages include how a feature is useful or can help prospects.
- Prospects need to understand how features can provide them with an advantage over a competitor's products or services.

Examples of Advantages:

- Cruise control in a car is advantageous for long drives on highways because it reduces the effort for the driver.
- The advantage of longer battery life in a smartphone is that it makes the phone run longer without a charge.

Benefits

- A benefit is the value provided by the advantage of the features.
- It defines how the specific need of the prospect is fulfilled by the product or service.
- It is the responsibility of the sales presenter to convey how the product will solve a specific customer need.

Examples of Benefits:

- The benefit of cruise control in a car is that it reduces driver fatigue and makes the ride more comfortable.
- The benefit of longer battery life in a smartphone is that it allows a user to use the phone for a longer duration with less downtime before having to recharge the phone.

Presentation Techniques

The following are some techniques that can make sales presentations more effective:

- **Introduce the presentation**—The first few minutes of a presentation are the most critical time for a presenter to connect with the audience. Start with introductions and try to learn the names of the audience members. Next, announce the agenda for the meeting and clearly explain the purpose of the presentation. It is important to set the context of the presentation with the opening statement. The idea should be to explain the "why" and not the "what."

- **Avoid too much text; Use visual aids—**Using too much text and too many bullet points on a slide makes the screen appear cluttered. It is difficult for the audience to read a lot of text and listen to a speaker at the same time. Another common mistake made by presenters is giving too much data. Data should be presented in an interesting and easily understood format. Visual aids are a good way to present ideas on a slide because they help prospects visualize the product and better understand its features, advantages, and benefits.

- **Be passionate and energetic**—Prospects always like to engage with presenters who are confident and passionate about their products or services. An energetic seller and presentation captivates the audience and in turn has a better chance of converting a buyer.

- **Encourage questions**—A one-sided presentation becomes boring to the audience. The presenter should make it clear at the beginning of the presentation when the listeners can ask questions. Also, in order to make the presentation more engaging, a presenter should ask questions of the audience.

- **Perform demonstrations**—A demonstration is the ideal way to show a product to prospects and make them aware of the features, advantages, and benefits. It provides firsthand interaction with the product and gives prospects an opportunity to better understand the product. Providing opportunities for prospects to take part in the demonstration enhances buy-in.

- **Use proof statements—**Proof statements such as client testimonials, marketing research reports, and any other reports on product-related information should be presented to the prospects. Such information gives credibility to the statements made during the presentation about the benefits of the product.

Example of Presentation and Demonstration:

- The time has come for Heavy Lifters to present their proposal to Greyson. All key players on both the Greyson side and Heavy Lifters are present. Heavy lifters has a prepared PowerPoint presentation that is not overly text heavy and tries to really highlight the advantages to the client in a clear and inspiring way. They start with a brief recap of the features and benefits of the Heavy Lifters forklifts and why they will be able to address Greyson's needs. The sales team ensures they have addressed all concerns that have been discussed through their communications. The presentation closes by highlighting Heavy Lifters' superior client servicing and how it isn't just superior forklifts Greyson will get, but superior, responsive servicing as well.

6.2.2.3 Overcoming Objections*

Whenever a sales person tries to propose a product or service, the prospect raises objections. An objection is a psychological or logical resistance. Learning to handle objections is one of the key skills to be acquired by the corporate sales team. Objections should never be ignored but rather addressed or resolved positively and with confidence. The team should anticipate and prepare for objections in advance in order to address them effectively. Impromptu responses to objections are rarely successful and drastically reduce the chance of closing a sale. Most objections are common and can be anticipated in advance. Some of the most common objections are related to cost, timelines, specific client requirements, and lack of authority. These and other types of objections are to be expected. Presenters need to listen to objections positively and answer in a manner that helps reduce a prospect's anxiety and builds trust. Some specific techniques appear below.

Common Objections

- **Satisfaction with the existing vendor**—When faced with this obstacle, it is best to ask questions about the current vendor and try to understand situations where the prospect would consider switching to a new vendor. To do this, the team needs to do its homework before setting up the meeting with the prospect. It needs to research the current vendor and its weaknesses, current business challenges faced by the prospect, and any other relevant information that can gain the attention of the prospect. A prepared sales team can then start a presentation by suggesting solutions for problems or limitations. This can help prevent the prospect from speaking positively about the current vendor.

- **High price**—Most buyers note price as their primary concern with a product or proposed solution. Sellers who talk about their products or services at the beginning of a conversation will likely end up facing a price objection. Therefore, sellers should focus on the benefits of a product at the beginning of the presentation to avoid this type of objection. In addition, it is a good practice to inform the prospects about the cost savings achieved by using the company's products or services.

- **Budget constraints**—With experience, the corporate sales team knows the time of year when prospects set their budgets. The team should meet prospects ahead of the budget cycle to get money allocated in the next budget for their product or service. If that does not happen, the team should try to explain the importance and advantages of the proposed product or service to the prospect. It is possible to get money allocated from the existing budget by diverting funds from lower priority projects.

- **Too busy**—With so many sellers approaching buyers regarding different types of products and services, it becomes impossible for buyers to listen to each and every proposal. When faced with this obstacle, the seller needs to generate interest by telling prospects about products or services that can make a significantly positive difference to their business. This requires a thorough knowledge of the value proposition.

- **Undisclosed objections**—Objections that are not stated by prospects need to be understood. These are objections that are noticeable by hesitations or implied reluctance as shown by the prospect's tone or expressions. It is the responsibility of the seller to ask the prospect questions to encourage the prospect to talk about such objections. The seller can only address these objections when they are revealed.

Example of Overcoming Objections:

- Zip Solutions, an IT solutions provider, sells its products and services at a premium price. The sales team anticipates that the primary objection in a negotiation will be cost, so they prepare for this objection with various points regarding value. Zip boasts one of the fastest installation periods in the business, focusing on client's needs for reduced down time during implementation. In addition, they offer around the clock support to ensure that businesses can trust that systems are always running smoothly and that issues are resolved in a timely fashion. Zip's value-for-money approach enables them to overcome objections on price at the time of negotiation.

6.2.2.4 Negotiation*

Negotiation is the discussion between two parties with the objective of achieving a mutually beneficial outcome. Negotiation is different from selling. Selling is the process in which an effort is made to offer a solution to the customer. Negotiation involves agreement by parties on the terms and conditions of the deal. Negotiation begins when the buyer has given some commitment to buy the product or service.

The following are the steps required to prepare for a negotiation:

Consider what would be a positive outcome for both parties.

Identify the BATNA, Reservation Price, Negotiation Styles, and ZOPA for both sides.

Determine the position of the person with whom you are negotiating. Ideally, the negotiator on the other side should have similar authority as the negotiator on your side.

Learn about the people on the other side, such as their responsibilities, goals, and objectives, before entering into a negotiation.

Gather external information about the deal, such as competitive intelligence, and negotiate from a position of strength.

Details on the negotiation process, basic negotiation concepts, styles of negotiation, and negotiation strategies are provided in the *Sales and Negotiation Training* process, described in section 4.1.

6.2.2.5 CRM System

A Customer Relationship Management (CRM) system contains a contact management system, a sales lead tracking system, sales forecasting ability, order management functionality, and product information. The contact management system documents the history of contact with a given lead along with key details and insights that can be used to help the sales team overcome objections and close sales.

CRM systems often include features such as alerts to take action or follow up with qualified leads based on various details and the needs of the qualified lead that have been derived from communications and questioning. Documenting such details in the CRM system ensures that key details that can assist in the negotiation activities are captured for ongoing use throughout the relationship with the client.

Example of CRM:

- An environmental engineering firm specializing in site decommissioning recognizes that a huge opportunity for revenue exists if they can secure a contract to assist the city in its plan to convert a section of industrial lands to waterfront parklands. The sales team begins the process by meeting with various city officials to ensure their business is added to the preferred vendors list. This ensures that the business will be invited to submit a proposal as part of the RFP process. Various discussions take place with city officials documenting key concerns, including the budget, timing, and scope of the project. The CRM captures the details of these discussions to ensure that the proposal, the presentation, and negotiation discussions can focus on the major factors being considered in the project and to ensure that all members of the sales team are apprised of key points of discussion between city officials and the firm's sales team.

6.2.3 Outputs

6.2.3.1 Acquired Customer*

An acquired customer is the most important output from the *Presentation, Overcoming Objections, and Closure* process. All of the efforts in the stages of the selling cycle are directed toward achieving this output. This is the stage at which the customer agrees to use the product or service. It is the responsibility of the corporate sales team to clearly state the promised solution and provide appropriate service to customers following conversion.

6.2.3.2 Value of Account

Another output of the *Presentation, Overcoming Objections, and Closure* process is the value of the customer account. An acquired customer, if serviced well, can provide long-term value. A vendor can assign appropriate resources to an account based on the overall account value.

Example of Value of Account:

- A national advertising agency has established different account values for its clients. The sales team has recently acquired a major account. The sales team designates the new client as a key account since, based on the discussions with the client leading up to the close, it was determined that the account will purchase more than $300,000 in advertising services in the next year. The advertising agency assigns a dedicated account manager to this account to manage their day-to-day advertising needs. Accounts that are not designated as key accounts are combined to reach the annual threshold of $300,000 in billable hours. An account manager is then assigned by the agency to manage a customer portfolio comprising multiple accounts.

6.2.3.3 Customer Insights

The *Presentation, Overcoming Objections, and Closure* process is the stage where maximum interaction with the customer occurs. It gives the corporate sales team an understanding of the current state of the customer's business, processes, requirements, and expectations. Such knowledge is invaluable during the post-sales processes to help the team better serve customers.

Example of Insights about Customer:

- Pro Print manufactures and sells industrial printers to packaging companies for product labels and packaging. A recently acquired customer was impressed by Pro Print's printing technology and signed a significant contract with Pro Print. Pro Print prides itself on knowing its clients. It understands the packaging materials used by each customer, as well as each client's printing requirements. As well, Pro Print invests heavily in its R&D division to continuously develop new print technology. When product innovations are developed by the R&D division, Pro Print reviews its clients' business needs to determine which accounts to contact regarding new product innovations. The recently acquired customer would be among those contacted with future innovations.

6.2.3.4 Negotiated Terms*

During the closing phase of the sales process, various terms related to the contract between the buyer and seller are negotiated. Additional contracts and agreements are made at this stage that delineate the level of service expected from the seller. Other terms related to price and timelines are also included. Clearly negotiated terms ensure a smooth working relationship and clearly outline performance expectations. This builds trust with the acquired customer.

Example of Negotiated Terms:

- A software developer sells software systems to help organizations project the costs and benefits of using different distribution channels. The company offers client training and a ninety-day satisfaction guarantee to each client who purchases a software program. Other negotiated terms include price discounts, user licensing agreements, and payment terms.

7. ACCOUNT MANAGEMENT

Account management deals with the processes that follow customer acquisition. It includes onboarding, account classification, alignment, and client management. Customers may have diverse needs and may be classified as a key account or a strategic account, based on current sales revenue and potential for future growth. The account manager who is part of the corporate sales team is an integral part of account management. Account management involves determining how to best meet client needs and support the ongoing growth of the account. The existing sales organization structure should provide a means for accounts to be assigned and supported effectively. In some instances, with key accounts, adjustments to the sales structure may be required in order to effectively manage and support the account.

The customer relationship management (CRM) system and ongoing communication are key tools that support account management. The CRM system is a repository of customer-related information that assists in documenting and managing the company's interaction with customers. It helps in synchronizing and organizing customer service and support. CRM systems also help a company develop a customer-centric approach, even while handling multiple customers. Client management focuses on building firm-wide relationships and maintaining high levels of customer satisfaction and customer retention. The company needs to continue delivering the product or service as well as communicate and promote the features and benefits of additional products and services. Such promotional programs are aimed at increasing the client's exposure to the company's product and service portfolio, thereby increasing the potential for cross-selling activities. In order to ensure continual improvement through customer feedback, the company also needs to regularly review and assess customer accounts.

7.1 Classification of Accounts and Resource Allocation

INPUTS
1. Corporate Sales Team*
2. Sales Organization Structure
3. Value of Account*
4. Customer Insights
5. Negotiated Terms*
6. Client Needs*
7. Corporate Strategy
8. Organizational Capabilities

TOOLS
1. Meetings and Discussions
2. Classification of Customers*
3. CRM System
4. Resource Allocation*

OUTPUTS
1. Classified Accounts*
2. Allocated Resources*

7.2 Corporate Accounts Alignment

INPUTS
1. Sales Organization Structure*
2. Allocated Resources*
3. Corporate Sales Team
4. Corporate Strategy
5. Customer Insights
6. Senior Management Direction and Insights

TOOLS
1. Meetings and Discussions*
2. Ongoing Communication*
3. Structural Changes
4. Gap Analysis
5. CRM System*

OUTPUTS
1. Aligned Corporate Accounts*

7.3 Client Management

INPUTS
1. Aligned Corporate Accounts*
2. Corporate Sales Team*
3. Product Features
4. Negotiated Terms
5. External Marketing Assets
6. Customer Insights

TOOLS
1. Building Firm-wide Relationships*
2. Customer Satisfaction Measurement*
3. Client Retention Tools
4. Promotions
5. CRM System
6. Customer Advisory Boards*
7. Account Review and Recommendations*

OUTPUTS
1. Engaged Customer*
2. Improved Profitability and Revenues*

Figure 7-1: Account Management

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

7.1 Classification of Accounts and Resource Allocation

The CRM system used during the sales process serves as a key source of information about new customers. Using this information, account management classifies the newly acquired accounts, based on alignment with corporate strategy. Customer accounts are then allocated resources, based on classifications and senior management insights.

Once the accounts are classified and resources are allocated, the account manager becomes the key point of interaction between the account and the company. Further allocation of resources and the creation of new business opportunities depend on how well the account manager handles the account and on the relationship built with the customer over time. The CRM tool is critical in helping the account manager and other departments develop a customer-centric approach by tracking interaction history and documenting notes and insights on customer objectives.

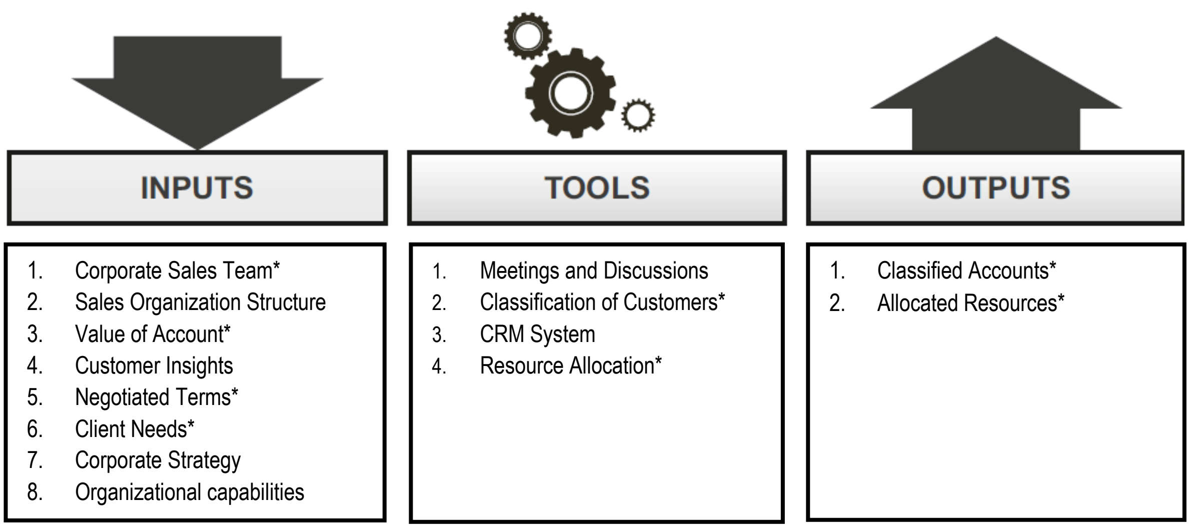

Figure 7-2: Account Classification and Resource Allocation—Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

7.1.1 Inputs

7.1.1.1 Corporate Sales Team*

The corporate sales team is involved in all steps of the sales process, providing them with a good understanding of the current size and future potential of each account. Given their training, experience, and knowledge about the customer, they can offer insights about each customer that will inform decisions regarding the allocation of appropriate resources for supporting each customer.

Example of Corporate Sales Team:

- CIC Medicals provides medical equipment and supplies to private practitioners, clinics, and hospitals. A significant percentage of the business's leads are generated through industry trade shows, networking meetings, and workshops. Once follow-up calls are conducted to assess each potential client's needs, presentations are made, objections are overcome, a contract is negotiated, and the customer is acquired and classified. Given the team's training, product and industry knowledge, and the insights gained about the customer throughout the process of acquiring the customer, CIC determines how best to serve each customer, and assigns resources based on an understanding of current and potential future business. Private practitioners and small clinics often represent relatively lower revenue and less required support, and CIC assigns resources accordingly. Customers representing significantly higher revenues such as hospitals are assigned account representatives as well as sales support staff to ensure customer needs are met and future opportunities are identified and explored.

7.1.1.2 Sales Organization Structure

The sales organization structure is an output of the Plan Sales Governance process described in section 3.1. The sales organizational structure defines the reporting structure, the responsibilities, and the functions of the sales team members and is aligned with defined territories and overall sales objectives. It is an important input to the Classification of Accounts process as it provides the structure within which accounts can be managed. As new customers are acquired and existing customers are nurtured, adjustments to the sales organization structure may be required in order to effectively support all accounts.

7.1.1.3 Value of Account*

Value of account is an output of the *Presentation, Overcoming Objections, and Closure* process, described in section 6.2. An acquired customer represents value to the business. Acquired customers represent not only short-term value for the company, but also, if serviced well, recurrent long-term value. During various activities leading to the closure, the corporate sales team interacts with customers and begins to understand their needs, budgets, and timelines. This understanding helps the sales team estimate the size of the business opportunity within each account. This also helps the sales team to project future sales potential for each account and assign appropriate resources for servicing the account.

7.1.1.4 Customer Insights

Customer insights is an output of the *Presentation, Overcoming Objections, and Closure* process, described in section 6.2. Presentation, Overcoming Objections, and Closure is the stage where maximum interaction with the customer occurs. This provides the corporate sales team with an understanding of customers, their sales processes, requirements, and expectations. Such knowledge about the customer is invaluable during the classification and allocation of resources. This knowledge, along with the performance data of the client, forms an important basis for the portfolio analysis and classification of strategic accounts. This also allows the company to assign appropriate resources, depending on the requirements and expectations of the client.

7.1.1.5 Negotiated Terms*

Negotiated terms is an output of the *Presentation, Overcoming Objections, and Closure* process, described in section 6.2. During the closing phase of the sales process, various terms related to the contract between the buyer and seller are negotiated. Customer contracts, such as service level agreements (SLAs), are established at this stage. Other terms related to price and timelines are also determined. It is important to clearly negotiate terms before acquiring the customer to ensure a smooth performance of service and to build trust with the acquired customer. These terms also need to be considered when allocating resources to ensure that the promised level of service is provided to the client.

7.1.1.6 Client Needs*

Client needs is an output of the *Needs Assessment for Each Qualified Lead* process, described in section 6.1. Client Needs include all specific requirements that the product or solution intends to satisfy. Needs may be satisfied by a product feature or can be in the form of outcomes that the product or solution helps achieve. Outcomes may be operational or financial in nature. Understanding client needs also provides input for account classification and resource allocation, based on the projected needs and value of each account.

7.1.1.7 Corporate Strategy

The Corporate Strategy is defined by the company's senior management team. It provides the guiding principles for the organization as a whole and assesses the existing capabilities of the company, as well as any external opportunities or threats to achieving business objectives. The sales structure and organization of accounts must also align with the Corporate Strategy to ensure that the sales team is able to effectively support the business objectives.

7.1.1.8 Organizational Capabilities

Organizational capabilities are those that allow a company to achieve its goals and gain a competitive advantage. The sales team assesses current organizational capabilities and, where necessary, acquires new resources. This includes an analysis of expertise and operational resources to service accounts. Examples include the capability of meeting specific quality standards or benchmarks, delivering products within a defined timeframe, and providing high levels of customer satisfaction.

7.1.2 Tools

7.1.2.1 Meetings and Discussions

Meetings and discussions are one of the most important tools to classify accounts and allocate resources. Classification of accounts and resource allocation require inputs from different functional teams such as sales, finance, operations, and marketing. Past reports on financial data and other information on each account are gathered and analyzed during meetings and discussions. Appropriate strategies for each account, such as lifecycle management, are also discussed.

Example of Meetings and Discussions:

- During an account review meeting at a commercial construction firm with members of finance, legal, HR, and senior management, representatives from the finance department recommend a price increase for a client that has been paying the same labor rates for three years. However, the legal team is concerned that a price increase would violate the terms of the contract. The HR department recommends an alternative approach to recruiting labor that will enable the company to find the required skill sets at a reduced rate.

7.1.2.2 Classification of Customers*

The two primary functions performed by salespeople are often described as “hunting” and “farming.” Hunting comprises all the steps that lead to closing a new account. Farming, on the other hand, involves generating more business from an existing account. All accounts should not be treated equally. The Pareto principle, which states that approximately 80% of the effects come from 20% of the causes, applies to most sales organizations. The principle applied in this context suggests that, generally speaking, twenty percent of accounts generate eighty percent of the business. However, this number varies, depending on the focus of the organization. Accounts that provide the bulk of the business are critical to the future business of the company and are called strategic accounts.

Most organizations have a separate team for strategic account management. This team is responsible for managing the key interactions with assigned strategic accounts and for generating increased revenues over the long term. In order to farm more revenues from these strategic accounts, companies adopt a short-term strategy called key account selling. This program attempts to generate more revenue in the immediate future. Sales people achieve this by providing customized solutions to build a sustained competitive advantage and greater customer loyalty.

When selecting strategic accounts, the company should first conduct a high-level portfolio analysis to categorize accounts based on their value. The company can then rank each account in order of importance, based on alignment with the sales organization’s corporate strategy.

Conduct Portfolio Analysis

After identifying the strategic accounts, a financial analysis is necessary to understand the net revenue generated for each of the accounts over the most recent years. This is essential to assess the past profitability of each strategic account and to project potential revenue for the next two to three years. The sales team can also forecast future product or service needs at this time, by using business intelligence and by interviewing clients. Each account can then be assigned to one of the quadrants of the value matrix given below in figure 7-3.

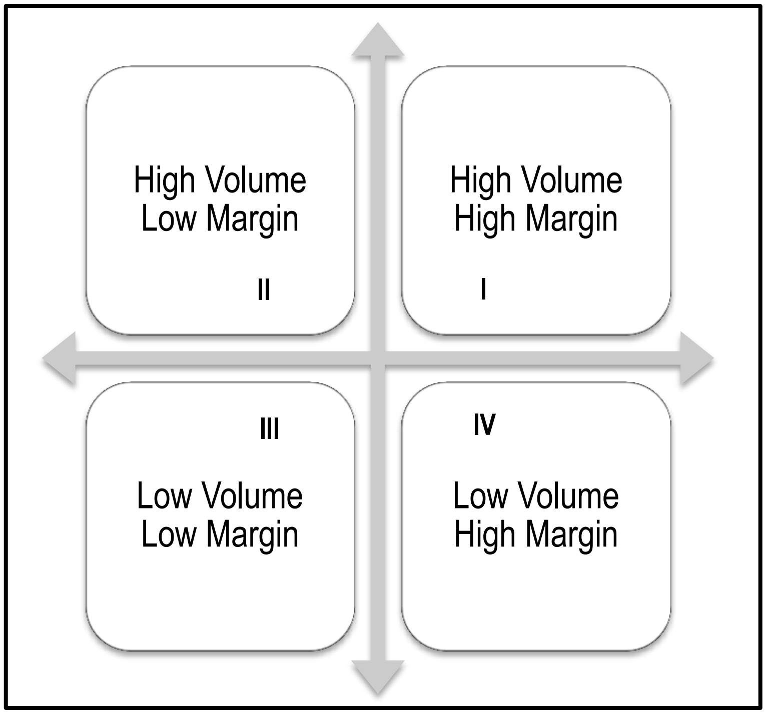

Figure 7-3: Value Matrix

Depending on the current and potential value of accounts, different growth and retention strategies may be required. The second quadrant is assigned to high-volume, low-margin accounts. These are highly important accounts with which the company has a large amount of business potential to increase future profitability. The focus is to shift these accounts from the second quadrant to the first quadrant, which contains high-volume and high-margin accounts. The first quadrant contains star performers and the most valuable accounts for the company. Suppliers constantly strive to deepen relationships with these customers. The third quadrant, which includes low-volume, low-margin accounts, is the least desirable quadrant. Most customers in this quadrant are new and should be developed to increase sales volumes and profit margins. If unable to do so, a company should terminate these accounts and focus its effort and resources on higher value accounts. The last quadrant, which has low-volume, high-margin accounts, is profitable for the company. The objective here should be to increase the volume of business and shift these accounts to the first quadrant.

Strategic Account Selection

There are hundreds of strategic account selection criteria from which to choose. Most companies view revenue and profitability as the most important account selection criteria. However, revenue and profitability alone do not reflect the strategic value of customer accounts. Organizations should also prioritize the importance of accounts, based on alignment with their Corporate Strategy. The following are popular strategic account selection criteria used by organizations:

- Revenue
- Profitability
- Growth potential
- Existing relationships
- Complementary technologies
- Solvency
- Product fit
- Flexibility
- Potential synergies
- Expertise in critical competencies
- Cultural fit

Organizations need to decide which criteria are most suitable to support the overall Corporate Strategy. It is not a good practice to choose too many selection criteria. Only three to five selection criteria should be used. Based on the portfolio analysis and account selection criteria, a few strategic accounts can then be selected to start a strategic account management program. This program should be refined based on feedback and gradually expanded over time to include more accounts.

Example of Classification of Customers:

- An IT outsourcing firm recently signed a service contract with a public sector client. While the scope of the initial agreement is low volume and low margin, the company understands that the client is taking a conservative approach to outsourcing and is using this engagement as a pilot program. The company understands that if the pilot program is successful, there are several other departments within the same public sector organization that could dramatically increase the scope of the engagement and transition the account from low volume and low margin to high volume and high margin once the contract terms are up for renegotiation.

7.1.2.3 CRM System

Most sales organizations use a customer relationship management (CRM) system. A typical CRM system helps in contact management, sales lead tracking, sales forecasting and order management. The CRM system also records the profiles of all customers, complete with the contact history for each customer. In this way, the CRM system helps to avoid loss of information about previous client communications. It also ensures that the entire sales team can access information about clients. The information furthermore facilitates account classification and resource allocation. Information captured from existing accounts is also helpful in understanding the requirements of new customers in similar categories. By analyzing this information, account managers gain an understanding of customer requirements, and resources can be allocated accordingly.

CRM systems are also useful in sales strategy planning and sales management. The information stored in CRM systems can be used to generate reports about the performance of various geographies, products, customer segments, and individual sales professionals. By using CRM systems, management can understand performance gaps, watch business trends, and make revenue predictions. This information is crucial in effective sales management to monitor and propose new sales activities that ensure sales objectives are met.

In corporate sales, new customer acquisition generally takes more time than selling new products or solutions to existing accounts. It is therefore important to have a customer-centric approach that focuses on building a strong relationship with current customers. A CRM system is a useful tool for this purpose.

Example of CRM System:

- An account manager at a stationary company understands after speaking with a senior executive at a client organization that the client will be receiving an increase in its annual budget for additional office supplies. The account manager makes a note in the CRM system to follow up with client in three months once the new budget funds are released.
- Ener-Plus Windows manufactures energy efficient windows and is planning the launch of a new product line. The company conducts a financial analysis on existing commercial accounts to identify which accounts have generated the most net revenue for the company over the past five years. In addition, Ener-Plus determines the potential revenue that could be generated by monitoring current construction projects and identifying large upcoming projects. The top fifty accounts in each territory, based on annual projected net revenue, are flagged in the CRM system as potential clients to approach with the new product line. The sales team in each assigned territory can access this information on the CRM system to focus promotional and follow-up activities on these flagged accounts.

7.1.2.4 Resource Allocation*

Resource Allocation refers to the assignment of a company's resources to various accounts. The company needs to allocate resources efficiently and economically considering the availability and cost of resources.

Once customers have been onboarded and classified, it is necessary to anticipate their potential value. Resources can then be allocated to each account, based on the financial cost and benefits expected from the allocated resources. Misallocation of resources may occur due to the following reasons:

- **Lack of a resource allocation strategy for each customer**—It is important to communicate a clear resource allocation strategy to the customer and internal stakeholders for both short term and long term. The resource allocation strategy should indicate the specific personnel assigned to each account, detailing the responsibilities of each member of the team and specific expectations.

Example of Resource Allocation Strategy:

- FP printing solutions has a forms design and printing division that specializes in producing complex multi-part forms. Key accounts are assigned to print teams comprising the account manager, who manages the relationship; an in-house account assistant, who handles the administrative needs of the client, such as invoicing and process payments; and an in-house production specialist who provides forms design assistance and manages the initial printing, proofing, and production processes of new printing projects. New clients are introduced to the team assigned to the account during the onboarding process. Specific duties of each member of the team are detailed in order to effectively manage client expectations and ensure service levels are achieved.

- **Poor implementation of resource allocation**—Misallocation of resources may occur, despite having a clear strategy. This may happen due to a deviation from strategy or a lack of defined sales processes.

Allocated resources can be either tangible or intangible. Tangible resources may include company equipment, manufacturing facilities, manufacturing materials, and people. Intangible resources may include technology, intellectual property, employee skill and knowledge, and R&D. The allocation of resources depends primarily upon the type of customer account and its requirements.

Allocation of tangible resources is generally based on information provided by customers on their requirements. The company can then forecast demand based on that information. In the absence of such data, resources are allocated based on estimates and past data. The monetary value of intangible resources is difficult to evaluate. For example, it is difficult to estimate the value of R&D spent on developing a product or solution for a customer.

Human resources allocated to an account are generally based on the type of account. Key and strategic accounts are generally provided with personnel who work exclusively for those accounts. For non-key accounts, personnel may be shared. Resource planning software may be used to integrate the company's production processes to allocate the company's resources more efficiently. This type of software allows data on resources to be shared across various departments to better allocate resources across an organization. Project management techniques and associated software may also be used to more efficiently allocate human resources.

The relationship built with the customer depends on the allocation of resources; more personnel should be allocated to highly strategic accounts. An account manager should be assigned to act as the primary channel between the company and highly strategic accounts. As the relationship grows and business with the customer increases, higher levels of resources can be allocated.

Examples of Resource Allocation:

- During the Request for Proposal (RFP) process issued by a large telecom company for outsourced contact center services, the company has proposed a 1:10 ratio of call center agents to managers. The potential supplier of the service has determined that a 1:15 ratio would work just as well at a reduced cost.
- Once Ener-Plus Windows has identified key accounts by geography, it discovers that it does not have sufficient field sales representation to call on key accounts each month. It also discovers that there are too many sales representatives in other territories with less revenue potential. Based on this information, Ener-Plus decides to reassign sales representatives to better target and support high volume and high revenue generating accounts.

7.1.3 Outputs

7.1.3.1 Classified Accounts*

Customer accounts are classified based on various criteria, such as revenue, profitability, potential growth, product fit, and technical expertise, among others. The criteria used to classify accounts are those identified as key to supporting the company's Corporate Strategy. Once an account has been classified, resources are allocated based on the value of each account and the account's overall growth potential.

Example of Classified Accounts:

- Ener-Plus Windows has identified the top fifty revenue generating accounts in each territory as "key accounts." Each of these accounts will be contacted by a key account manager at least once a week. The next 200 accounts in the same territory, in terms of revenue potential, are classified as "high potential" accounts. Each of these accounts will be contacted by a field sales representative in the assigned territory at least once every two months. By classifying accounts in this manner, Ener-Plus can ensure adequate coverage and follow-up for accounts that are classified as either key or high potential accounts.

7.1.3.2 Allocated Resources*

Allocated resources refer to the company's resources (tangible and intangible) that are assigned to various accounts. Tangible resources may include equipment used for production, transportation, and operations, and materials used for manufacturing. Intangible resources include a company's technology, intellectual property, employee skill and knowledge, and R&D. Strategic and key accounts are generally assigned more resources due to their potential value to the company. Establishing quality relationships with these types of accounts is a key to future business potential. Resource planning or project management software may also be used by the vendor to optimize resource allocation.

Examples of Resource Allocation:

- A consulting firm specializing in mergers and acquisitions has decided to organize its sales teams into domestic and international sales divisions to support client needs in different geographical locations. Each sales team therefore has specific expertise in taxation and employment law, and regulatory approval requirements for mergers and acquisitions in specific locations. As a result, the firm is able to provide consulting expertise to different clients for local, regional, national and international mergers and acquisitions.

7.2 Corporate Accounts Alignment

Once clients are on board and accounts are classified, the company needs to ensure there is alignment between its own business and its clients' business needs. The company may need to perform a gap analysis to determine required changes to the organization and its processes to better align itself to an account's business requirements. A company that makes structural changes also needs to consider existing client accounts to ensure the company's profitability is not affected by the structural changes.

Senior management and leadership teams of different departments conduct meetings and discussions to decide upon a common vision for the company and each account. This vision defines both the end objective and the path needed to achieve it. The company then shares this common vision with all stakeholders in the company and the client's organization to clearly define the roles and responsibilities of people in each organization.

CRM systems assist in synchronizing and organizing customer service and support. CRM systems help the company develop a customer-centric approach, even while handling multiple customers. These systems also ensure that communication and information flow efficiently between the account and the company, and that the efforts of the various departments are coordinated.

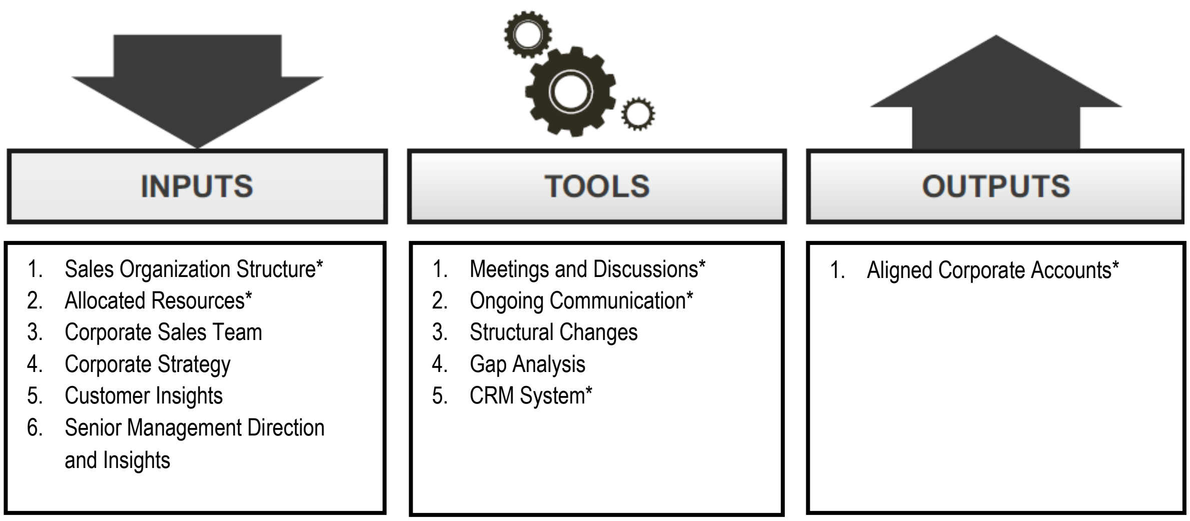

Figure 7-4: Corporate Accounts Alignment: Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

7.2.1 Inputs

7.2.1.1 Sales Organization Structure*

The sales organization structure is an output of the *Plan Sales Governance* process described in section 3.1. The sales organization structure defines how tasks are divided and allocated across the sales team. It also defines individuals' roles and the composition of the sales team. From time to time, the company may need to make changes to its sales organization structure to meet the changing business needs of both the company and its customers.

7.2.1.2 Allocated Resources*

Allocated Resources is an output of the *Classification of Accounts and Resource Allocation* process described in section 7.1.3.2. Allocated resources refer to the resources of the company, including tangible and intangible resources assigned to customer accounts. Tangible resources may include equipment used for operations, production, and transportation, as well as manufacturing materials. Intangible resources include technology, intellectual property, employee skill and knowledge, and R&D. Changes made to organizational structure and processes are made based on the resources allocated to each account. The organizational structure and new processes, in turn, help in determining intangible resources.

7.2.1.3 Corporate Sales Team

The account managers are primarily responsible for interacting with customers to generate more business for the company and retain the existing business. Based on the understanding of and relationship with the account, the account manager identifies possible areas for cross-selling to an account through ongoing communication with the customer. In addition, the corporate sales team, with its knowledge of customer processes, requirements, and expectations, can provide valuable inputs for making structural changes and for improving ongoing communication with different accounts.

7.2.1.4 Corporate Strategy

The Corporate Strategy is defined by the company's senior management team. It provides the guiding principles for the organization as a whole and assesses the existing capabilities of the company, as well as any external opportunities or threats to achieving an organization's business objectives. Acquisition of a new account can often challenge the existing organizational capabilities and encourage the company to look at the business differently. At the same time, new accounts must align with the overall corporate strategies of both the buying and selling organizations.

Example of Corporate Strategy:

- TTS Inc. has been in the business of providing IT solutions to small and large businesses for over twenty years. The company has an opportunity to secure a significant military account with the addition of a few security adjustments to the current product offering. While this type of business is not in the current Corporate Strategy, the contract is a long-term contract, and the sales team estimates that the additional revenue represents approximately 30 percent of the annual sales target for the team, with growth projected over the ten-term contract length. Recognizing that the current Corporate Strategy is not in alignment with addressing the specific needs of the client, the business takes a close look at the costs associated with addressing the client's immediate needs and determines that the adjustments to the Corporate Strategy are prudent from a long-term perspective.

7.2.1.5 Customer Insights

Customer Insights is an output of the *Presentation, Overcoming Objections, and Closure* process, described in section 6.2. It is in this process where maximum interaction with the customer occurs. Customer insights gained in this process provide the corporate sales team with an understanding of the customer's processes, requirements, and expectations. This helps the company set the right vision and alignment strategy for each account. This knowledge also allows the company to identify and address gaps in its own operations, processes, product offerings, and structural changes needed to better service client accounts.

Example of Customer Insights:

- During a recent sales presentation to an existing client, a software supplier proposed a new customer relationship management (CRM) system to track sales leads. The client appeared interested in the software but objected to the price, stating that other suppliers offered similar software at a fraction of the cost. The software supplier expected this objection, based on feedback from other sales team members from previous presentations to the same client. With this insight, the supplier prepared in advance and a one-page summary to outline the advantages, benefits, and costs of its software compared to other CRM systems. In the event that this did not address the anticipated price objection, the supplier also prepared to present less costly CRM options to the client.

7.2.1.6 Senior Management Direction and Insights

Senior management direction and insights can be provided by the founder(s), CEO, and others in senior management positions to provide direction to employees with a strategic vision and future goals. Senior management can also provide expert guidance on specific changes that the company needs to implement to its internal organization and processes to better align itself with the business requirements of each account. As well, Senior Management is consulted to inform and approve significant volume discounts to key or strategic accounts; to guide pricing negotiations; and to make decisions regarding investments in new facilities, products, or human resources to support accounts.

Example of Senior Management Direction and Insights:

- Maximum Security Inc. sells security systems to building management companies, universities, and municipalities. The management team at Maximum Security does not want to compete on price alone. Being the low cost supplier will not generate the sales needed to reach the company's financial goals. Management therefore decides to set a vision for the company to become the supplier of choice for customers with security needs. To reach this goal, management invests in ongoing customer satisfaction surveys and conducts just-in-time training with its sales team to address any product training needs or service gaps identified in the surveys. Maximum Security Inc. also publishes customer testimonials on the website to further promote its image as a world-class, customer-centric alarm system company.

7.2.2 Tools

7.2.2.1 Meetings and Discussions*

Alignment requires a collaborative effort from various departments in both the selling and buying organization. From deciding the vision and communicating it, to performing a gap analysis and implementing structural changes, it is important that all the key stakeholders from both organizations liaise effectively. Meetings and discussions need to be held to decide on the vision, goals, and path to be taken. Meetings and discussions also help to determine the need for any structural changes to better coordinate activities of the vendor with activities in client organizations. Such meetings and discussions should involve experienced corporate sales professionals, senior management, various business or functional heads, and corporate sales team members from both organizations.

7.2.2.2 Ongoing Communication*

Once an account is on board and categorized, the next task is to determine the strategic direction in which the company wants to take the account. The senior management and leadership teams of different departments conduct meetings and discussions to identify a common vision for the company and for the account. This vision defines both the end objective and the path to achieve it. It includes the functions and guidelines for all the departments servicing the account.

After a common vision is charted, the next critical task is to ensure that it is communicated to all the stakeholders in the company and in the client's organization. The communication should explain the vision and the rationale behind adopting the vision. It should also clearly define the roles and responsibilities of the people involved at different levels of the organization. Specific expectations such as reporting periods, ongoing support, and anticipated points of contact should be agreed upon and followed by all stakeholders.

As an account matures, the role of ongoing communication changes from communicating the vision to reinforcing the objectives of the vision and presenting the interim results while working toward the vision.

Example of Ongoing Communication:

- TechParts, a manufacturing company, makes it a practice to schedule quarterly production meetings with key members of each client organization and annual meetings with senior stakeholders. The quarterly meetings are designed to ensure that production numbers are being met, to address any gaps, and to introduce possible new products to the client. The annual meetings are intended to keep the senior stakeholders apprised of successes to ensure that the senior team does not overlook TechParts when decisions are made about future business.

7.2.2.3 Structural Changes

Structural changes are specific changes that the company makes to its internal organization and processes to better align itself with the business requirements of an account. Teams making structural changes also need to consider existing accounts to ensure the company's profitability is not negatively affected.

Organizational alignment generally helps the company gain employee commitment to effectively service the account. The personnel working on an account must share a common vision with the account in accordance with the negotiated terms of the sales agreement. Organizational changes may be needed to restructure reporting relationships or existing teams to ensure accounts are served efficiently. New account teams may also need to be designed, depending on the type of account and the priority assigned to it. Key accounts and strategic accounts are generally assigned teams that work exclusively for accounts. Smaller accounts may be managed by teams that work on more than one account.

Before moving forward with a new organizational structure or an adjusted sales organization structure for an account, it is important to provide a point of contact in the company for the account. With smaller accounts, there is usually a single account manager. Large accounts, on the other hand, may be handled by multiple team members in addition to an account manager.

Process refinement and modification take effort. Process changes need to take into account inputs from the customer. Process redesign must also take into consideration access to information across organizational boundaries to enable the company to understand and act upon client requirements without delays. Information and work must also flow efficiently within the company. For example, demand forecasting completed by the account manager or the sales manager must be regularly communicated with supply chain management teams so they can respond quickly to changes in product demand.

7.2.2.4 Gap Analysis

Gap Analysis involves comparison of actual performance or outcome with the desired performance or outcome. A gap exists if there is a deficiency in the outcomes or an inability to achieve the desired targets and objectives. This tool is also used in process 6.1, *Needs Assessment for Each Qualified Lead,* where gaps are identified to propose and present a better product or solution to the customer. As the reasons for each gap are understood, corrective action can then be taken.

The type of gap identified can be one of the following:

Functional Gap—This gap is created when the existing product or solution does not function in a way that best meets the needs of the client.

Technology Gap—This gap is created by outdated or old technology, which affects output.

Financial Gap—This gap is created when the product or solution results in higher costs.

Performance Gap—This gap is created when the product or solution does not match the set performance criteria such as productivity or reduction of defects.

Process Gap—This gap is caused by an existing process that does not deliver the required output.

Once the type of gap is identified, an analysis is conducted to understand the reasons for the gap. After the reasons for the gap are determined, the company identifies ways to resolve the issues that are responsible for creating the gap. A new process or structure is then designed to bridge the identified gaps.

Example of Gap Analysis:

- Sales Max is a sales and marketing firm that specializes in providing sales and marketing services to exporters seeking to expand their business into the North American market. Sales Max conducts ongoing performance analyses and determines that there is a significant gap in sales performance on several key accounts. The company must make changes in order to ensure that it is effectively meeting its contractual obligations with key clients. Sales Max determines that the gap is caused primarily by a staff shortage in some territories, and the sales managers work with the human resources department to increase the sales force in the underserviced territories.

7.2.2.5 CRM System*

Customer relationship management (CRM) systems are the information systems used to record information at each stage of the sales process. CRM systems assist in managing customer interactions to develop a customer-specific sales and service approach. CRM systems ensure efficient communication and information flows between accounts and the company, as well as between the various departments. CRM systems also contribute to revenue growth and profitability by helping the company to optimize customer retention and cross-selling opportunities.

Example of CRM System:

- A CRM system can help a business machine supply company in ranking prospects in order of sales potential, based on pre-determined criteria such as the annual sales of prospect companies, the location of customers, and the number of employees in each company. The sales team can in turn ensure alignment between each sales team member and the needs of specific accounts to ensure that clients can be effectively supported. Adjustments can be made to address any gaps and changes can be communicated to the sales team through the CRM system.

7.2.3 Output

7.2.3.1 Aligned Corporate Accounts*

Aligned corporate accounts are accounts where the company has made structural and process changes to meet client requirements. When corporate accounts are aligned with the business, both the client and company share a common vision. Access to information and workflows are streamlined and activities are aligned to enable the company to effectively meet the specific needs of each corporate account.

Example of Aligned Corporate Accounts:

- Staff-Health Plus is a company that sells private health insurance to corporations. They have been reviewing their relationship with one of their key accounts. They provide quarterly financial summaries to their clients, but have found that this new account has a much higher staff turnover rate than most clients. The quarterly reports are not sufficient to accurately reflect their client's current situation. As a result, Staff-Health Plus has decided to provide a monthly up-date to this new client in addition to the full quarterly summary. This will ensure better communication and a stronger ongoing relationship.

7.3 Client Management

Client Management aims to further engage clients and improve the company's profitability and revenue from existing accounts. By building firm-wide relationships, the company can ensure high levels of customer retention and customer satisfaction. The relationship between the company and the client can range from basic transactional relationships to collaborative relationships.

Several client management tools can be used in the efforts to build, nurture, and improve the business relationship with clients. The CRM system helps the company manage all interactions with customers. Based on the information available in the CRM system, the company is able to provide a high degree of personalized service to the customer with customized product offerings and services. Other tools such as promotions and ongoing account reviews help to maintain and support the relationship and, in some cases, enable the client to be involved in future product planning and initiatives. The inclusion of key customers in customer advisory boards help validate the company's marketing plan to ensure solutions offered by the company are aligned with the needs of customers and the market.

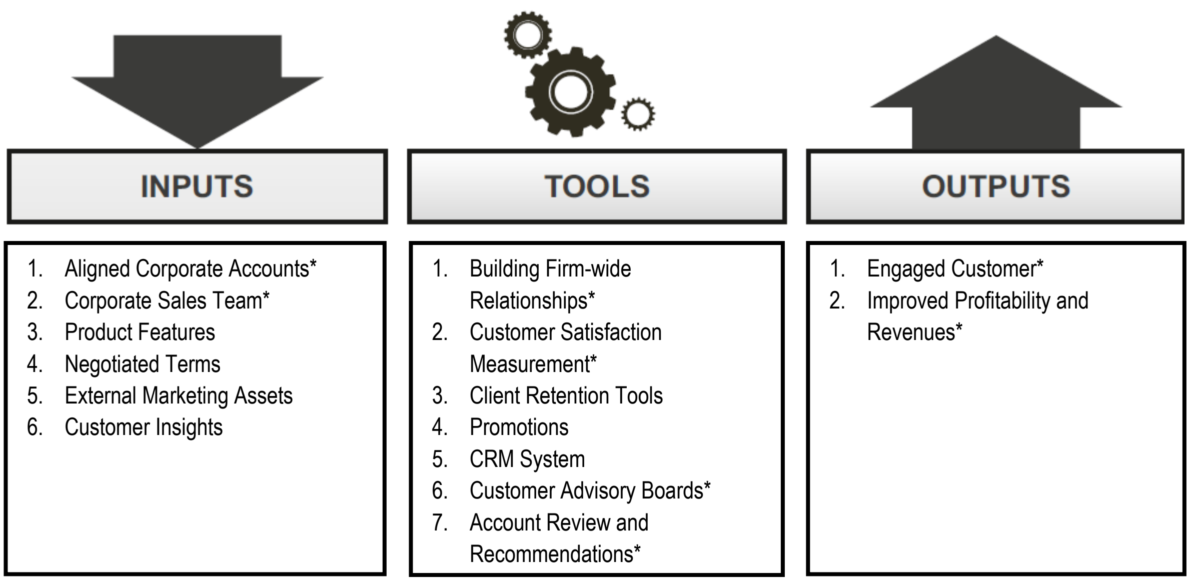

Figure 7-5: Client Management: Inputs, Tools, and Outputs

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

7.3.1 Inputs

7.3.1.1 Aligned Corporate Accounts*

Aligned corporate accounts are an output of the *Corporate Accounts Alignment* process described in section 7.2. Aligned corporate accounts are accounts for which the company has made structural changes, based on client requirements. Both the client and company share a common vision established through ongoing communication. Access to information and workflow are streamlined for corporate accounts. The company builds firm-wide relationships and plans various loyalty programs targeting corporate accounts. Feedback from corporate accounts through account reviews is an important input for improving service and customer satisfaction.

Example of Aligned Corporate Accounts:

- An office communications company sells server software for audio, video, and web conferencing. The account management team recognizes that business clients will have different system communication needs, based on budgets and the scope of business operations. Management therefore bundles two different communication packages for its commercial customers. One package offers less costly software for small-to-medium-sized businesses that operate locally or regionally. Another more costly package is offered for large companies that operate nationally or internationally. Management classifies each of these two types of accounts in the CRM system and instructs its sales team to promote the two different software packages to address the different needs of the customer segments.

7.3.1.2 Corporate Sales Team*

Account managers play a key role in client retention and conceptualizing promotional programs. Based on the insights from the account manager, the company plans and implements various tactics for client retention and product promotions. The account manager is also responsible for ensuring that customer loyalty toward the company's brand and products is high and that the needs of the customer are met.

7.3.1.3 Product Features

Product features address customer needs and outline basic product functions. As client needs change, product features also need to be modified and communicated across the various teams to ensure ongoing client satisfaction.

Example of Product Features:

- An office communications company sells instant messaging software. One software system offers online chat capability over the Internet. A more advanced instant messaging software system includes a web conferencing feature. Each of these different software packages are offered at different price points to address the specific communication needs of different clients.

7.3.1.4 Negotiated Terms

Negotiated terms is an output of the *Presentation, Overcoming Objections, and Closure* process as described in section 6.2. Negotiated terms are contained in contracts such as service level agreements (SLAs), which include the level of service expected from the seller. Other terms related to price, financial agreements, and timelines are also outlined. This includes various aspects of pricing and fees for services and products, along with payment terms. The company and its employees need to firmly adhere to all negotiated terms while managing a client's account.

7.3.1.5 External Marketing Assets

External marketing assets are an output of the Create Marketing Assets process detailed in section 3.3. External marketing assets include materials to acquire new corporate accounts as well as materials that can be leveraged by clients in their own business development efforts. Thus, external marketing assets are developed for the target segment, existing customers, leads, as well as, in many cases, clients' customers and leads. Among these assets are presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, images, and infographics, among others. Often in Corporate Sales, external marketing assets are customized for key accounts. The marketing assets should be designed with the intention of reducing the time to convert as well as to increase the conversion rate.

Example of External Marketing Assets:

- Pharmaceutical companies often work with hospitals, clinics, and private practitioners to market their products. In most cases the pharmaceutical company provides external marketing assets that detail the benefits of their products and the materials are distributed by the healthcare providers with the healthcare centre's branding and contact information. The assets support the business development efforts of both the healthcare facility and the pharmaceutical company.
- Benton Inc. manufactures various paper products from recycled materials for offset printers. Benton's sales representatives use various marketing assets to both secure new business and expand its offerings to existing clients. In addition, Benton's printing partners are provided with various samples and brochures that are used to help sell their printing services. Benton's marketing assets feature the paper producer's commitment to green technology and sustainability, which presents a favorable image for both Benton and their printing partners.

7.3.1.6 Customer Insights

Customer Insights are an output of the *Presentation, Overcoming Objections, and Closure* process, described in section 6.2. During this process and throughout the various communications with clients, customers insights are gathered that can help the corporate sales team effectively meet the client's needs and support the client's business. Customer insights about processes, requirements, and expectations will help the sales team ensure that the business is continuing to provide the products that are best suited for the client and is adapting to any changes in the client's business, industry, or needs. These insights inform decisions regarding new products and services to introduce to the client as well as promotions and other activities that can be used to best support the customer in its current and future business development efforts.

7.3.2 Tools

7.3.2.1 Building Firm-wide Relationships*

There are many different types of relationships that need to be built between a company and its customers. The complexity in such relationships arises from multiple people interacting with each other in different corporate roles. The type of relationships a company will have with its clients range from simple, one-on-one transactional relationships to more complex collaborative relationships. The relationship the company chooses to build with its customers is an important decision. This has a major bearing on business operations such as resource commitment, including time and financial commitments. Many times, client and company perceptions of a relationship differ. This adds to complexity as well.

Hierarchy of Relationships

The hierarchy of relationships between firms can be viewed as a continuum moving through different stages with common characteristics. The first stage is the exploratory stage of relationships. Each subsequent stage builds on the previous stage. These stages are outlined as follows:

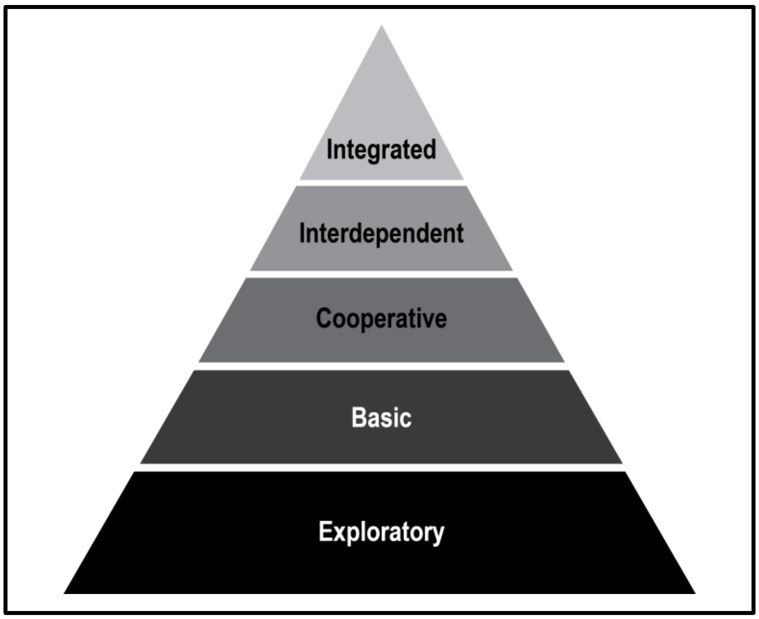

Figure 7-6: Stages in Relationship Hierarchy

1. **Exploratory Relationship**

   This is the first stage of the relationship between a buyer and a seller. Such a relationship exists early on, even before the two parties decide to work together. This is where both parties interact and attempt to understand each other. Interaction is mainly between the company's key account manager and a designated contact on the client's side. Approaching every prospective account or lead can be a waste of time and resources. It is therefore important to categorize leads and pursue exploratory relationships only with potential key accounts.

2. **Basic Relationship**

   The next stage in the relationship continuum is the basic relationship. At this stage, the relationship is limited to the transactional exchange of money for a product or service. Similar to the exploratory stage, the interaction happens only between the key account manager and the buyer's contact. Long-term trust has not been developed at this stage, and the buyer is prone to switching to other vendors. The key account manager is only concerned with providing the core product or service that the buyer needs. Therefore, price becomes the primary point of consideration in this type of relationship. Companies only pursue a basic relationship with the buyer's contact at this stage and do not propose any value-added or additional products or services.

3. Cooperative Relationship

At the next level of a relationship, people from various departments begin interacting and working together. This is the cooperative relationship stage. Although other interactions are taking place, most of the communication still happens between the key account manager and the buyer's contact. This is the stage in which the two sides develop trust and work together proactively. At this stage, the seller attempts to provide additional value to the buyer, beyond the basic product or service. Meetings between the two parties are still limited and no major structural changes occur in either organization.

4. Interdependent Relationship

An interdependent relationship happens at the advanced stage in the relationship continuum. This is achieved when both parties realize the importance of the relationship and trust is formed. Multiple communication links are established among various departments such as operations, marketing, and finance. The key account manager and the primary point of contact from the buyer's side manage the interaction between the different departments to ensure a smooth relationship. Changing vendors may become difficult for the buyer at this stage as the seller becomes more of a primary supplier. The buyer and seller work closely together and may alter processes and organizational structures to achieve this. They may also begin programs, such as co-branding initiatives, that are run jointly by the two organizations.

5. Integrated Relationship

The integrated relationship is the most coordinated stage in the relationship continuum. It is a very complex collaborative relationship in which both parties work as a single entity while still maintaining their separate identities. Such partnerships occur rarely and only when the two organizations realize that working together will be more beneficial than working alone. Various functions work together without the involvement of the primary contacts from either side. Both sides completely trust each other and even share confidential information. The two organizations work together on a single plan, aimed at generating better outcomes for both organizations.

Examples of Building Firm-wide Relationships:

- A company has established a basic relationship with an office equipment and stationery supplier. When the customer wants to purchase office products and supplies, its purchasing department submits a product requisition form to the supplier via email. The company is then invoiced once a month for all orders placed during the month. This represents a basic relationship between the customer's purchasing agent and the supplier's order fulfilment department. No value-added or additional products or services are proposed by the supplier in these transactions.
- An appliance manufacturer makes customized refrigeration units for commercial customers who require large units for food storage. One of its key accounts is a restaurant chain that is expanding business operations in new locations. The hotel chain typically orders several refrigeration units at a time in order to take advantage of volume discounts. As the preferred supplier, the appliance manufacturer has established an integrated relationship with the restaurant chain over the years. The customer-supplier relationship has evolved to the point where the manufacturer understands the business needs of its customer and can manufacture a specific refrigeration unit that satisfies these needs. The product specifications, price of the refrigeration units, shipping logistics, and accounting arrangements have all been predetermined. Furthermore, this interdependent relationship between the buyer and seller has evolved over the years with the teams from both businesses working collaboratively on strategic planning and new product development.

7.3.2.2 Customer Satisfaction Measurement*

Customer satisfaction is one of the key performance indicators for a business and is often the focus of many companies. A customer is more than satisfied if the outcome of a product or service surpasses expectations, satisfied if the outcome matches expectations, and dissatisfied if the outcome does not match expectations.

Customer satisfaction varies from customer to customer and depends on several factors. More often than not, a positive perception of a brand results in higher customer satisfaction. Performance expectations stem from various factors including past purchases, word of mouth testimonials, and marketing pitches. It is important to balance the promises made by the marketing team with actual outcomes. Promising too much, can raise customer expectations and result in customer dissatisfaction. Promising too little may not attract buyers at all.

It is mostly true that the higher the customer satisfaction, the higher the level of customer retention. Given the importance of customer satisfaction for any business, it is imperative that companies regularly measure the level of client satisfaction. High levels of customer satisfaction result in customer retention, more revenues from existing customers, and good word-of-mouth publicity. Customer satisfaction can be measured by conducting regular surveys with customers. These surveys typically focus on understanding whether a client would be willing to repurchase from the seller in the future and recommend the seller's product or service to other companies.

Example of Customer Satisfaction Measurement:

- The manager of a corporate Human Resources department recently attended a trade show to assess the various advantages and benefits of purchasing different human resource information systems (HRIS) from software suppliers. After reviewing the capabilities of the different HRIS software programs, the HR manager decided to purchase a system from the supplier who offered additional modules to address the HR manager's future business needs. One month after purchasing the system, the supplier sent a customer satisfaction survey to all HRIS administrators in the HR manager's organization, asking for opinions on the new system. User satisfaction ratings were consistently at an "exceeds expectations" level. Furthermore, users would not hesitate to purchase other HRIS modules from the supplier in the future.

7.3.2.3 Client Retention Tools

Client retention tools measure how well a company is able to hold on to existing customers to generate value for the organization. This value represents the total profits that a customer generates for the company over a fixed period of time. Retaining customers not only helps the company generate more profit from a customer, but also helps it acquire new customers through referrals and recommendations.

In corporate sales, new customer acquisition costs are generally high because of the time and effort required to acquire new customers. Therefore, it is generally less costly for companies to work towards high client retention rates for existing accounts. Customer retention can be measured using the following metrics:

1. **Customer Attrition**

   Customer attrition or churn represents the number of customers who leave the company or stop using the company's products over a certain period of time. A lower attrition rate indicates higher client retention. Companies generally carry out various promotional programs and relationship-building initiatives to ensure that existing customers are retained and churn is minimized.

2. **Revenue Renewal**

   Retention can also be measured based on the revenue generated from existing customers. This provides an indirect measure of client retention. However, revenue renewal is not a good indicator of the actual number of clients being retained. Revenue may be high despite a high churn rate if existing customers have increased spending over a particular period of time. Therefore, companies use revenue renewal in combination with churn rate as a more reliable measure for client retention.

3. **Net Promoter Score**

   The Net Promoter Score relies on the customer's answer to the question "How likely are you to recommend the company to a colleague?" Responses are given on a scale of 1 to 10 where 10 means "extremely likely" and 1 means "not likely at all." Customers who respond with a score of 9 or 10 are called "promoters," 7 or 8 scorers are considered "passives," and 0 to 6 scorers are "detractors." Promoters are highly loyal customers and most likely to recommend or refer the company's products or services. Passive customers are less loyal and are likely to defect if they find a better product or solution. Detractors are considered to be unhappy customers and are most likely to defect. They are also more likely to damage the company's reputation. In all instances, further open-ended questions need to be asked to determine contributing factors to each rating. The account manager and senior management can then analyze the reasons behind the ratings and take corrective action.

Customer retention is driven mainly by two factors: customer satisfaction and customer switching costs. Customer satisfaction directly affects customer retention in all industries, although the level of importance assigned to it may vary for each industry. Customer satisfaction is covered in detail in section 7.3.2.2.

Customer switching costs are one-time costs associated with switching from one provider to another. Customer switching costs may be financial, procedural, or relational. Financial switching costs include the costs associated with breaking a contract or the loss of already invested money. Procedural switching costs include the time and effort spent to adopt a new product or service. Relational switching costs include the loss of relationships with a supplier and an associated brand. Higher switching costs result in lower attrition and higher customer retention.

Customer Retention Programs

While it is important to add new customers in the sales process, it is also essential that the company retain its existing customers. The main objectives of any customer retention program are to improve customer loyalty and reduce customer attrition. Customer loyalty can be defined as the customer's affinity towards the company's products and the natural inclination to repurchase the company's products, despite external influences and marketing efforts from competitors. Maintaining high customer satisfaction levels is the best way to maintain high customer loyalty and reduce churn. In addition, the company can design and execute programs and activities that are aimed at promoting customer loyalty. The following are two types of customer retention programs used by companies:

1. **Loyalty Programs**

   Loyalty programs or purchase frequency programs are created to reward customers who purchase frequently and in high volumes. Loyalty programs include providing a dedicated key account manager or preferred allocation of company resources to a customer. Rewards programs may also be designed to reward the best customers for a specific period. Discounts or rebates may also be offered to loyal customers. The success of loyalty programs lies in their implementation. Once a program is designed, the details and benefits of the program need to be communicated to all interested customers prior to implementation. The company then monitors and evaluates the loyalty program for its effectiveness. The desired outcomes from the loyalty programs include reduced customer attrition, increased revenue renewal, and improved net promoter scores.

2. **Institutional Support Programs**

A company may provide special equipment or software to customers or channels to help them manage their daily business. The provision of such equipment or software increases customer dependency on the supplier, thereby increasing customer switching costs. Sales training, marketing research reports, and sales leads may also be given to loyal customers to institutionalize their support.

Example of Customer Retention Tools:

- A company has 500 customers at the beginning of the month and 450 customers at the end of the month. Their monthly customer attrition rate is therefore 10 percent (500-450)/500 or 50/500. The company realizes that it is more difficult and costly to attract new customers than to reduce the attrition rate. Consequently, the company decides to introduce a customer loyalty program in an effort to increase customer retention where points are awarded based on the total dollar value of purchases made by each customer. The company then sets a target of 5 percent attrition over the next quarter to measure the success of the new loyalty program.

7.3.2.4 Promotions

Product promotions provide a short-term incentive to encourage usage of a product or service. Promotions attract new customers, as well as increase purchase rates by existing customers. Promotions can target either customers or a company's channel partners. The following are some commonly used tools[10] for promotion:

- **Samples**—Samples may encourage trial use of a product by customers. Samples may also be used as a cross-selling tactic for existing customers.

- **Rebates**—Rebates are cash refunds offered to customers for purchasing a certain quantity of product from the company. The rebate or cash refund is made after the purchase is completed. A rebate may also be offered on the next purchase.

- **Banded Packs**—Banded packs are discounts offered to the customer for purchasing two or more products or services bundled together. These are generally used to increase cross-selling.

[10] Kotler, P. & Keller, K. (2014). Marketing Management, 15th ed. Prentice Hall.

- **Premiums—**Premiums are gifts offered at a low price or for free as an incentive to purchase a particular product.

- **Product Warranty—**Product or service warranties are generally agreed upon by contract or agreement. As a promotion, companies may offer an extended warranty at no charge or at a discount, in addition to the regular warranty.

- **Tie-in Promotion**—When two or more companies or brands team up to offer discounts, rebates, or any other promotional tool, this is known as a tie-in promotion.

- **Allowance—**An allowance is an incentive or compensation offered to channel partners for promoting a company's products.

- **Trade Show—**Companies participate in trade shows to meet existing customers, introduce new products, generate new sales leads, and educate customers about upcoming products or services.

Prior to implementing a promotional program, the company needs to determine the scope and objectives of the program. The budget and the duration of the program can then be determined. Companies may use one or more of the previously mentioned promotional tools to promote its products. Once a program is concluded, the company needs to evaluate the promotional tools used for their effectiveness, including additional sales and purchase orders generated and newly acquired customers.

Example of Promotions:

- A courier company wants to position itself as the preferred shipper in the country for business computer systems and components. The company therefore decides to promote its services at an IT conference attended by some of the largest corporations in the country. To increase its exposure to IT buyers and other computer manufacturers attending the conference, the courier company partners with a major computer manufacturer attending the conference to offer discounted shipping fees on orders placed by commercial customers during the conference. This tie-in promotional offer of discounted shipping on new customer orders helps the courier company to establish a new relationship with the manufacturer. The promotion also positions the courier company as a reliable and cost-effective service provider to other computer suppliers and IT buyers attending the conference.

7.3.2.5 CRM System

Customer Relationship Management (CRM) systems are used to record the various stages in the sales process. CRM systems also assist in managing the company's interaction with a customer, starting from lead generation. This allows a company to manage information about customers and customer touch-points to maximize customer loyalty. Based on the information available in CRM systems, the company is able to provide a high degree of personalized service to the customer in the form of customized products, services, and promotions. Personalized services are also key to maintaining and building customer loyalty. A typical CRM System is comprised of four processes[11]:

1. **Knowledge Discovery—**This is the process of analyzing customer information through contact with a company's products or services. CRM systems enable the company to analyze the data and draw meaningful insights from it.

2. **Planning—**In this process, the output from the knowledge discovery phase is used to develop strategies for personalized marketing and promotional activities.

3. **Customer Interaction—**This is the process where the actual implementation of the various programs and strategies occurs. These programs and strategies target various customer touch-points and/or company channels.

4. **Analysis and Refinement—**In this phase, customer feedback and response from the various programs implemented are analyzed as part of the ongoing communication and review process.

The advantages of using a CRM system include:

- Reduced advertising and promotional expenditures through personalized marketing
- Prioritized spending on promotions and advertising
- Easier to target needs of specific customers
- Easier to track effectiveness of promotional programs
- Improved customer touch-points and channels

7.3.2.6 Customer Advisory Boards*

A Customer Advisory Board (CAB) or Customer Advisory Council is a representative customer group comprising senior stakeholders who convene periodically to validate product features, the marketing plan, and the strategic direction of the company to ensure these align with customers and the market. The company uses the information gathered at these meetings to realign business priorities and formulate strategy.

[11] Johnston, M. & Marshal, G. (2013). "Sales Force Management: Leadership, Innovation, and Technology, 11th ed. Routledge.

A key distinction between a CAB and a focus group is that the members of a CAB are carefully chosen senior members of management from client organizations, unlike product users in the case of focus groups.

CABs meet on a periodic basis, typically two or three times per year. Some companies choose to meet more or less frequently, depending on need. However, it is challenging to have frequent customer councils as participation at these events is often voluntary, and participants are usually constrained by time. Also, the time and resources taken to accomplish and follow through with changes discussed in the customer councils often do not allow for more frequent meetings.

A physical meeting is the most popular format for customer councils. Other formats used by companies include tele-conferences, video conferences, and online CABs. Using these formats can help reduce time and money spent on travel and can result in increased participation levels. However, while they are more convenient, these formats are not always as effective as face-to-face meetings.

Key Functions of CABs

Some of the important uses of CABs are as follows:

- validating ideas for new features or new products
- providing valuable insights into how customers are using the products
- prioritizing features and identifying the most important ones on which to focus
- assisting in understanding how the products fare against alternatives in the market
- helping in designing the next generation of products which customers may adopt in future
- assisting in retaining key customers
- increasing revenue opportunities within the existing customer base

For participating customers on the council, the CAB provides the following

- a feeling of importance as their views are considered by the company
- an opportunity to network with other customers from other regions and industries
- an opportunity to provide feedback about a product and how it could be changed to serve them better
- an opportunity to share best practices and ideas

How to Put Together a Successful CAB

There are many challenges in organizing, managing, and gaining the best value out of CABs. By following some best practices, these challenges can be overcome:

1. **Choose the CAB council carefully**— Gathering the right mix of customers on the CAB is not easy, as they need to be representative of different regions, products, and industries. For example, gathering two customers who compete with each other in the same city or state on the CAB council

can lead to discomfort and awkwardness. Also, two customers from similar companies may not add incremental value in terms of insights.

2. **Manage the discussion**— With limited time available to speak with customers, discussions need to be focused on prioritized topics, while providing sufficient freedom to not restrict creativity.

3. **Record takeaways**—A lot of ideas and insights are generated at CAB councils. These need to be captured for follow up and implementation. For this reason, sessions may be recorded, videotaped, or a dedicated person can be appointed as a note taker.

4. **Follow through**—Have a process in place to follow through on what was discussed and agreed upon and to keep the CAB members informed about progress. It can be quite frustrating if customers feel their inputs are not taken seriously, and there are no follow up actions.

5. **Secure management sponsorship**—CABs can only be effective if relevant teams in the company are directly involved in the councils. For example, if the CABs have been designed to provide product inputs, management should appoint the product team to participate in the process.

Example of Customer Advisory Boards:

- BioSafe is a start-up company that specializes in the removal and destruction of hypodermic needles used in hospitals. The company would like to develop a marketing strategy to position itself as a safe and less costly alternative to other waste disposal companies. It therefore decides to assemble a cross section of eight senior buyers from large hospitals to participate on a customer advisory board. BioSafe offers compensation to each participant, including travel, meals, accommodation, and time lost while away from work. Once invitations to attend the meeting are accepted, BioSafe sends proposed marketing materials and a questionnaire to each advisory board attendee prior to the meeting. Advisory board members can then come prepared to critique and discuss BioSafe's planned product messaging and promotional materials at the meeting. Marketing and medical representatives from BioSafe will also attend the meeting to hear first-hand each buyer's feedback and to record suggestions on how to further improve the company's messaging and marketing strategy. A second advisory board meeting is also planned to review final changes to BioSafe's marketing plan prior to finalizing educational and promotional material that will be used with other hospital buying groups across the country.

7.3.2.7 Account Review and Recommendations*

An account review is an interview conducted with customer accounts to assess satisfaction levels, identify any gaps in service, and review client needs. Account reviews generally take place in the form of a face-to-face interview with a client. Account reviews may include any personnel who have come into contact with the company's sales representatives, or who have directly used the company's products or services. Questions should preferably be open-ended to encourage discussion about the company's products or services. Although feedback from key accounts and strategic accounts is important, the company also needs to gather feedback from smaller accounts because feedback can create opportunities for cross-selling.

Account reviews can help the company uncover trends in a customer's industry that might need to be considered when designing future products or services. Account reviews can also be used to gather customer testimonials for lead conversion and closure. It is also possible, through account reviews, to communicate the company's product strategy and potential products or services that can benefit the client. In addition, the company can educate the client about the various promotional and loyalty programs that are in place or being planned.

Example of Account Review and Recommendations:

- Voicemail Express offers an integrated voicemail service that converts voice messages into text files and e-mails them automatically to the intended recipients. The company recognizes that it cannot compete on product features and price alone. The company therefore decides that it has to outperform its competitors in customer service. As a result, the company conducts regular face-to-face interviews with business accounts to obtain feedback on customer support. In these interviews, Voicemail Express also proposes additional products and services to solve customer problems and to meet changing client needs. In this way, Voicemail Express hopes to create customer loyalty to its brand and satisfy both the current and future communication needs of its customers.

7.3.3 Outputs

7.3.3.1 Engaged Customer*

The ultimate objective of a selling organization is to have a positive on-going relationship with its customers. Having an engaged customer is a key output of the *Client Management* process. Through various activities including building firm-wide relationships, ensuring customer satisfaction, engaging customer advisory boards, and employing client retention techniques, the company communicates that the voice of the customer is valued and the customer feels satisfied, motivated and empowered while working with the selling organization. An engaged customer helps the selling organization achieve consistent revenues and is more likely to stay loyal to the company.

Example of Engaged Customer:

- A major hotel chain provides a loyalty program, with discounts and free-nights for individual customers booking rooms. The corporate sales team recommends this program be extended to their meeting rooms, banquets, and catering. These services are corporate focused and account for a significant portion of annual revenue, but had not been part of the loyalty program. By providing financial incentive for long-term corporate relationships, the sales team will increase customer engagement and repeat business.

7.3.3.2 Improved Profitability and Revenues*

The process of *Client Management* is designed to engage customers with the end objective of improving profitability and increasing revenue. Through various tools and techniques, the company tries to satisfy customers, by meeting customer needs, with good customer service and ultimately additional value. Depending on the type of client and the type of relationship pursued, the company can work to improve the profitability or improve the volumes purchased (revenues) as a result of the relationship. In general, a happy and satisfied customer is less prone to switching vendors, resulting in consistent revenues for the vendor through repeat purchases, over long periods of time. Over time, this nurtured relationship will yield improved profitability and increased revenue for the selling organization.

Example of Improved Profitability and Revenues:

- Apex Site Services, a company that provides operational management and facility maintenance to mining companies across North America, recently created a Customer Advisory Board. By meeting regularly with a select group of decision makers in the mining industry, Apex has uncovered a desire for greater environmental efficiency in the mining industry. By adding a range of LEED certification levels to their management services, Apex can increase their perceived value and their profitability with existing clients as well as attract new clients.

APPENDIX A.1: MARKETING STRATEGY OVERVIEW

All successful products or brands need well-planned marketing strategies in place to ensure that they satisfy the goals set by the corresponding Business Unit or Geographic level, and in turn the overall Corporate Marketing Strategy. Marketing Strategy is one of the most crucial Aspects of Sales and Marketing. It defines a product or brand's unique value proposition, target markets, and strategies to connect with defined audiences. It also specifies the overall pricing and distribution strategies of the product or brand, and outlines the metrics, objectives, and budgets for all its marketing activities. The Marketing Strategy includes a set of outputs from the eleven processes detailed below. These outputs are incorporated throughout strategic planning to help provide an overall direction for the marketing initiatives designed to support the promotion of the company's products or brands.

Figure A.1-1 provides an overview of the important processes and outputs related to Marketing Strategy.

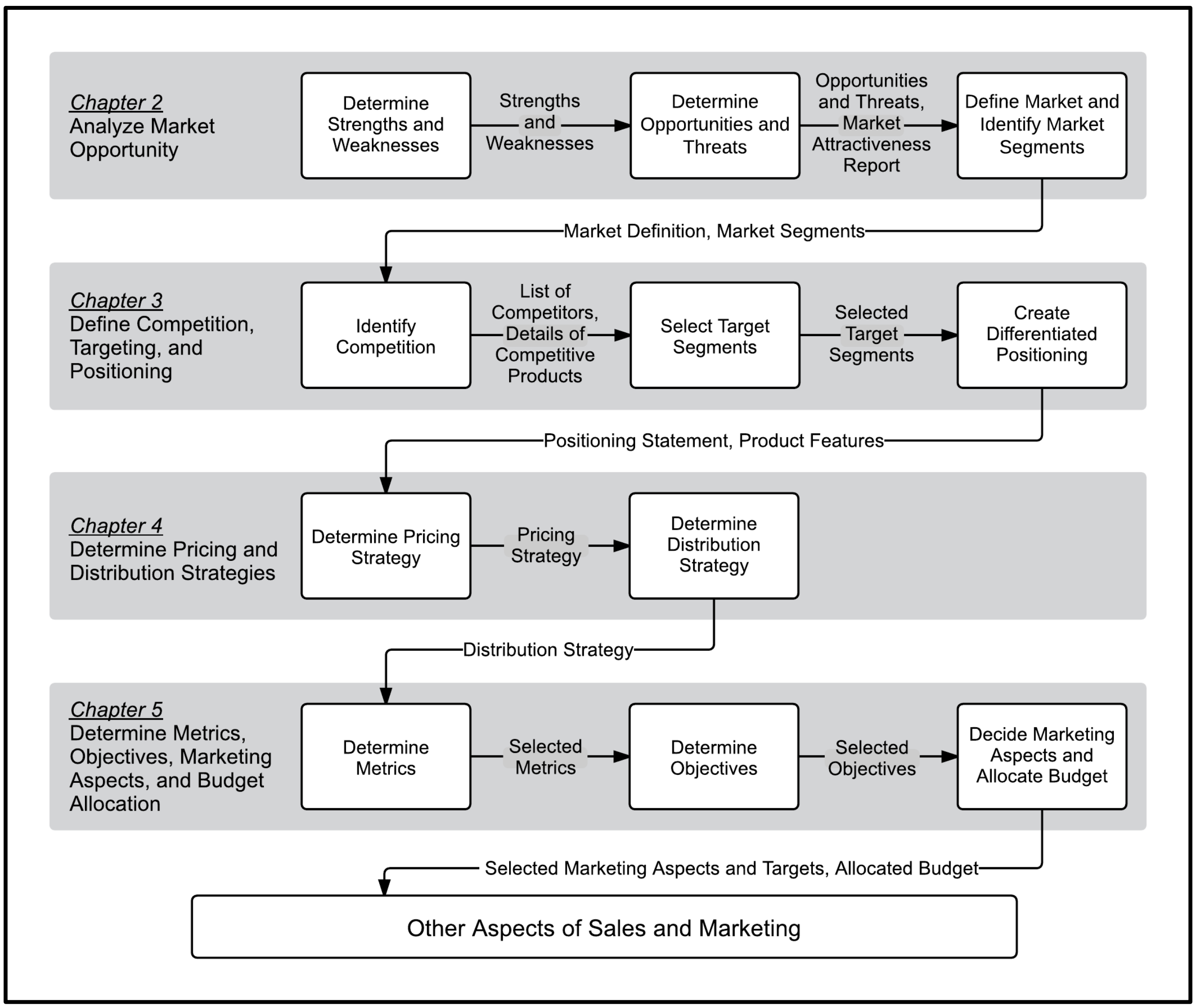

Figure A.1-1: Summary of the Marketing Strategy Processes

A.1.1 Analyze Market Opportunity

Analyze Market Opportunity is the second chapter of the Marketing Strategy book. This chapter discusses concepts related to analyzing the external environment and evaluating the internal capabilities of a company. An analysis of market opportunities is important because businesses operate in dynamic and constantly evolving environments, so understanding the changing landscape and trends that are impacting the business helps in developing an effective Marketing Strategy. This chapter also explains the crucial factors to consider while analyzing market opportunity, such as defining the market within which a company intends to operate, and segmenting the market to identify potential customers for the company's product portfolio.

The processes associated with Analyze Market Opportunity are: *Determine Strengths and Weaknesses*, *Determine Opportunities and Threats*, and *Define Market and Identify Market Segments*. Each process is explained in detail through its associated inputs, tools, and outputs. Analyze Market Opportunity helps an organization understand what it can deliver so that it can fulfill customer needs.

Figure A.1-2 provides an overview of the processes pertaining to Analyze Market Opportunity, which is discussed in detail in chapter 2 of the *SMstudy® Guide* book on Marketing Strategy (MS).

2.1 Determine Strengths and Weaknesses

INPUTS
1. Senior Management Direction and Insights*
2. Organizational Capabilities*
3. Assumptions and Constraints*
4. Existing Marketing Research Reports

TOOLS
1. Meetings and Discussions*
2. Product Portfolio Analysis*
3. BCG Growth-Share Matrix
4. Value Chain Analysis
5. Marketing Research

OUTPUTS
1. Strengths and Weaknesses*
2. Marketing Research Reports

2.2 Determine Opportunities and Threats

INPUTS
1. Senior Management Direction and Insights*
2. Existing Marketing Research Reports
3. Generic Reports

TOOLS
1. Meetings and Discussions*
2. Porter's Five Forces for Industry Attractiveness
3. Market Analysis
4. Marketing Research
5. PESTEL Analysis*

OUTPUTS
1. Opportunities and Threats*
2. Market Attractiveness Report*
3. Marketing Research Reports

2.3 Define Market and Identify Market Segments

INPUTS
1. Strengths and Weaknesses*
2. Opportunities and Threats*
3. Market Attractiveness Report*
4. Existing Goals
5. Existing Marketing Research Reports

TOOLS
1. Meetings and Discussions*
2. Demographic Segmentation
3. Psychographic Segmentation
4. Behavioral Segmentation
5. Company Characteristics-Based Segmentation
6. Evaluation of Future Market Scenarios*

OUTPUTS
1. Market Definition*
2. Market Segments*

Figure A.1-2: Analyze Market Opportunity Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

A.1.2 Define Competition, Targeting, and Positioning

The third chapter of the Marketing Strategy book is Define Competition, Targeting, and Positioning. This chapter first explores identifying the competition, understanding industry trends, and creating future competitive scenarios that help in selecting target market segments. It then looks at creating a differentiated positioning statement for the company's products or services for the target segments selected. Competitive positioning tools help define how a company can differentiate its product offerings to create value in the market by fully understanding its target segments and the competitive landscape.

There are three processes outlined that help an organization understand market competition, target appropriate market segments, and define product features that help create a differentiated positioning statement for the products or services of the company. The processes discussed in this chapter are *Identify Competition*, *Select Target Segments*, and *Create Differentiated Positioning*.

Figure A.1-3 provides an overview of the processes pertaining to Define Competition, Targeting, and Positioning, which is discussed in detail in chapter 3 of the *SMstudy® Guide* book on Marketing Strategy (MS).

3.1 Identify Competition

INPUTS
1. Senior Management Direction and Insights*
2. Market Segments*
3. Existing Marketing Research Reports
4. Information Published by Competitors

TOOLS
1. Competitor Selection Criteria*
2. Future Competitive Analysis*
3. Marketing Research
4. Meetings and Discussions*

OUTPUTS
1. List of Competitors*
2. Details of Competitive Products*
3. Industry Benchmarks and KPIs
4. Future Competitive Scenarios
5. Marketing Research Reports

3.2 Select Target Segments

INPUTS
1. Strengths and Weaknesses*
2. Opportunities and Threats*
3. Market Segments*
4. List of Competitors*
5. Details of Competitive Products*
6. Industry Benchmarks and KPIs
7. Future Competitive Scenarios
8. Existing Marketing Research Reports

TOOLS
1. Market Segment Attractiveness Matrix*
2. Undifferentiated Strategy
3. Focused or Concentrated Strategy
4. Differentiated Strategy
5. Market-Product Grid
6. Customer Personas*
7. Meetings and Discussions*
8. Marketing Research

OUTPUTS
1. Selected Target Segments*
2. Marketing Research Reports

3.3 Create Differentiated Positioning

INPUTS
1. Selected Target Segments*
2. Strengths and Weaknesses*
3. Opportunities and Threats*
4. List of Competitors
5. Details of Competitive Products
6. Industry Benchmarks and KPIs
7. Marketing Research Reports
8. Customer Feedback

TOOLS
1. Selecting Points of Parity and Differentiation*
2. Perceptual Maps*
3. Product Categories
4. Meetings and Discussions*
5. Marketing Research

OUTPUTS
1. Positioning Statement*
2. Product Features*
3. Updated Corporate Strategy

Figure A.1-3: Define Competition, Targeting, and Positioning Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

A.1.3 Determine Pricing and Distribution Strategies

Determine Pricing and Distribution Strategies is the fourth chapter of the Marketing Strategy book. A Pricing Strategy properly prices a company's products or services so that the company can sustain profitability while maintaining or growing its market share. Developing a Pricing Strategy involves assessing the value of the company's products based on their features; analyzing the pricing and features of competitive products in the market; analyzing the consumer mindset, which takes into account demand and price expectations for the products; and considering anticipated unit costs, sales, and, in turn, profitability. A Distribution Strategy defines how a company moves a product from creation to consumption in a cost-efficient manner while focusing on end users' needs. The Distribution Strategy is important because understanding and addressing the needs of the entire distribution channel external to the company ensures that products or services are delivered and sold to customers in the most efficient and effective manner possible for the business to succeed.

This chapter explains the two processes associated with Determine Pricing and Distribution Strategies. These are *Determine Pricing Strategy* and *Determine Distribution Strategy*. The Pricing Strategy is determined for the various products or services of a company. The end objective is sustainable profitability while growing or maintaining a healthy market share. The Distribution Strategy ensures the most efficient delivery of a company's products or services to the customer and that the selected strategy is based on the company's assessment of several alternative distribution channels. These processes are explained with the help of their associated inputs, tools, and outputs.

Figure A.1-4 provides an overview of the processes pertaining to Determine Pricing and Distribution Strategies, which is discussed in detail in chapter 4 of the *SMstudy® Guide* book on Marketing Strategy (MS).

4.1 Determine Pricing Strategy

INPUTS

1. Market Attractiveness Report*
2. Past Revenues and Cost Data*
3. Positioning Statement*
4. Marketing Research Reports
5. Purchase Timing
6. Existing Warranties
7. Opportunities and Threats
8. Details of Competitive Products*
9. Product Features

TOOLS

1. Marketing Research
2. Price Elasticity of Demand*
3. Total Cost of Ownership*
4. Economies of Scale
5. Experience/Learning Curve
6. Target Costing
7. Break-even Analysis*
8. Perceived Value Pricing
9. Value Pricing
10. Going Rate Pricing/Neutral Pricing
11. Auctions
12. Gain and Risk Sharing Pricing
13. Variations among Product Geographies
14. Discounts and Offers*

OUTPUTS

1. Pricing Strategy*
2. Marketing Research Reports

4.2 Determine Distribution Strategy

INPUTS

1. Positioning Statement*
2. Product Features*
3. Pricing Strategy*
4. Opportunities and Threats
5. Existing Marketing Research Reports
6. Performance of Existing Channel Members

TOOLS

1. Demand Chain Planning
2. Value Network Analysis
3. Evaluation of Distribution Channel Models*
4. Marketing Research
5. Meetings and Discussions*

OUTPUTS

1. Distribution Strategy*
2. Total Cost of Distribution
3. Updated Pricing Strategy
4. Marketing Research Reports

Figure A.1-4: Determine Pricing and Distribution Strategies Overview

Note: An asterisk (*) denotes a highly recommended input, tool, or output for the corresponding process.

A.1.4 Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation

This chapter discusses the various metrics and objectives used for Sales and Marketing such as reach, brand perception, product availability, sales, and profitability. It also provides an overview of various Sales and Marketing Aspects, including Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing, and presents a framework for allocating targets and budgets for each of these Aspects.

This chapter describes three processes and their corresponding inputs, tools, and outputs. The processes are *Determine Metrics*, *Determine Objectives*, and *Decide Marketing Aspects and Allocate Budget*. In the first process, *Determine Metrics*, various Sales and Marketing metrics such as reach, brand perception, product availability, sales, and profitability are determined. These metrics help to measure the success or failure of the Marketing Strategy. In *Determine Objectives*, attainable, quantifiable, and time-based objectives are determined for all of the metrics selected in the previous process. In the final process, *Decide Marketing Aspects and Allocate Budget*, the Sales and Marketing teams select the Marketing Aspects that will help the company reach its overall Sales and Marketing objectives. Subsequently, specific targets are determined for each Marketing Aspect, and a marketing budget is also allocated for each.

Figure A.1-5 provides an overview of the processes pertaining to Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation, which is discussed in detail in chapter 5 of the *SMstudy® Guide* book on Marketing Strategy (MS).

5.1 Determine Metrics

INPUTS
1. Positioning Statement*
2. Pricing Strategy*
3. Distribution Strategy*
4. Industry Benchmarks and KPIs

TOOLS
1. Meetings and Discussions*
2. Product Life Cycle Analysis
3. SMART Framework*
4. Customer Reach Metrics*
5. Brand Perception Metrics*
6. Product Availability Metrics*
7. Sales and Profitability Metrics*

OUTPUTS
1. Selected Metrics*

5.2 Determine Objectives

INPUTS
1. Selected Metrics*
2. Senior Management Direction and Insights*
3. Past Performance Data
4. Market Attractiveness Report
5. Future Competition Scenarios

TOOLS
1. Meetings and Discussions*
2. Trend Analysis
3. SMART Framework*

OUTPUTS
1. Selected Objectives*

5.3 Decide Marketing Aspects and Allocate Budget

INPUTS
1. Selected Objectives*
2. Senior Management Direction and Insights*
3. Available Budget
4. Past Performance Data
5. Details of Competitive Products

TOOLS
1. Meetings and Discussions*
2. ROI Comparison of Aspects*
3. Analysis of Competition's Marketing Aspects

OUTPUTS
1. Selected Marketing Aspects and Targets*
2. Allocated Budget*
3. Updated Objectives

Figure A.1-5: Determine Metrics, Objectives, Marketing Aspects, and Budget Allocation Overview

APPENDIX A.2: SALES CHANNELS

A.2.1 Evaluating Distribution Channel Models

If a company has options of multiple distribution channels, it needs to decide which distribution model is the ideal model for its business. The company can choose from different levels of intermediaries between itself and the customer, or decide whether it should use an intensive, exclusive, or selective distribution model. Each of these models is defined below:

- **Intensive Distribution** is a strategy where a company places its products and services in as many outlets or distribution channels as possible. For example, soft drink manufacturers or large consumer goods companies usually use an intensive distribution strategy.

- **Exclusive Distribution** is a strategy where a company uses only one distribution partner to sell its product in a certain market. This is the opposite of intensive distribution and may be used for specialty type products and services such as a high-end perfume or a well-known, reputable brand.

- **Selective Distribution** is a middle-of-the-road approach where a company uses a few delivery channels to distribute a moderate volume of products. For example, a computer manufacturer may decide to sell its computers through a few, select, big box retail stores.

A company's evaluation and selection of an appropriate distribution strategy for the business requires examining the business and choosing a strategy that aligns with the specific strengths and needs of the business. The company should consider the following three factors as they relate to the business and its potential distribution channels:

1. **Level of Sales and Profitability**—This involves mapping various types of customers to the appropriate distribution channels. Different distribution models may have specific costs associated with them. For example, a company may determine that having a direct sales team is more expensive but more effective than selling through online advertising. In such cases, a direct sales team might be used for only those customers who account for the most revenue and profit. Online advertising can be used for customers who account for less revenue.

   Similarly, a selective distribution model with a few outlets and limited channel members may be more suitable for niche, high-end products such as expensive medical equipment or specialized mountaineering gear. Conversely, an intensive distribution model with wide reach and multiple channel partners may be more suitable for mass-market products such as consumer goods, beauty products, and soft drinks.

   A useful tool to analyze the level of sales and profitability is a break-even analysis. A break-even analysis (described in the *Determine Pricing Strategy* process, detailed in the Marketing Strategy

(MS) *SMStudy Guid*e book, section 4.1) determines the minimum revenue needed for each channel to be profitable. Figure A.2-1 shows an example of break-even analysis.

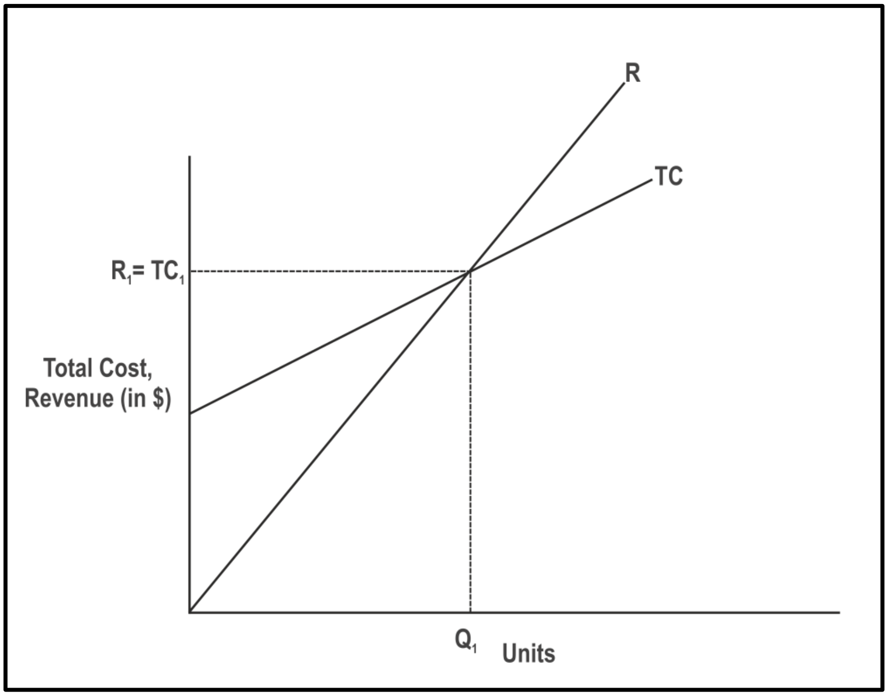

Figure A.2-1 Break-Even Analysis

The total cost (which includes fixed costs and variable costs) and the revenues associated with selling a certain number of units of a product are represented together on the Y-axis. Total quantity of units sold is shown on the X-axis. The diagonal line represented by R depicts how revenue changes with the number of units sold. The line represented by TC depicts how total cost changes with the number of units sold. As shown in this example, the R and TC lines intersect when the number of units sold equals Q_1. Therefore at $Q_{1,}$ the total cost represented by TC_1 equals revenue represented by R_1. The channel becomes profitable only at the levels of revenue and cost beyond quantity Q_1.

A break-even analysis can also be used to compare the profitability of various channels at different revenue levels so that a company can determine the appropriate channel to use based on revenue projections. Figure A.2-2 shows an example comparing a direct sales force and a call center.

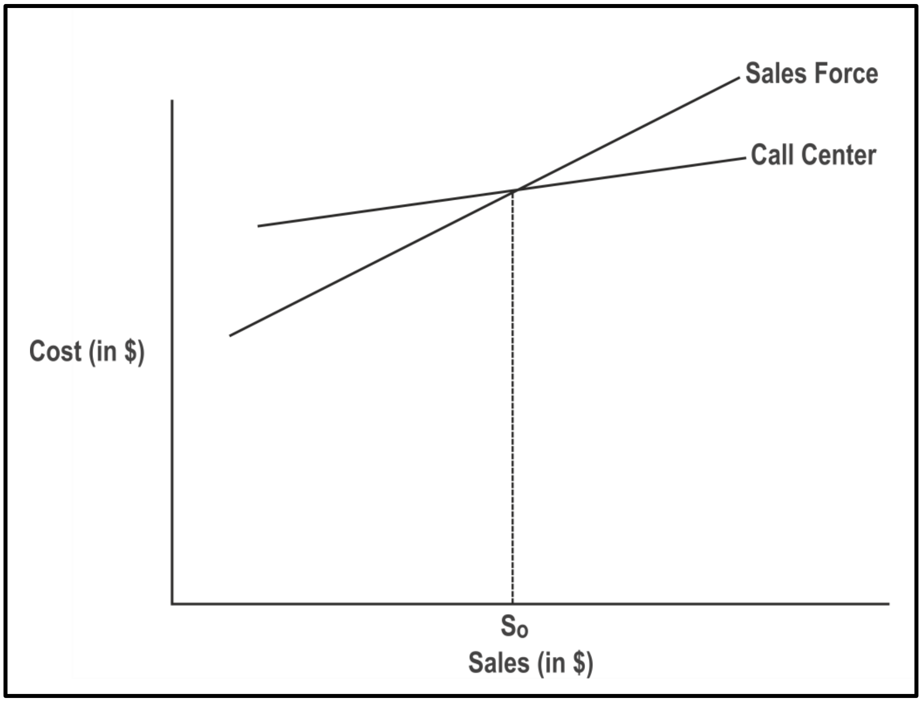

Figure A.2-2: Comparing Profitability of Different Channels at Different Revenue Levels

The total cost for each distribution channel associated with a certain level of sales is represented on the Y-axis. Sales are represented on the X-axis. The diagonal line labeled “Sales Force” represents how the total cost associated with using a sales force as a distribution channel changes with adjustments in sales from this channel. The line labeled “Call Center” represents how the total cost associated with using a call center as a distribution channel changes with increases or decreases in sales from this channel.

Figure A.2-2 also depicts that for low volumes, a direct sales force might be a better distribution channel as the fixed costs for setting up a call center may be high and not beneficial for low sales volumes. However, above a certain sales volume, a call center would be a better choice because its incremental costs are far less than those of a direct sales force.

This analysis also helps to evaluate various sales commission percentages, based on the profitability of each channel. This can help guide decisions on the exact amount of commission to be paid.

2. **Level of Control**—Different distribution channels allow for varying levels of control. A company may need more control over a distribution channel in some situations, such as when the service component of the offering is key to the sales process, or when the company is launching a new product and requires more control over the outlets participating in the launch.

3. **Level of Flexibility**—The ease and speed at which a distribution channel can adapt to changes in supply and demand are also important factors in evaluating different distribution models. Online channels are generally more flexible than physical channels, as changes on a company's website or to online advertising campaigns can be made relatively quickly. This type of flexibility may also be a key factor in uncertain market environments where supply and demand can change suddenly, and the channels must scale up or scale down accordingly.

Examples of Evaluating Distribution Channel Models:

- Customers will often select another brand for commonly purchased items rather than go to another supplier. A manufacturer of laundry detergent may therefore decide to use an intensive distribution strategy to make its brand of detergent available in many retail outlets in different regions. The manufacturer can then reduce the likelihood of product substitution for its brand of detergent at different retail outlets.
- Parfumation, a high end perfume manufacturer in Southern California determined that the ideal distribution model for their business was Exclusive Distribution. This is because the desire is to communicate a luxury image in the marketplace so the product will only be sold at one or two select retailers in the market. This will allow Parfumation to control the image of their products and the prices at which they are sold.

A.2.3 Direct Sales Force

A direct sales force consists of employees who work exclusively for the company and who are under the sole control of the company. It is one of the oldest and most commonly used channels of sales. The direct sales force sells products and services directly to customers, has a high level of interaction with customers, and is responsive to customer needs and queries. The direct sales force, in these instances, is an indispensable part of the channel structure. With the advent of newer and more cost-effective channels, the size of the direct sales force has reduced. Companies have migrated to sales force models that employ the direct sales force for large sales opportunities and various other channels for smaller sales opportunities. A direct sales force is generally the most expensive to maintain of all the channels available.

Members of the direct sales force can be any of the following[12]:

- Deliverer—a salesperson whose main task is ensuring the delivery of a product
- Order Taker—a salesperson who takes orders either by calling the customer or receiving calls from the customer

[12] Kotler, P. & Keller, K. (2014). Marketing Management, 15th ed. Prentice Hall

- Missionary—a salesperson who is expected to build goodwill or educate the actual or potential user
- Technician—a salesperson with good technical knowledge who acts as a consultant to customers
- Demand Creator—a salesperson who employs creative methods to create a need for tangible or intangible products
- Solution Vendor—a salesperson whose expertise lies in solving customer problems, using the company's products and /or services

Various other aspects of the direct sales force such as training, incentives, organization, and structure are discussed in detail in the coming processes/chapters.

Examples of Direct Sales Force:

- A hardware company employs a direct sales force to call on large, high volume accounts. A less costly contract sales force is employed to sell low cost products ordered in small quantities in geographically dispersed locations. These part-time representatives also work for other non-competing companies, selling building materials. They therefore perform indirect sales on behalf of both companies, as opposed to the dedicated, full-time sales representatives who sell products exclusively for the hardware company alone.
- A commercial paint company, Grazers Inc., employs a full-time, dedicated direct sales force to call on large, commercial accounts. They use a CRM tool to manage their accounts along with purchasing lead lists from various marketing entities. Grazers also has a small, part-time sales team that is available to call on smaller, commercial businesses, and these sales reps are assigned specific geographic territories within the market.

A.2.3 Resellers

A reseller is a company that purchases a product or service to sell to another party. A reseller is also known as a dealer. Resellers tend to deal with smaller quantities of a particular product or service. They can be useful in expanding the territory in which a particular product or service is available.

Examples of Reseller:

- A hardwood floor manufacturer sells its product in large volumes to a flooring company. Because the flooring company purchases the flooring at discounted prices, the business can resell the flooring to contractors and homeowners at a profit.
- A mail order party supply business provides consumers with easy access to a variety of party decorations and stationery to organize themed parties. Their website provides customers with an online catalog from which consumers can choose their party supplies. The party supply business is acting as a reseller, purchasing the supplies at wholesale prices and selling the supplies to party planning customers at a profit.

A.2.4 Value-Added Resellers

A value-added reseller performs the same functions as a reseller but also bundles or adds a product or service to provide a solution to its customers. Value-added resellers often form partnerships with more than one company to provide solutions. This might include customizing, integrating, training, or consulting. An example of a value-added reseller is an organization that buys equipment from a vendor at a discount, adds value (such as an application software package), and re-markets the bundle for a profit. Value-added resellers may source the required product directly from the manufacturer or the distributer based on the volumes required.

Examples of Value-Added Resellers:

- Financiers Unlimited Inc. is a company that is in the business of providing and installing accounting software to both small and large businesses. It helps companies select the right accounting software, then installs the new software, moves over all the data from the old software, and really takes the lead on transitioning the company to the new software package by ensuring that the data has been tested and imported successfully. The company also develops training programs and provides the training to customers to ensure that the staff know how to use the new system and are comfortable working with it.
- A manufacturer of commercial solar panels sells energy efficient panels to Enersource Inc., which specializes in the installation and maintenance of solar energy solutions for businesses and residential customers.

A.2.5 Distributors

A distributor is a company that purchases products from a manufacturer and resells them directly to an end user or another business in the same or related marketplace. Distributors are a form of resellers, but typically distributors have a closer relationship with the manufacturer, often with guaranteed revenue targets and other contractual commitments. A distributor can help a company reach customers at locations that are difficult for the company to cover using a direct sales force. In addition to increasing the reach of the company, the distributor also typically provides service and support to the customer. There are often exclusive arrangements and criteria involved in becoming a distributor for a particular product or service. A computer manufacturer, for example, may choose a select number of distributors to ensure a high level of quality, consistency of service, and protection of their brand value.

Examples of Distributors:

- Ferguson, Inc. a reputable producer and distributor of HVAC products has partnered with various HVAC distributors to meet the unique needs of residential consumers. Their products consist of controls, sheet metal supplies, and sensors. The relationships established by the distributors allow Ferguson, Inc. to get into more homes of consumers than they might be able to do on their own. Ferguson recognizes the value of this network and works to nurture these relationships.
- AB Coffee is a producer of premium coffee beans. The company has distribution arrangements with several grocery chains and speciality coffee houses, throughout the world in order to get their product on grocery shelves and in front of consumers across the globe. Their channel partners have long-term contracts with AB Coffee tying the distributors to annual revenue commitments. AB Coffee in turn agrees to ensuring production levels can meet consumer demands in each geographic region and for all distributors, large and small.

A.2.6 Integrators

An integrator is similar to a value-added reseller. An integrator offers a high degree of industry or technical knowledge to provide sophisticated solutions to customers, based on other products or services used by the customer.

Example of Integrator:

- Easyhome.com is committed to bringing the ease of online shopping to the world of furniture, offering a large selection of high quality, design-oriented, fashionable furniture to consumers. They have determined that they should focus on their strengths including new product development and marketing so they have partnered with an integrator who will manage all aspects of supply chain event management as well as transportation management. This arrangement will ensure that they still have control and end-to-end visibility of their supply chain at all times but will allow them to take advantage of their strengths including product development and marketing. Their furniture products can be tracked, queried, and easily ordered online by the customer. The results of this partnership will be high service levels for customers, reduction in costs through optimization of the supply chain, and the ability to achieve short lead times.

APPENDIX B. AUTHORS AND REVIEWERS OF THE SMBOK® GUIDE

This appendix lists the names of those individuals who contributed to the development and production of the *SMBOK® Guide*.

SMstudy® is grateful to all these individuals for their continuous support and acknowledges their contributions towards the development of the *SMBOK® Guide*.

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GLOSSARY

Account Management

Account management deals with the processes that follow customer acquisition. It includes onboarding, account classification, alignment, and client management. Account management involves determining how to best meet client needs and support the ongoing growth of the account.

Allowance

An allowance is an incentive or compensation offered to channel partners for promoting a company's products.

Aspects of Sales and Marketing

Also referred to as "Aspects of Marketing". The Aspects of Sales and Marketing are based on the six most common and often distinct career fields related to Sales and Marketing. They are Marketing Strategy (MS), Marketing Research (MR), Digital Marketing (DM), Corporate Sales (CS), Branding and Advertising, and Retail Marketing (RM).

Banded Packs

Banded packs are discounts offered to the customer for purchasing two or more products or services bundled together. These are generally used to increase cross-selling.

Barter System

More than a thousand years ago, when coins and other forms of money were not yet popular, the typical and most common way people procured their products or services was through the barter system—the direct exchange of goods or services without the use of money.

Basic Relationship

A basic relationship is limited to the transactional exchange of money for a product or service. The interaction happens only between the key account manager and the buyer's contact. Long-term trust has not been developed at this stage, and the buyer is prone to switching to other vendors.

BATNA (Best Alternative to a Negotiated Agreement)

BATNA is the next best option that a negotiating party has if the current negotiation fails. A negotiating party should not accept any deal that makes them worse off than their BATNA.

Benefits

Benefits are also part of the compensation plan. The benefits that the company provides the corporate sales team may include housing, travel allowances, life insurance, medical and accident insurance, and retirement plans. The range of benefits offered by a company may increase for higher positions within a company.

Blogs

Blogs are content created by individuals, groups, or companies to express their opinions or to provide information or insights on specific topics of their choice.

Bonus

A bonus is paid out by the company for achieving or exceeding a certain level of performance. While commissions are paid for each unit of sales achieved, bonuses are paid out only after the sales person achieves or surpasses the desired target.

Bonus Formula Rate

The bonus formula rate does not have steps as seen in the bonus step plan. This plan instead allows for incentive payment over the full range of target achievement. It is similar to a commission plan. However, the incentive payout is based on the total target incentive rather than the actual sales volume.

Bonus Step Plan

The bonus with steps is the most commonly used bonus-based plan. It provides higher incentives for higher performance on a step-wise basis. It expresses the payout as a percent of the base salary or the total target incentive.

Bonus-based Plan

Bonus-based plans are used when the territories are not evenly sized and cannot be realigned to be made equal. In such cases, the sales volume or revenue achieved may not be directly related to the actual sales performance of the sales person but rather to the potential or size of the territory. In bonus-based plans, the incentives paid out are linked only to the target and not to the actual sales volume or revenue achieved. The incentive formula is therefore expressed as a percent or portion of the target incentive amount or base salary for percent of target accomplished.

Brand Perception Metrics

Brand perception refers to how prospective and current customers react to seeing or hearing about a company's product or brand and how the company is perceived within the market.

Branding and Advertising

Branding and Advertising (BA) includes concepts of consumer behavior, marketing communication, and public relations. Branding is the process of creating a distinct image of a product or range of products in the customer's mind. This image communicates the promise of value the customer will receive from the product or range of products. Branding should remain consistent across all channels of communication with the customer. Advertising is defined as any paid form of non-personal communication to existing and potential customers that promotes the company's products through all media—such as radio, television, and print.

Breakdown Method

In this method, each member of the corporate sales team is assumed to possess the same level of productivity. In order to determine the size of the sales force needed, the total sales figure forecasted for the company is divided by the sales likely to be generated by each individual.

Business Unit Strategy

The Corporate Marketing Strategy, which is a component of the overall Corporate Strategy, is further divided into various Business Unit or Geographic Strategies, which in turn is further divided into particular Product or Brand Strategies for each product or brand.

Channel Network Design

The channel network design is a structure that defines the network of channels the company needs to have to maximize reach within a selected target segment.

Closed Questions

Closed questions can be answered with either a simple “yes” or “no,” or the answer may lie in a single word or phrase.

Cold Calling

Cold Calling is a process in which the corporate sales team contacts prospects who have not previously expressed an interest in a product. Cold calling is carried out using a customer profile list to target the respective decision maker (if available). Cold calling is generally done over the phone and is usually the first communication made to a prospect. In corporate sales, cold calling is used more as a tool for lead generation and less for lead qualification

Commission

A commission is directly linked to the sales achieved by the sales person.

Commission-based Plan

In a commission-based plan, the commission rate is usually calculated by dividing the target incentive amount by the target sales volume to be achieved. Commission-based plans are generally used when sales territories have similar revenue opportunities.

Confirmation E-mails

Confirmation e-mails are sent to customers to confirm receipt of a customer request. Some common types of confirmation e-mails may include subscription confirmations, e-mail address verifications, login details, auto-responses to customer e-mails, updates to subscription preferences, unsubscribe requests, and more.

Conventional Mass Media Marketing

Unlike a seller's marketplace where sellers have the advantage over customers, mass media marketing features multiple manufacturers, thus shifting the balance of power in favor of consumers. Primary channels used for mass media marketing are print advertising (newspaper, magazine, insert, or run of paper), mass mailers, television (network, cable, or syndicated), and radio (national, local, satellite, or podcast), and outdoor advertising (billboards, bus shelters, stadiums).

Cooperative Relationship

In cooperative relationship, people from various departments begin interacting and working together. This is the cooperative relationship stage in which the two sides develop trust and work together proactively. At this stage, the seller attempts to provide additional value to the buyer, beyond the basic product or service.

Corporate Finance Strategy

This defines how the company will manage its finances, attain funding, and financially sustain its operations. The Finance Strategy should include forecasts and projections and summarize costs, income, and investments.

Corporate Human Resource Strategy

This maps the human resource capabilities within the company and considers talent management and acquisition needs to sustain growth.

Corporate Marketing Strategy

This defines how the company will target, position, market, and sell the planned products, and defines metrics, targets, and budgets for all marketing activities.

Corporate Operations Strategy

This defines how the company will manage operational activities, manufacture its products (or provide services), and provide the corresponding customer support and warranty.

Corporate Product Strategy

This defines the products or services the company offers, and the research and development efforts required to create them.

Corporate Strategy

Corporate Strategy is the overall direction of the company (as defined by senior management) that takes into consideration an assessment of the existing capabilities of the company and external opportunities and threats.

Customer Advisory Board (CAB)

A Customer Advisory Board (CAB) or Customer Advisory Council is a representative customer group comprising senior stakeholders who convene periodically to validate product features, the marketing plan, and the strategic direction of the company to ensure these align with customers and the market. The company uses the information gathered at these meetings to realign business priorities and formulate strategy.

Customer Attrition

Customer attrition or churn represents the number of customers who leave the company or stop using the company's products over a certain period of time.

Customer Reach Metrics

Customer reach metrics are an indicator of how many existing customers and potential new customers a Sales and Marketing initiative is able to reach through Marketing Aspects such as Branding and Advertising, Retail Marketing, Corporate Sales, and Digital Marketing.

Customer Relationship Management (CRM) System

Customer Relationship Management (CRM) Systems are the information systems used to record the different stages of a sales process and to monitor sales performance and potential. A typical CRM system has modules for contact management, sales lead tracking, sales forecasting, order management, and product information.

Customer Value Analysis

A customer value analysis is conducted to keep a company connected with its customers and to tell the company what must be done to deliver more value. It helps companies identify where they need to strengthen their value proposition.

Customer Win/Loss Analysis

Customer win/loss analysis is a process of understanding why sales opportunities are either won or lost. A careful win/loss analysis is a cost-effective and efficient tool to understand how customers perceive value.

Decomposition of Time Series Method

Decomposition of time series is a method that takes into account not only the change in demand, but also other factors that affect sales. This method is usually used for shorter periods of time in which various other factors play an important role. These factors are usually of four types—Seasonal, Trend, Cyclical, and Random.

Delphi Method

In this method, executives are interviewed separately and are asked to give their estimates about the forecast. It is an iterative method in which all the estimates are combined and a summary report is created post iteration. This report is then shared with all the executives who are required to give a revised estimate based on the feedback or arguments from other executives. The objective of this exercise is to narrow down the range of estimates with subsequent iterations in order to arrive at an accurate average estimate forecast.

Digital Marketing

It includes all marketing activities that use electronic devices connected to the internet to engage with customers (e.g., computers, tablets, smartphones). These include activities related to creating and managing effective websites and mobile apps as well as promoting a company’s products and brand through various online channels that help meet marketing objectives.

Direct Sales Force

A direct sales force consists of employees who work exclusively for the company. It is one of the oldest and most commonly used channels of sales. The direct sales force sells products and services directly to customers, has a high level of interaction with customers, and is responsive to customer needs and queries.

Distribution Strategy

The Distribution Strategy for a product or service identifies the key areas involved in delivering the product or service to customers. The Distribution Strategy for a company's products or services should be designed to ensure that the products or services are delivered to customers on time, in the best possible manner, and with costs that are aligned with the Pricing Strategy. The Distribution Strategy should contain the following information:

- the specific distribution model to be used—whether it will be intensive, exclusive, or selective
- the levels of intermediaries that will exist between the company and each of the target markets
- the specific distribution channels that will be used for each of the target markets
- the stages in the distribution channel where any external channel members will be used
- the entities in the value network that have the most impact on the Distribution Strategy and the measures that need to be taken to minimize any negative impacts and maximize any positive impacts that result from the use of those entities

Distributive Negotiation

Also known as positional or hard-bargaining negotiation, this type of negotiation often results in a win-lose scenario. The parties involved in this type of negotiation work toward getting the most out of a fixed value or sum. Therefore, each gain for one party results in a loss for the other.

Distributor

A distributor is a company that purchases products from a manufacturer and resells them directly to an end user or another business in the same or related marketplace. Distributors are a form of resellers, but typically distributors have a closer relationship with the manufacturer, often with guaranteed revenue targets and other contractual commitments.

E-learning

In e-learning situations, training is delivered through electronic media. E-learning can be provided through instructor-led virtual sessions, using on-demand content stored in a central repository, or through online forums for collaborative learning.

E-mail Marketing

E-mail marketing is a form of direct marketing that uses e-mail as the delivery medium for communicating a marketing message to a group of people. Any e-mail sent to existing or prospective customers can be regarded as e-mail marketing.

Essential Marketing Aspects

Marketing Strategy and Marketing Research are referred to as Essential Marketing Aspects. Both of these Aspects are mandatory and should be used to define, measure, and provide direction for the overall marketing efforts of a company.

Exclusive Coverage

Exclusive Coverage is a strategy where a company uses only one distribution partner to sell its product in a certain market. This may be used for specialty type products and services.

Explanatory Method

Explanatory methods are different from time-series analysis. They do not use historical sales data to predict future sales, but rather take into account different factors that can affect sales. Tools such as regression and econometric modeling are used to establish causality between other factors affecting sales.

Exploratory Relationship

This is the first stage of the relationship between a buyer and a seller. Such a relationship exists early on, even before the two parties decide to work together. This is where both parties interact and attempt to understand each other.

Exponential Smoothing Method

This method gives more weighting to the more recent periods of time in time-series analysis. Forecasts are based on the premise that future sales are likely to be closer to the sales of the immediate past than they are to the less recent past. A smoothing constant, or α, is used to calculate the forecast. The value of α varies between 0 and 1. The higher the value of α, the greater the weight given to the recent past in the calculation.

External Marketing Assets

External marketing assets include all assets created for the target segment, existing customers, and leads. Among these assets are presentations, e-mails, brochures, banners, advertisements, videos, websites, content for social networking sites, blog articles, images, infographics, etc.

Farming

Farming involves generating more business from an existing account.

Financial Gap

Financial Gap is created when a product or solution results in higher costs, affecting overall financial targets.

Flat Commission Plan

The Flat Commission Plan is the simplest compensation plan. The commission rate is calculated by dividing the target incentive by the target sales volume.

Commission Rate = Target Incentive Amount/ Target Sales Volume × 100

This plan does not have a threshold at which point the incentive payout starts, nor does it have a cap on the incentive payment. It assumes that the territories have similar sales potential. Territories are often realigned to balance the sales potential.

Fragmented New-Age Marketing

In recent times, the media has become increasingly fragmented with several hundred television and radio channels, as well as a large variety of print media, including newspapers, magazines, and trade publications. Moreover, since the late 1990s, with the increasing popularity of the Internet and, more recently, smartphones, many options now exist for advertisers to reach a global audience using digital marketing channels such as website, mobile, and social media. With all of these options, many marketers find it beneficial to use an integrated approach to marketing by leveraging the strengths of various types of media.

Functional Gap

A functional gap results when a product or solution does not closely match the functional needs of the potential client.

Gainsharing

Gainsharing plans link incentive payouts to the overall growth in company revenue or profit. Gainsharing is applicable not only to the sales team, but to the entire workforce of the company. It can be used as a measure to raise the overall motivation level of the workforce.

Gap Analysis

A gap analysis involves a comparison of present performance with the future performance needed to attain a desired output. This is done by comparing targets and objectives using metrics chosen by the qualified lead. A gap exists if there is a deficiency in the outcomes or an inability to achieve the desired targets.

Geographic Strategy

The Corporate Marketing Strategy (which is a component of the overall Corporate Strategy) is further divided into Business Unit or Geographic Strategy, which in turn is further divided into Product or Brand Strategy for each product or brand.

High-touch Channels

High-touch channels like direct sales force, value-added partners provide significant interaction between buyers and sellers. They also provide more support and post-sales service and are generally more expensive to operate than low-touch channels.

Hunting

Hunting comprises all the steps that lead to closing a new account.

Hurdles Linked Plan

Hurdles link two or more performance measures. Hurdles are generally used when the company wants to attain an objective but at the same time wants to meet certain conditions.

Hybrid Compensation Plans

Hybrid plans are a mix of the bonus plan and the commission-based plan. In a hybrid plan, the company may use a bonus plan for performance achieved until the target is achieved and a commission-based plan after that. This helps to balance incentive payments in territories of dissimilar size.

Image Marketing

It is the use of images or pictures through social media platforms to promote products or services. There are many image centric sites that focus on the posting and sharing of images and short videos.

Incentives

Incentives are the additional amounts paid to reward performance and to further motivate the corporate sales team. Incentives can be in the form of commissions or bonuses. Sales incentives are directly linked to the selected sales targets. While the sales targets act as performance benchmarks, the sales incentives act as motivating factors for the corporate sales team. By linking the sales targets with sales incentives, the company is able to motivate and inspire the corporate sales team to achieve the desired results.

Incremental Method

The incremental method is the most precise method to calculate the sales force size. The underlying concept is to compare the marginal profit contribution with the incremental cost for each sales person. The optimal sales force size as per the incremental method is when the marginal profit becomes equal to the marginal cost and the total profit is maximized.

Informational E-mails

Informational e-mails are sent to educate subscribers on topics relevant to their preference settings with the provider. This type of e-mail is often in the form of a newsletter.

Institutional Support Program

A company may provide special equipment or software to customers or channels to help them manage their daily business. The provision of such equipment or software increases customer dependency on the supplier, thereby increasing customer switching costs. Sales training, marketing research reports, and sales leads may also be given to loyal customers to institutionalize their support.

Integrated Relationship

The integrated relationship is the most coordinated stage in the relationship continuum. It is a very complex collaborative relationship in which both parties work as a single entity while still maintaining their separate identities. Various functions work together without the involvement of the primary contacts from either side. Both sides completely trust each other and even share confidential information.

Integrative Negotiation

Also known as interest-based or principled negotiation, this type of negotiation is carried out with the objective of achieving a win-win scenario. The deals negotiated with this strategy are meant to create and deliver value for both parties by integrating both parties' interests.

Integrator

An integrator is similar to a value-added reseller. An integrator offers a high degree of industry or technical knowledge to provide sophisticated solutions to customers, based on other products or services used by the customer.

Intensive Coverage

Intensive Coverage is a strategy where a company places its products and services in as many outlets or distribution channels as possible.

Interdependent Relationship

An interdependent relationship happens at the advanced stage in the relationship continuum. This is achieved when both parties realize the importance of the relationship and trust is formed. Multiple communication links are established among various departments such as operations, marketing, and finance.

Internal Marketing Assets

Internal marketing assets provide sales personnel with the tools that enable them to clearly understand the sales value proposition. Internal marketing assets include scripts, FAQs, and features and benefits sheets for internal call center staff to be well informed and knowledgeable about products; ‘battle cards’ that provide sales personnel with the key features and benefits that differentiate the company’s products from the competitors’ products; and handouts, posters, presentations, or videos that are used to train staff on the company’s products.

Key Sales Objectives

Key Sales Objectives (KSOs) are unique objectives created for each sales person. KSOs provide an effective framework that links the sales person’s overall activities to performance incentives. KSOs provide a more holistic approach to assess the sales person’s performance than sales volumes. Targets are based on the aggregate points that the sales person acquires from all the KSOs.

Lead Generation

Lead generation is the act of identifying prospective customers with the objective of gaining new customers. A lead is a prospect that has some interest in buying a company’s product. Generating a constant supply of leads for the corporate sales team is one of the most important priorities of a business.

Lead Nurturing

When leads are not qualified completely or returned by the corporate sales team , they are taken through a process of incubation called lead nurturing. Lead nurturing is required in a situation where the lead has put the buying decision on hold or has no current requirement. In this process, leads are contacted to gather more information on their needs and to build trust.

Lead Qualification

Lead qualification is the process through which leads are assessed for quality. Only quality leads are passed to the corporate sales team for follow-up.

Levels of Sales and Marketing Strategy

The Corporate Marketing Strategy, which is a component of the overall Corporate Strategy, is further divided into various Business Unit or Geographic Strategies, which in turn is further divided into particular Product or Brand Strategies for each product or brand.

Lifecycle E-mails

Lifecycle e-mails are sent to customers to support acquisition, conversion, growth, retention, and reactivation of subscribers.

Linked Commission Plan

Linked commission plans are an advanced form of commission-based plans. These plans tie the payout of incentives to two or more performance measures. Linked commission plans may also have a negative impact if performance is not good. Three common types of linked commission plans are hurdles, multipliers, and matrices.

Low-touch Channels

Low-touch channels such as telemarketing and Internet offer less customer support and interaction, negotiation capability, or problem resolution.

Loyalty Programs

Loyalty programs or purchase frequency programs are created to reward customers who purchase frequently and in high volumes. Loyalty programs include providing a dedicated key account manager or preferred allocation of company resources to a customer. Rewards programs may also be designed to reward the best customers for a specific period. Discounts or rebates may also be offered to loyal customers.

Market Segments

The output of using any of the segmentation tools is a description of the various market segments a company wants to consider. The descriptions should contain the characteristics of each segment that differentiate one segment from another.

Matrix linked Plan

A matrix-linked commission plan is used when the company wants to resolve and achieve two competing objectives. The competing objectives could be higher sales volume versus profitability, core business versus new product sales, etc.

Moving Averages Method

Moving averages is a very simple method of time-series analysis. It takes into account average sales over a certain number of months or years to arrive at a forecast for subsequent months or years.

Multipliers Linked plan

Multipliers link performance measures together using a multiplying factor. Unlike hurdles, multipliers may have a reducing effect on the incentive value of the first performance measure. However, some companies prefer to have only a positive effect from the multiplier.

Needs Assessment

Needs Assessment is done to understand and document the explicit and implicit needs of the customer. This understanding of needs is vital in the conversion process and enables the sales team to demonstrate to the customer how their product can fulfill the customer’s requirements.

Negotiation

Negotiation is the discussion between two parties with the objective of achieving a mutually beneficial outcome. Negotiation involves agreement by parties on the terms and conditions of the deal. Negotiation begins when the buyer has given some commitment to buy the product or service.

Net Promoter Score

Net Promoter Score is a metric used to measure customer loyalty that was developed by Fred Reichheld of Bain & Company in association with Satmetrix in 2003. It is measured by asking customers their likelihood of recommending a company's product to a friend, relative, or colleague.

Off-page SEO

Off-page SEO refers to off-site factors that have an effect on a website and that are not controlled by coding within the website.

Online Marketplaces

Several e-commerce companies have created global online marketplaces for selling books, consumer goods, and other products. In such business models, customer acquisition is usually initiated through the company's website. The company coordinates with its multiple suppliers to source products, demos and product reviews are provided on the website, customers make their purchases online, and items are shipped directly to customers.

Online Networking

The Internet has made the world a smaller place. People can now have access to their networks at all times. These changes have significantly impacted the way in which people communicate with each other and, in turn, have created new possibilities for innovative business models.

On-page SEO

On-page SEO refers to the activities and content that website developers use to ensure a company's site is recognized by search engines.

On-the-job Training

On-the-job training involves pairing new sales team members with senior sales team members to learn actual sales processes. The training is delivered by observing and coaching the sales team members. This is an effective mode of sales training for companies that have a low sales training budget. It enables new members to experience relevant, real-life situations.

Open Questions

Open questions require longer answers and cannot be answered with a “yes” or “no.”

Organizational Capabilities

Organizational capabilities are those that allow a company to achieve its organizational goals and gain a competitive advantage. Capabilities can originate from any function or may already be fundamental to a company.

Performance Gap

Performance Gap is created when a product or solution does not match the set performance criteria such as total production output, efficiency in production, or number of defects.

Positioning Statement

The positioning statement is generally a short sentence or phrase that captures the value of a company’s products to its target customers. The positioning statement should create an image of the products, highlighting the most important benefits that offer the most value. The positioning statement reflects key information including the target segments for which the products are positioned as well as brief points of differentiation for the products.

Premiums

Premiums are gifts offered at a low price or for free as an incentive to purchase a particular product.

Pre-sales

Pre-sales is the first step in the sales process and involves reviewing the current activities and selling processes. These activities include those carried out from the initial contact with a customer to the final delivery of a product or service. This step allows a developing company to assess its organizational capabilities to carry out the sales process. It includes understanding and strengthening the value proposition for customers.

Pricing Strategy

The Pricing Strategy for an organization should be oriented towards creating a sustainable brand perception and sustainable profitability for the brand while growing and maintaining a healthy market share. It typically includes the following information:

- the recommended pricing for products or services over a period of time in different target market segments and a rationale for the price point
- an indication of how the Pricing Strategy aligns with the products' positioning statement and the company's overall Corporate Strategy
- the number of units that must be sold to break even, the projected units the company anticipates it will sell, and the expected profitability of the product
- the strategy to deal with possible changes in the environment, such as changes in prices offered by competitors and increases in production costs
- the strategy for any discounts, special offers, or rebates, and the costs associated with these
- the Total Cost of Ownership, including cost of warranties and after-purchase servicing

Probability and Impact Matrix

In this approach, all possible scenarios are listed, with a probability of occurrence and a degree of expected impact assigned to each scenario. The degree of impact is assigned to each risk event using a numerical scale: the higher the impact, the greater the number. Multiplying the probability of occurrence by the degree of impact results in a number that indicates the potential threat level of that scenario or event to a company. A higher number indicates a higher level of threat. After the threat level is assessed, it is then categorized as "high," "moderate," or "low" for ease of reference and to rank the importance of potential threats to a company.

Process Gap

Process Gap is created when the existing process is not delivering the required output.

Process-Oriented Approach

In order to facilitate the best application of the SMstudy® Guide framework, the SMstudy® Guide defines a process-oriented approach to Sales and Marketing, which provides specific guidance to Sales and Marketing professionals about how to most effectively and efficiently manage their sales and marketing activities. The SMstudy® Guide defines Sales and Marketing in terms of processes that comprise a series of actions that leads to a particular result. Each process requires specific inputs and then uses tools to create specific outputs.

Product Availability Metrics

Product Availability metrics indicate whether a product is available for purchase at the time and place customers are looking to purchase the product or other competing products from competitors.

Product Features

Product features are the physical and functional characteristics of a product or service, which are intended to satisfy a customer's requirements.

Product Life Cycle

Product Life Cycle Analysis is a useful tool to determine metrics and objectives that align with the current stage of the product in its life cycle. A product life cycle is divided into four stages of development:

1. Introduction Stage
2. Growth Stage
3. Maturity Stage
4. Decline Stage

Product or Brand Marketing Strategy

Each Product or Brand Marketing Strategy (also referred to as 'Marketing Strategy' in the SMstudy® Guide) defines Sales and Marketing objectives for each product or brand, which drive specific tactics that align with and often rely on other Marketing Aspects (i.e., Marketing Research, Digital Marketing, Corporate Sales, Branding and Advertising, and Retail Marketing).

Product Strategy

The Product Strategy details how each product or service will be initially created and provides plans for manufacturing and servicing each product for its target markets.

Product Warranty

Product or service warranties are generally agreed upon by contract or agreement. As a promotion, companies may offer an extended warranty at no charge or at a discount, in addition to the regular warranty.

Profiling

Profiling is the process of categorizing the prospects that fall into a selected target segment. It is also necessary to profile the decision makers in these companies. The main objective of profiling is to identify the characteristics of ideal customers and use them to target the best prospects. The ideal characteristics become benchmarks in the profiling criteria.

Progressive Ramped Commission Plan

In the case of a progressive ramped commission plan, two commission rates are offered. The second commission rate is higher than the first commission rate.

Promotional E-mails

The main focus of promotional e-mails is to deliver offers or invitations that are relevant to a subscriber's preference settings, resulting in a sale or some other predetermined action.

Ramped Commission Plan

In a Ramped Commission Plan, the commission rate is different for different levels of sales volume achieved.

Rebates

Rebates are cash refunds offered to customers for purchasing a certain quantity of product from the company. The rebate or cash refund is made after the purchase is completed. A rebate may also be offered on the next purchase.

Referrals

Referrals occur when a company's products are referred to prospects by a third party, usually a customer, a qualified lead, or a member of the corporate sales team. Referrals have a high degree of credibility and the prospect will be more likely to be interested in evaluating the product.

Regressive Ramped Commission Plan

A Ramped Commission Plan can also be regressive implying that the second commission rate is lower than the first commission rate. This is generally used when a company needs to avoid excessive payments and to adhere to predefined budgets.

Reseller

A reseller is a company that purchases a product or service to sell to another party. A reseller is also known as a dealer or broker.

Reservation Price

Reservation price in a negotiation is the lowest price that the seller is ready to provide and the highest price that the buyer is ready to pay. It is the price beyond which the negotiator is willing to walk away from a negotiated agreement.

Retail Marketing

It includes all marketing activities related to persuading the end customer to purchase a company's products at a physical retail outlet or store, and efficiently managing the supply chain and distribution channels to improve the reach and sales for a company's products.

RFX

RFX is a generalized acronym that references any or all Requests for Bid (RFB), Requests for Information (RFI), Requests for Proposal (RFP), and Requests for Quotation (RFQ). These documents contain the requirements identified by a prospect when looking for a new vendor, product, or solution.

Rules of Channel Network

The rules of channel network are the specific rules of engagement of a company with its channels. These rules define financial and inventory management terms, territorial rights, and the service agreement guaranteed by the channel partner for a company's customers.

Salary

Salary is the fixed amount that is paid at regular intervals.

Sales and Profitability Metrics

Sales and profitability metrics are used to ensure that a product is generating the requisite level of sales and profits for the company. These metrics are monitored by all companies across industries as sales and profits are the end results of all marketing activities of a company and generate the necessary financial resources to fund the company's operations and growth.

Sales Compensation Plan

The sales compensation plan describes how the corporate sales team is rewarded. Among other things, the company's sales compensation plan describes the various financial and non-financial methods for motivating the corporate sales team, the fixed and the variable components of compensation, and the most appropriate method for motivating different kinds of selling activities. The components of the compensation plan include salary, incentives, and benefits.

Sales Contests

Sales contests are short-term incentive programs that are intended to motivate the corporate sales team to achieve certain sales targets or objectives. Sales contest rewards are sometimes called Special Performance Incentive Funds (SPIFs). They are not part of the company's regular compensation plan but are used when the company intends to increase sales of a product or launch a new product, or when the company is under pressure from competition.

Sales Forecasting

Sales Forecasting involves estimating the sales and revenues of a particular product or a range of products for a given period of time. Such an estimate is always accompanied by a marketing plan, which serves as a road map to achieve the forecast.

Sales Governance

Sales governance is the method of organizing and managing the corporate sales team. It includes processes, strategies, structure, analysis, and evaluation of the sales efforts. Sales governance can vary depending on company size and industry.

Sales Organization Structure

Sales organization structure defines the way in which the sales force is structured. Depending on the type of company, industry, customer segments, and offerings, companies can establish any of a variety of organizational structures. The four common organizational structures are based on geography, product, customer segment, and selling function.

Sales Process

The sales process is an approach or method used to sell a product or service. The sales process involves profiling, lead generation, account qualification, needs assessment, presentation, negotiation, closure, and accounts management. The basic framework followed for the sales process is generally similar across industries. However, the sales process is usually customized to match the company's specific needs.

Sales Value Proposition

The Sales Value Proposition states measurable outcomes and clearly communicates how the products can meet customer needs and achieve the corporate sales outcomes. The sales value proposition is the foundation upon which other organizational capabilities for corporate sales are built.

Samples

A sample is generally a small quantity of the product offered to the customer to induce trial.

Search Engine Marketing (SEM)

Search engine marketing refers to all marketing activities that use search engine technology for marketing purposes. SEM promotes a business and its products by ensuring the company appears in search engine result pages. SEM includes search engine optimization (SEO), paid listings, and other search engine related services and functions that are designed to increase reach and exposure of a website, resulting in greater traffic. Specifically, SEM increases the visibility of websites through paid search advertising and/or search engine optimization with the intent of increasing traffic to a company's website

Search Engine Optimization (SEO)

Search Engine Optimization is an Internet marketing tactic that takes into consideration how search engines function and "rank" websites, how people search for keywords, the keywords that are most frequently searched, and the kind of searches (text search, image search, video search) that consumers are likely to use to learn more about the products, services, and business as a whole. SEO involves a number of activities and initiatives that businesses can implement to achieve high search engine rankings. Such activities address factors that can impact a website's or web page's search engine rankings for specific search terms, resulting in a high placement in a search engine's organic (unpaid) search results.

Selective Coverage

Selective Coverage is a strategy where a company uses a few delivery channels to distribute a moderate volume of products.

Seller's Marketplace

The Industrial Revolution in the eighteenth and nineteenth centuries marked a shift to mass production in factories (e.g., textile manufacturing). During this time, transportation infrastructure improved significantly with inventions such as the steam engine and more efficient ships. The banking system was further developed and the exchange of money became easier. Communication was also substantially improved through the development of the postal system and the use of telegraphs. Furthermore, goods were produced more efficiently and economically in factories and could be sold to a wider market. This created the seller's marketplace. The main objective of the seller's marketplace is to establish a supply chain to procure products and then establish a distribution channel to sell the products to a wide variety of customers, often referred to as "mass marketing." Emphasis on branding and advertising is minimal in a seller's marketplace.

Senior Management Direction and Insights

This is provided by senior management based on their experience and insights related to the business.

SMART Framework

The SMART framework is a method that can help determine the appropriate targets to help a company achieve its overall objectives. SMART is an acronym for Specific, Measurable, Attainable, Relevant, and Time-bound.

SMBOK® Guide

A Guide to the SMstudy® Sales and Marketing Body of Knowledge (SMBOK® Guide), also referred to as the "SMstudy® Guide," is a series of books that provide guidelines for the Sales and Marketing of products and services. It offers a comprehensive framework that can be used to effectively manage Sales and Marketing efforts in any organization.

Social Media

Social media is an umbrella term that includes web-based software and services that bring users together online and allow them to exchange ideas, discuss issues, communicate with one another, and participate in many other forms of social interaction.

Soft Skills

Soft skills are the personal traits that define an individual's ability to communicate and interact with others. Soft skills such as communication skills and emotional intelligence, which includes factors such as self-confidence, interpersonal relationships, and flexibility, are crucial for the success of the corporate sales team.

SPIN Model

The SPIN model for questions is widely used in the Needs Assessment process. SPIN refers to Situation, Problem, Implication, and Need-Payoff. The SPIN model provides a sequence for questioning.

SWOT

SWOT stands for strengths, weaknesses, opportunities, and threats. The strengths and weaknesses are internal to the product or solution. Opportunities and threats are external in nature. Opportunities and threats can arise out of macro-environmental or micro-environmental factors.

Target Segments

Target segments are the sets of potential customers a company has identified as the most attractive, after analyzing the competitive landscape, the company's strengths and weaknesses, current customer needs, and future potential changes in the market.

Team Incentive Plan

Team incentives are based on the performance of the team. In this type of plan, the entire team is rewarded when the team performs well. The team incentive component may comprise the entire or only part of the total incentives for an individual in a team. Team incentives are generally used by a company to motivate the individuals in a team to contribute towards the team objectives.

Technology Gap

Technology gap results from the use of outdated or old technology, often causing a deficiency in output.

Territory Design

Designing territories is an important part of sales governance. It requires an assessment of market potential as well as the ability of the sales force to serve that territory. It is important to design sales territories to maximize sales coverage and provide equal opportunities for the various sales teams. Territories are therefore designed with the objective of making all territories more or less equal with respect to sales potential.

Tie-in Promotion

When two or more companies or brands team up to offer discounts, rebates, or any other promotional tool, this is known as a tie-in promotion.

Time-Series Analysis

Time-series analysis is the simplest method for quantitative forecasting. It takes into account historical data and trends to make predictions for the future. Past sales figures, when adjusted for market factors and growth rate, give a good estimate of future sales. Some popular methods used in time-series analysis are moving averages, exponential smoothing, and decomposition of time series.

Trade shows

An exhibition or gathering of companies usually from a particular industry to display or demonstrate its product or services. Companies participate in trade shows to meet existing customers, introduce new products, generate new sales leads, and educate customers about upcoming products or services.

Traditional Marketplace

Traditional marketplaces are usually small markets where price negotiations and other decisions related to sales are made quickly—often by one or two persons.

Transactional E-mails

Transactional e-mails are usually trigger-based e-mails based on a customer's action with a company, often to acknowledge that a business deal has been completed. Purchase receipts are the most common type of transactional message.

Value Network Analysis

Value network analysis involves looking not only at a company's supply chain and its customers, but also at the supply chains of the company's vendors and their customers. Value for the end customer is created through coordinating the various supply chains. All the interrelationships between the supply chains make up the value network. During value network analysis, the company identifies all of its networks and relationships and then analyzes where, how, and how much value is created at each node in the network.

Value-added Reseller

A value-added reseller performs the same functions as a reseller but also bundles or adds a product or service to provide a solution to its customers. Value-added resellers often form partnerships with more than one company to provide solutions. This might include customizing, integrating, training, or consulting.

Variable Commission Plan

A variable commission plan offers different commission rates for different objectives. The most common form of variable commission involves offering different commissions for different product categories. This type of plan guides the corporate sales team toward the company's preferred sales outcome or to encourage sales of a product that is particularly challenging to sell.

Video Marketing

Video marketing is the use of videos for promoting products and services through social media. There are various video hosting sites and micro-video platforms that can be used for video marketing.

Website

Website is a group of connected web pages that can be accessed through a URL. A company's website is the online face of the company and reflects the company's brand messaging and positioning; it is used as a means of informing the target segments about the company, new updates, and offers that the company is running.

Workload Method

The workload method is also known as the buildup method. In this method, the total workload (i.e., the number of hours required to serve the entire market) is estimated. This is divided by the selling time available per salesperson to forecast the size of the sales force.

ZOPA (Zone of Possible Agreement)

ZOPA is the range in which the agreement is possible without causing loss to any of the parties in the negotiation. It is the "bargaining range" within which an agreement can be reached. Each party in a negotiation assesses its own ZOPA and works toward ensuring that the proposed solution is within this range.

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The SMstudy® Guide series is developed by VMEdu, Inc., a global education and certification course provider that has educated over 400,000 students world-wide in more than 3,500 companies. It is the result of a collaborative effort from a large number of Sales and Marketing experts with extensive experience, knowledge, and insights from a variety of industries and disciplines.

This fourth book, Corporate Sales, outlines the best practices and processes to be followed for effective business-to-business (B2B) sales. It provides guidance on activities related to building strong business relationships; successfully working with other businesses to help them see the value in the company's products and services; conducting effective negotiations with other organizations; and ensuring leads generation, qualification, follow-up, and other related activities.

Corporate Sales is one book in a series of six. Others in the SMstudy® Guide series that can be used to complement the initiatives and tools detailed in this book are Marketing Strategy (MS), Marketing Research (MR), Digital Marketing (DM), Branding and Advertising (BA), and Retail Marketing (RM).

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