

A White Paper

**The Imperative of Sales Quality**

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## **I. EXECUTIVE SUMMARY**

### **Purpose**

The purpose of this briefing paper is to provide insight regarding the leverage that the sales organization represents in terms of quality, costs, and overall competitiveness. Further, the paper will describe how management tools such as total quality management, reengineering, and sales support systems can be used to harness this potential and gain superior growth, margin, and market share performance.

### **Challenge**

Most of the techniques and tools widely advocated today involve open-ended methodologies which must be tailored to the needs of the organization. Though these approaches advocate a customer focus, there is a bias toward manufacturing and engineering. In many respects, starting in the "middle" of the organization and working outward complicates implementation, stretches the customer orientation and may not represent the best return on investment.

As an alternative, this paper advocates concentration on the sales function and processes that directly impact performance (as experienced by the customer). This orientation offers an immediate impact on "customer fulfillment" and adds value to these transactions which protects margins and competitive position. Moreover, improving these processes has a direct effect on the quality, cost, and cycle times of internal functions such as customer service, production, and distribution. Consider the impact of increasing revenue by 5%, margins by 1%, while reducing total costs by 3%. What would such an impact have on earnings per share? Companies such as Corning, Asaki Video Products, AscomTimeplex and Schlage Lock Company have cut costs by millions of dollars while improving cycle times such as order processing by weeks using these techniques. The question is basically one of gaining the competitive high ground and maintaining it or allowing competition that advantage.

### **Recommendation**

Total Quality Management (TQM), reengineering, and sales support systems are complementary tools to align the organization for the generation of superior customer value and maximum competitive advantage. Reengineering and sales support systems are more direct in their approach and can create the tools and environment to support empowerment and the continuous improvement approaches associated with TQM. Since total quality programs typically require 1-2 years to develop, reengineering and sales support systems represent a synergistic start-up for the TQM process and likewise, the quality program provides an on-going focus of improvement and performance on the foundation prepared by the other systems.

Though the majority of this paper is general in content, the last section provides an outline of several examples of the business impact achieved. It is our hope that this material will be beneficial to the development or review of your strategic options.

## **II. TOTAL QUALITY MANAGEMENT (TQM)**

### **A. Overview of TQM**

Total Quality Management is a management philosophy that builds customer driven learning for organizations dedicated to total satisfaction with continuous improvement in the effectiveness and efficiency of the organization and its process. Though there seems to be an endless number of definitions for TQM, the key is a comprehensive approach to quality that cuts across all functions and levels of the organization.

Total Quality Management really represents an amalgam of techniques and concepts. Despite the bewildering array of experts and champions, what has evolved is a reasonably cohesive set of principles:

- ***Customer first orientation***
- Top management leadership
- Focus on ***continuous improvement***
- Respect for ***employee knowledge*** and involvement in problem solving
- Reduction in process variation
- Need for on-going training and education of all employees
- Familiarity with use of statistical variation
- Emphasis on ***prevention*** rather than detection
- View of suppliers as long term partners
- Alignment of performance measures with corporate goals
- Standardization on the ***best known*** ways to perform a task
- Design in quality
- Cooperation and involvement of ***all functions***
- Awareness of the needs of internal customers
- ***Substantial cultural change***

***TQM is strategic***; it is a broad set of processes that enhance competitive position, leads to continuous improvement of products and services, and results in loyal customers who come back for more goods and service. Despite its intuitive appeal, a decision to endorse the TQM philosophy is a multi-year and multi-million dollar investment for Fortune 500 sized companies. After formulating a vision for the company and defining TQM as a strategic initiative, top management must commit to personal involvement and communicate that commitment in every action and decision. This is a pivotal decision, total commitment is required without any guarantees of success.

### **B. ISO 9000**

ISO 9000 is a set of quality management concepts, models and quality assurance requirements published by the International Standards Organization (ISO). The ISO 9000 series was published in 1987, as a need to harmonize on an international scale, the impact of quality as a factor in international trade. The ISO 9000 series provides a certification scheme which enables a company to be certified as compliant with the ISO standards by a third party accreditation

organization. Once certified, the company is then listed on a register which notifies other companies (customers) of this status. Such certification can be a contractual requirement for being considered as a supplier for some corporations. Though recent decisions by the European Economic Community have placed the necessity of certification in question, the discipline and reporting requirements of the ISO 9000 standards represent a sound basis for quality systems.

The intent of ISO 9000 is to ensure the continued repeatability of a set of product and service characteristics which have been explicitly and implicitly agreed to by a customer or supplier. TQM, as previously defined is a non prescriptive way to provide total customer satisfaction through continuous improvement. To achieve this mind set, management must provide support systems such as continual training, recognition and feedback systems, and accessible information, in addition to an effective quality system. Thus, ISO 9000 can form a component of a TQM system.

### **C. The Malcolm Baldrige Award**

The Malcolm Baldrige National Quality Award was established by Congress in 1987. It is awarded annually to up to six firms based on a rigorous measurement of quality achievements in seven categories worth varying points not exceeding a total of 1000. An underlying assumption is that *quality is defined by the customer* and the customer satisfaction category is weighted with *300 points or 30% of the potential score*. The Baldrige award is based on performance in operational results, customer focus and satisfaction, and having a well defined process to actualize the company's quality vision. In this context, the model indicates how you are progressing on your journey toward continuous improvement but it does not tell you *how to improve*.

Winning the Baldrige Award is a very worthy and rewarding endeavor; however just using the scoring methodology is useful as a barometer to determine progress for your TQM program.

### **D. TQM as a Component of Strategy**

Total Quality programs just as other philosophies, has its critics. Although many companies have derived significant benefits, there are no guarantees. The development time and resource investment are other aspects of the program that raise concern, particularly when objectives are vague. What is needed is an overall strategic plan with total quality being one component. Most executives know that radical improvements are necessary but the situation often resembles a ball of string where the end is not clearly visible. The next section will identify the sales function as a sound strategic starting place for developing and implementing a quality initiative.

### **III. TOTAL QUALITY MANAGEMENT AND SALES**

#### **A. The TQM/Sales Function Relationship**

The ultimate aim of the TQM process is to ensure that the whole organization is focused on the customer and is striving to meet their requirements. This raises the obvious question of where or who develops the definition of customer requirements. From a formal standpoint, the marketing function is charged with identifying, anticipating and satisfying customer requirements profitably. ***However, from a frequency of contact basis, few would argue that sales is a key resource in this area.*** Ideally, the sales function can provide important feedback regarding opportunities in the short run while marketing needs to focus on the future including new opportunities and customer's long-term needs.

The Baldrige Award and the ISO 9000 standards also reflect the ***need for integration with sales and marketing.*** Thirty percent of the total points in the Baldrige model are allocated to customer focus and satisfaction. ISO 9004 establishes the following specifications:

- Section 7.1, Marketing Requirements: "The marketing function should take the lead in establishing quality requirements for the product..."
- Section 7.2, Product Brief: "The marketing function should provide the company with a formal statement or outline of product requirements; e.g. a product brief...."
- Section 7.3, Customer Feedback Information: "The marketing function should establish an information monitoring and feedback system on a continuous basis...."

Clearly, both the formal definitions of TQM and the associated Baldrige and ISO models support the significant involvement of sales and marketing. Despite the formal linkage, there is evidence that many companies ***have not integrated their quality programs.*** The following discussion outlines the potential liability of this omission.

#### **B. Sales, An Untapped Opportunity**

A 1991 US. Government study found that practitioners of the Baldrige program enjoyed average improvements of sales per employee of 8.6% per year, gained 13.7% market share, and increased customer satisfaction by 2.5%. The study reported that these achievements required ***coordinated action*** on the part of manufacturing and sales.

In a 1992 unpublished internal study by IBM, management found that sales organizations that embraced Baldrige criteria outperformed those that did not. The successful ones generally achieved 30% plus growth in sales, market share, and profitability over those that did not follow the Baldrige criteria. Thus, for example, an IBM sales organization that expanded market by 2% and did not apply Baldrige principles essentially failed to gain an additional 1% growth in market share. ***The evidence was so dramatic that the corporation insisted that all sales organizations worldwide speed up their implementation of quality practices.***

### **C. IBM Wisconsin: An example**

The initiative started in response to a recognized need to change the focus of the sales organization. A vision statement was created which positioned the company as not only selling computers to data centers, but also to *help customers gain competitive advantage* in the worldwide market.

In response to this vision, four steps were taken immediately:

1. The six branch offices were given one quota to encourage offices to work as a team.
2. The number of managers was *reduced* to facilitate a flatter organization and *empowerment*.
3. An educational program was started.
4. A new compensation system was developed which rewards revenue contribution, customer satisfaction improvement, leadership, and skills development.

Surveys indicated that customers wanted: 1) reps with better skills, and 2) an easier company to do business with. One of the changes involved the pooling of the technical services organization so that the right resource would be available at the right place. Within six months, the technical consulting services organization *increased contract work revenue by more than 100%*.

In summary, the organization identified four lessons:

1. Senior management must support the market driven quality movement.
2. Employees closest to the customer know what changes need to be made.
3. Enormous investment in education.
4. Performance measures and compensation must be changed to reward individuals for improving customer satisfaction.

### **D. Eastman Chemical: An Example**

Eastman Chemical Corporation was one of the winners of the 1993 Malcom Baldrige Quality Award. Their Total Quality Management Process started with a review and assessment of customer relationships and opportunities for improvements. The company is committed to making improvements in these areas and reporting back to their customers.

The sales organization contracts with the company's ten separate (and diverse) business units. The sales organization is charged with implementing all of those strategies. In support of the TQM process, the sales people often find themselves in the position of coordinating many of Eastman's employee team efforts focused on improving customer relationships. This is referred to as "linking in" the sales function into the quality effort. The overall program is called "MEPS", Make Eastman the Preferred Supplier. Two valuable tools for determining customer satisfaction are the complaint process and the customer satisfaction survey. In the past, Eastman observed that it would require the equivalent of three meetings to decide that an item should be added to the complaint file. This quickly changed under the new mind-set and Eastman now

makes it easy or customers to register complaints. One indication that the quality system is working is that in the past two years, claims and returns have decreased by 40%.

Customer surveys are sent out on an 18 month cycle. Performance factors include: order entry/processing, on-time delivery, product quality, pricing practice, new products, management contacts, and sharing of market information. It is the responsibility of the sales rep to go back to the customer and discuss the survey results and to disclose improvement efforts completed and underway.

### **E. Prevalence of Sales TQM**

In 1992, a survey of thirty-three major companies in the U.S. was conducted by *Sales Quality Associates*. Companies included in the survey were, IBM, Federal Express, Unisys, NCR, and other prominent companies. The respondents were asked to respond to questions regarding:

- Sales quality improvement teams
- Sales process metrics and goals
- Stability of the sales process
- Benchmarking of the sales process
- Sales management

The survey indicated the following profile information:

- Average number of years they have had a sales quality program - 3.2 years
- Average number of quality improvement teams - 14
- Typical sales improvement project topic - Order Defects
- Sales process improvement goals - Vague
- Statistical stability achieved - no

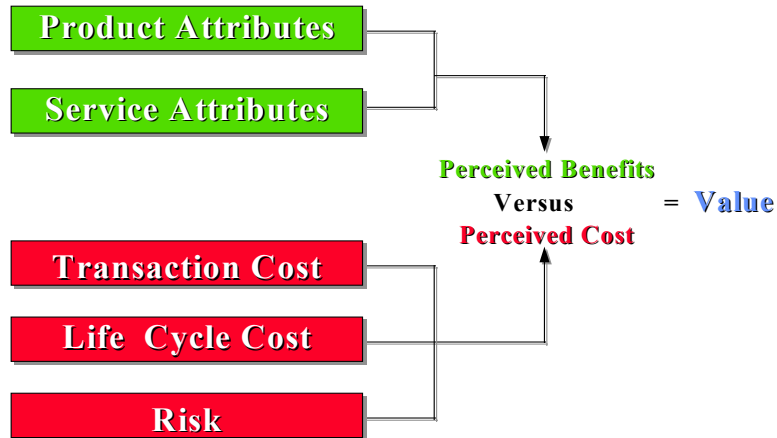
Although these numbers reflect considerable maturity regarding the initiatives, the data is skewed by some early adopters. Approximately 75% of the programs have been in existence less than five years and half for two years or less. Focus of the improvements is concentrated in the areas of ordering/billing, proposals, partnership relationships, customer satisfaction, and the reduction of non-value added activities. Benchmarking activities concentrated on ordering/billing, sales process, and service processes.

These statistics may be misleading in that the sample size and the orientation toward companies. Clearly, the potential rewards for involving sales in the TQM program are significant. One can only speculate the reason for delaying such an obvious source of synergy. Perhaps there is a concern regarding the dilution of sales effort, effectively tying the widely dispersed sales organization into team problem solving, or simply not being able to define tangible results given the investment in resources. The next section will introduce a perspective which will transform the discussion into business terms.

#### IV. THE TQM/VALUE RELATIONSHIP

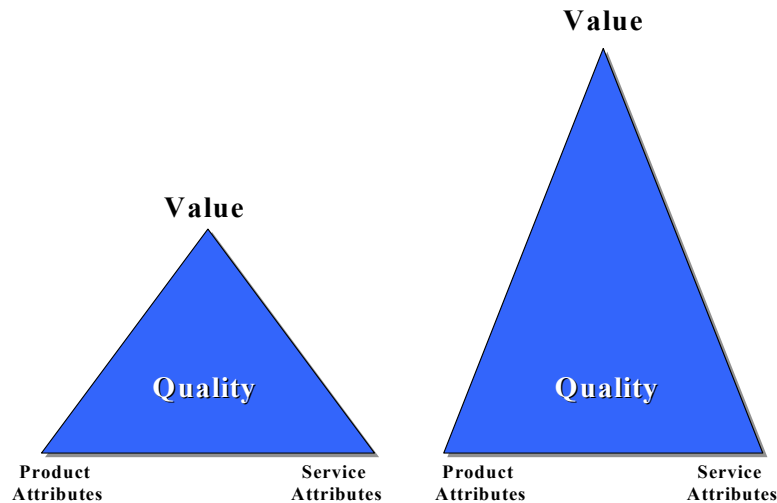
##### A. Value Versus Price

The value concept infers that price is a combination of trade-offs involving product/service functionality, support, terms, unit price, risk, availability, competitive alternatives and other intangibles. From a schematic standpoint, this transaction appears as follows:



Therefore, the purpose of most company's sales processes is to uncover the basis for determining value within the prospect's organization while positioning the attributes of its' organization to maximize revenue and profitability.

In this context, the value relationship can be thought of as a triangle with product and service attributes anchoring the base and the apex representing the value or price of the offering. As indicated on the diagram (see below), consider quality to be represented by the area in the triangle. As quality increases (larger area) relative to competition, value (price) rises.



To maximize sales and profitability, an organization must understand its customers' value "equation" and seek to establish quality product and service offerings which can be provided at a significantly lower cost than the imputed customer value.

## **B. Expanding the TQM Concept**

### *1. Listening to the Customer*

As the previous discussion has established, both quality and value are defined by the customer. In concept, this appears straight forward but in reality the buying decision is often more complex involving many people with different perspectives and agenda. For instance, consider the disparate interests of the following functions:

Purchasing: Terms, price and availability

Engineering: Consistency with current manufacturing equipment, low failure rate

Receiving: Accurate counts, correct paperwork

Manufacturing: Consistent results, easy to use packaging

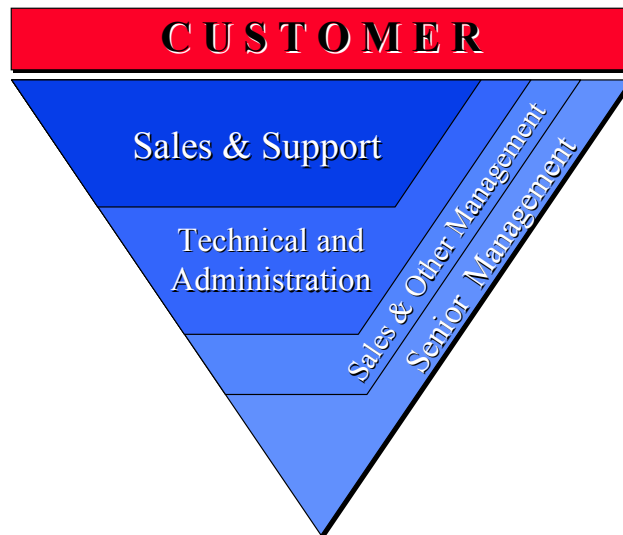
Shop Operator: Easy to handle

Environmental: Reuse packaging

Accounts Receivable: Orders are accurate, paperwork easy to read, deliveries timely, contacts friendly and knowledgeable.

Even without defining the hypothetical product, it is apparent that value is a function of product attributes, service attributes, flexibility, terms and personal interfaces. Only sales has insight into all of these areas, and in many ways is responsible for the entire chain of satisfaction. If the supplier organization does not provide an effective means for communicating these needs from the field and/or ignores their input, sales will quickly adopt a compensating strategy which places sales in a game of working around the organization. From a quality chain perspective, consider what happens when the sales person misinterprets the needs of the customer in completing the order or otherwise supplies inaccurate information. No matter how accurately, the supplier organization implements the order, the customer is unlikely to receive what they want or when they want it. For this reason, note that the earlier referenced actions in sales quality were consistent in their focus on ordering and billing. Regardless of the source of problems, placing the sales rep in the position of problem solver and intervention agent has very negative consequences for the supplier organization. Typically, when sales people are scrambling to "fix" situations, the impact on the supplier is exponential as management and support people consider the implications of changes in manufacturing, distribution, etc. These actions typically dilute productivity and may have a domino effect in delaying other customers. From a sales and marketing management perspective, this scrambling may be applauded in terms of being responsive to the needs of the customer, but such action positions the sales rep as having operational worth to the customer, but not contributing strategically. Thus, from a relationship building perspective, the sales rep may be hampered in gaining access to senior managers within the account and has done nothing to effectively insulate the account from competition. What should become a relationship account with higher margins remains a vulnerable customer with lower margins.

The above discussion deals with the "now" equation. A second issue, which can have an enormous long term effect, is understanding where the customer is going. What are their plans and how does this affect the strategy and plans of the supplier company? The access to senior management illustrates one component of gaining this type of insight, the other aspect being the support of the supplier's senior management. High level meetings between companies can be simply courtesy calls, but if structured properly these contacts can be an opportunity to gain additional insight regarding customer needs and direction. It can also help to open doors for the sales rep by creating follow-up items involving senior management. The upside down pyramid is often referenced in terms of the importance of the customer from a communications standpoint. This model is visualized below. The significance of this diagram is the portions on the bottom of the pyramid which indicate a need for all levels of management to have direct interface with the customer. No one person or group should be insulated.



## ***2. Easy to do business with***

The common attributes of service quality would include the following:

- Reliability
- Competence
- Courtesy
- Credibility
- Understanding the Customer
- Responsiveness
- Access
- Communication
- Security
- Accuracy

Other issues which could be characterized as quality but are often referred to as ease of doing business include:

- Timely billing procedures
- Minimum delivery times
- Easy claims handling
- EDI
- Fair return policies
- Easy handling of claims
- Accurate order status
- Location of service facilities

- Back up capabilities
- Warranty
- Responsiveness to inquiries
- Courtesy
- Hot lines
- Modular packaging
- Easy access to contacts
- Flexibility of terms and programs

### **3. Cycle times**

For clarity and completeness, it is key to include cycle time reduction as part of the total quality perspective. In addition to improving quality and competitive position, cycle time reduction typically involves simpler processes, less steps and less cost. Cycle time reduction can pertain to macro processes such as product development and to micro processes such as literature fulfillment. Speed of response (maintaining or improving quality) instills a sense of confidence in both the sales organization and with the customer.

## **C. Customer Value Leadership**

Leadership can be netted out being the best in the following areas:

### **Best Solution**

Function  
Availability  
Useability  
Durability

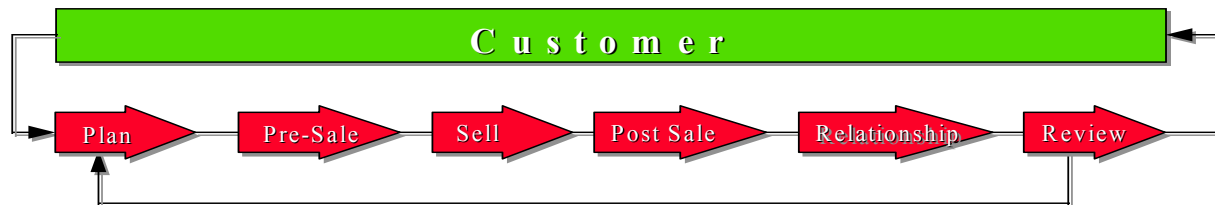
### **Best Economics**

Price/Value  
Ownership Cost  
Productivity  
Terms and Conditions

### **Best Supplier**

Responsive  
Cooperative  
Available  
Knows Customer

**D. The Sales Process**



Supporting Processes					
Plan	Pre-Sale	Sell	Post Sale	Relationship	Review
<ul style="list-style-type: none"> <li>• Deployment</li> <li>• Training</li> <li>• Sales Tools</li> <li>• Communication</li> <li>• Motivation</li> <li>• Coordination</li> <li>• Channel Strategy</li> <li>• Call Targeting</li> </ul>	<ul style="list-style-type: none"> <li>• Lead Mgmt.</li> <li>• Credit</li> <li>• Proposal</li> <li>• Tech. Support</li> <li>• Funnel Mgmt.</li> <li>• Product Plan'g</li> <li>• Pricing</li> <li>• Terms/Cond</li> <li>• Contracts</li> </ul>	<ul style="list-style-type: none"> <li>• Order Entry</li> <li>• Order Status</li> <li>• Distribution</li> <li>• Promo Mgmt.</li> <li>• Cust. Service</li> <li>• Change Order</li> <li>• Customer Inv.</li> </ul>	<ul style="list-style-type: none"> <li>• Billing /AR</li> <li>• Installation</li> <li>• Service</li> <li>• Returns</li> <li>• Warranty</li> </ul>	<ul style="list-style-type: none"> <li>• Reports</li> <li>• Sales Tools</li> <li>• Analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Bus Review</li> <li>• Product Dev.</li> <li>• Reports</li> <li>• Competition</li> <li>• Recognition</li> </ul>

The sales and supporting process charts provide a graphic view of the inter-relationships between sales, the customer, and the organization at-large. The chart is intended to make four important points:

Point No. 1 The customer is the focus of the sales process and all actions which support that process.

Point No. 2 The sales process consists of many distinct steps that form an adaptive cycle, constantly striving to better understand and serve the customer. The objective is to maximize value while achieving target revenue and margins.

Point No. 3 Each stage of the sales process is supported by a series of administrative or business processes that leverage the sales stage (positive or negative). Improvement of these processes has the potential to leverage **revenue, margins, and costs**.

Point No. 4 The processes reflect an interdependence of the customer, the sales rep and the corporation. The quality, timeliness, and focus of each portion of the process ultimately defines performance. All aspects of these processes must have the same customer based alignment to be effective.

Using the sales process as a point of leverage can radically improve overall business performance. It is a unique perspective and represents the path to finding the end of the ball of string.

## **E. The Opportunity**

The following published examples demonstrate the profound impact that quality and/or improper communications can have on the vital processes outlined above:

### ***1. Order Entry***

A study at a major electronics manufacturer revealed that at least half of all causes of customer dissatisfaction are related to errors, omissions, and delays in order entry.

One manufacturer estimates that fixing errors in the order entry process initiates a chain of wasted money and effort that consumes up to 25% of the function's operating budget, thereby reducing profits and productivity accordingly.

In a study conducted by a major manufacturer, 80% of the poor quality costs incurred in manufacturing were attributed to causes outside of manufacturing. Of these causes, the predominant source was associated with errors in the order process. Further, it was found that every 1% reduction in failure cost equated to 4% in operating margin.

A major supplier of custom designed security systems reported that 80% of the systems quoted were incorrectly designed. These errors contributed to delays in installation and increases in overall cost.

### ***2. Pricing***

An international computer firm recently implemented a tool to simplify its pricing system and reduced its quote turnaround time by 60%.

### ***3. Customer Communication Needs***

A study commissioned by the Council of Logistics Management concluded that many suppliers rely on internally focused measures of service and rarely seek feedback from customers or provide feedback regarding performance to their customer.

Marketing managers at a manufacturing division of a Fortune 500 firm "knew for sure" that customers were buying on price and technology. An extensive customer survey demonstrated that this was true for only a small percentage of buyers. Delivery and immediate availability of applications advice were by far the most important buying criteria for over 90% of the customers. Once this was recognized, the sales/support organization was reorganized to guarantee the availability of an applications engineer at all times. Inventory policies were revised to ensure availability of product.

During the 1980's, the CEO of Xerox announced "we had taken our eyes off the customer". Salespeople had been reporting for some time of customer complaints regarding the inability to copy blue ink.

#### **4. Claims Process**

A step by step examination of the process for settling claims for warranty work revealed that thirty-two signatures and forty-five days were required on average per claim. After studying the process it was found that only eight people need to be empowered to settle the claims. The results were that claims are now settled in fifteen days with a savings of over \$ 3MM.

#### **5. Incentives**

A study at a company which produces circuit breakers revealed that 30% of all orders entered are incomplete and over 50% of all orders are entered during the last five days of the month (the bonus or quota system distorts business levels and creates second guessing).

#### **6. Lead Management**

Hewlett Packard studied their processing of leads from receipt to the point of use in the field and discovered that this process took fourteen weeks. This delay and the associated administrative work reduced available selling time by 25% and deflated revenues by 8%.

#### **7. Product Design**

A \$100MM manufacturer of pneumatic valves would invest \$600,000 and nine months to create a new valve for a customer. This same task can now be done in 24 hours and at a cost of \$2000. The net result is that the company is now growing at a rate that exceeds 100% per year.

### **F. The Organizational Response**

The definition of TQM, provided earlier, positioned TQM as a management philosophy that builds customer driven learning for organizations dedicated to total customer satisfaction with continuous improvement in the effectiveness and efficiency of the organization and its processes. The point of the discussion has been that price and competitiveness is a function of aligning the internal focus and processes of the company to respond to the customer's needs as defined by the customer. Competitiveness, quality and cost are associated with the business processes practiced by a company. Although TQM techniques are oriented at improving these process steps, the approach is decidedly incremental in nature. Recognizing that most processes cut across functional lines and involve policies and assumptions, which may not be valid, a more aggressive and encompassing approach to process analysis has been identified. This methodology seeks radical change in performance, cost, and quality. The next section will describe how reengineering can be used in the context of the sales process as a means to change the competitive, cost, and quality position of an organization.

## **V. REENGINEERING**

### **A. Overview of the Approach**

Unlike the continuous improvement concepts associated with TQM, business process reengineering is designed to achieve quantum level improvements. In their book *Reengineering the Corporation: A Manifesto for Business Revolution*, Hammer and Champy define reengineering as "The fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service, and speed.

The theory and practice of reengineering is based on the realization that major costs and business performance are associated with processes which cross functional lines. Since no one owns the total process, various sub-sections of the process operate (often independently) within functional areas and often with contradictory agenda. The only effective method for improving performance is to look at the process as a whole and challenge all current thinking about the process in the context of the process' purpose.

Since most major processes evolve to accommodate change, the reengineering methodology typically yields substantial reduction in cycle time, error levels, and cost. The goals identified with a reengineering effort at Kodak involving an order management system reflect the type and magnitude of anticipated change:

- Completing customer orders - 55% reduction in steps and 67% reduction in cycle time.
- Establishing customer contracts - 93% reduction in cycle time.
- Number of documents - 80% reduction.
- Rework - 80% reduction.

Since sales and the customer interface with the corporation through a number of key processes it is logical to prioritize the evaluation of a number of these processes because their improvement will have an immediate impact on the customer and the performance improvement will save substantial cost.

### **B. Systems Technology**

The role of technology in reengineering is crucial. In many cases, technology is the mechanism (enabler) that allows a process to be reconfigured. For example, a process that requires a sequential review by a series of "experts" is replaced with a generalist supported with knowledge based software. Reengineering must be done with knowledge of what systems can accomplish. Since the thrust of the reengineering effort is going to concentrate on the customer fulfillment processes, knowledge and understanding of sales support systems are essential. The next section outlines the basic capabilities of sales systems and provides examples of how these capabilities address quality, cycle time and cost performance issues.

## **VI. SALES SUPPORT SYSTEMS**

### **A. An Enabling Technology**

The sales function has tended to be neglected from an information and systems standpoint. The reasons for this avoidance is that the field sales environment is difficult to support. Often people are geographically dispersed and the dynamics of the market place demand a level of responsiveness that, in the past, has been difficult to support. In the same context, sales quality systems are difficult to envision because of the high cost of pulling people from active selling in order to do training. There are also the communications problems of linking people in problem solving. If it is not possible to bring people together for brainstorming etc., then how is continuous improvement going to occur? Reengineering represents the same dilemma. Great insight and ideas can be generated, but how are they implemented outside the framework of headquarters or manufacturing locations?

Over the past ten years, the development of powerful portable computers has evolved and continues to provide an ever expanding array of lightweight and easy to use computers. Parallel to this hardware innovation, software has evolved to become graphical and easy to understand. These two technology developments in combination with increased communication capabilities provides the basis to create systems which effectively network the sales force, linking them together in the field and with key contacts anywhere else in the organization. These specialized systems are referred to as sales support systems. A schematic diagram is provided below for reference:



The above diagram assumes two way communications with all systems. Office is meant to pertain to corporate or division offices. Within the office, applications can be local area network (LAN) based. Field personal computer (PC) applications will be the focus of the discussion on capabilities. For ease of discussion, it will be assumed that backend databases, etc., can be interfaced with the system server which is the conduit to and from the users of the system. Field

systems utilize a wide area network (WAN) to transmit and receive information. A WAN can be set up using standard telephone lines or a commercial network. The network can be augmented to support wireless communication where necessary.

## **B. Definition of Capabilities**

Sales Support Systems is a broad term used to describe networked computer systems that are designed to link a geographically dispersed group of professionals with their headquarters location. Over 50% of these systems involve custom software, often used in conjunction with standard or off-the-shelf software. Developers who specialize in this area have developed commonly used requirements and "packaged" them as applications. Characteristic of this type of software is that it has a graphical interface, is intuitive to use, and minimizes key strokes. Another aspect of this software is its ability to edit and guide the input of data. This editing capability can be of great assistance in applications where accuracy and completeness are of high value (order entry, forms, etc.). Similarly, the ability to transmit messages and data electronically radically changes the capabilities of the people in the field. Turnaround time can take minutes as opposed to days or even weeks. With these broad capabilities in mind, refer back to the processes discussed briefly in Section IV D in the context of the examples outlined below:

## **C. Sales Support System Impact On Typical Processes**

### ***1. Order Entry***

Difficulties associated with order entry involve:

- Misinterpreting what the customer wants

**Solution:** There are a number of ways of dealing with this issue. The sales rep may need to contact a technical resource using electronic mail or the rep could have an electronic version of the company's catalog on his/her computer so that the person specifying can better determine what they want.

- Not including everything the customer needs

**Solution:** Typically, this type of problem can be solved with an application called a configurator which automatically configures a bill of material based on the logic built into the program.

- Not including all relevant information

**Solution:** Editing can be built into the order entry screen designs which will not allow the sales rep to process the order until all relevant information has been included and edited for accuracy.

- Improper application of pricing/discounts

**Solution:** Pricing and the extension of quantities can be placed into the computer such that the rep has to override the system to enter a non-appropriate price schedule.

- Ordering out of stock or discontinued product

**Solution:** The ability to confirm availability and delivery date via electronic inquiry is key. Some companies are using wireless communication to verify availability of product and confirm delivery dates.

- Inappropriate delivery dates

**Solution:** Same basic comments as above.

- Slow input from the field

**Solution:** Input of orders can be done electronically as soon as the order is created or within eight hours of the order commitment.

- Lost incremental revenue because quantities close to price breaks were missed

**Solution:** The computer system can be programmed to flag orders which are close to the next break point and even recommend a change in the order quantity to qualify for the break.

## ***2. Pricing***

- Sales person does not have access to current pricing

**Solution:** The issue of access to current pricing can reflect market related changes, buying group negotiation, headquarters agreements, transferred accounts, etc. A pricing profile can be added to an account management system whereby all updates are available within 24 hours of their occurrence. If immediate update is required, wireless communication of this specific information can overlay the application.

- It is desired that field sales be empowered to negotiate price

**Solution:** The ability to negotiate price and commit to a price “on-the-spot” can be a powerful competitive weapon and can lead to higher margins. Empowerment of pricing decisions must include tools to ensure consistency and efficiency (economic trade-off). Special software tools can be built (may use artificial intelligence) to aid the sales person through this process. The net of the capability is faster transfer of order information, reduced costs, and reduced administrative head count.

- The lead-time for proposal generation is one week or longer.

**Solution:** Turnaround time for proposals is often equated to credibility. Thus, speed sells and often means higher margins. There are several ways that proposals can be generated in less than fifteen minutes. One of these is through the use of a proposal generation application, the other is through word processing and the linkage to specific files. The choice of approach is a function of the sophistication and linkage required within the document.

### ***3. Customer Communication Needs***

- Field people are more likely to communicate if they believe that the input is going to be used. Thus, any solution will only be as good as the use of the information.

**Solution:** An electronic communication system can be created which takes competitive information and/or complaints directly from an account management system thereby eliminating extra reporting. If this is inappropriate an electronic form can be used which captures needed information.

### ***4. Communication of Value***

- Training field resources to communicate the value message

**Solution:** The structure of customer decision processes is changing in many industries. Sales people who are accustomed to discussing technical issues may be at a loss when dealing with a CFO for example. Obviously this is a training issue, but where is the reinforcement? Software can be configured so that value oriented terminology is integrated in the operational software. In this way the concepts become an integral part of day-to-day operations.

- Communicating through sales presentations

**Solution:** For many products and services, the value definition may involve tangibles and intangibles. For example, it may be desirable to provide testimonials, demonstrate superior design, or analyze comparative product life cycle cost. There are many non-integrated tools for achieving these capabilities; however, the most flexible and high impact tool is multimedia. As the name implies, the application can combine slides, animation, video, and interactive interfaces to provide a customized presentation for each prospect or customer. This medium is very effective in graphically presenting value based arguments in a manner that cannot readily be duplicated.

- The sales person as a source of value to the customer

**Solution:** The sales person is viewed as a source of value added. One of the purposes of providing field based systems capability is to reinforce and enhance this value contribution. Beyond troubleshooting problems with orders, the sales person ideally should be in a position to provide wisdom and knowledge relative to the customer's business. Applications that leverage delivered value as provided by the sales person include:

- Electronic distribution of messages and data. Implies effective (timely and relevant) internal communication of customer related information.
- Design Aids such as Computer Aided Design (CAD) that allow field personnel to create a design or product refinement in the field; thereby reducing lead-time and costs.
- Access to unique data not available to the customer. For example, in a retail environment, information regarding store conditions (out-of-stocks, shelf condition, displays, etc.,) are very valuable to a buyer when they are timely and related to volume or profitability. In other industries (commodity type materials), information regarding the behavior of the supply market can be of great value to the customer.

### **5. Sales Structure / Customer Coordination**

- Complex field sales structures representing multiple divisions of the same company

**Solution:** It is common for companies to have multiple divisions calling on the same customer. Depending on the nature of the business, cross-selling or at least sharing insights regarding the account are possible applications. In this situation, profiles for the same account could be shared between divisions and/or one division might assist the other division in gaining access to key decision makers.

- Multiple contacts with the same customer

**Solution:** This type of situation is common where there is a key account manager and other sales personnel call on geographically dispersed locations. At a minimum, electronic mail can be used to communicate and coordinate action within the account. Further, profiles and call reports may be exchanged. Within the consumer goods industry, it is common for retail calls to be summarized and forwarded to the key account manager. Opportunity management (see below for a description and definition) software can be used to define the strategy for the account, communicate it to relevant field people and monitor the progress.

- Integration of Inside/Outside Sales Efforts

**Solution:** It is increasingly common for companies to segment sales responsibilities according to the type of account, support needs, or profitability. Often this structure takes on the form of inside and outside sales forces. Terms such as Telemarketing, Telesales, and Teleservice describe the relative specialties involved. Each function has unique systems requirements such as scripts, automatic dialing, territory lists, etc. There are also varying needs to communicate between the functions; this is facilitated by electronic mail. Transfer of profile information and call history may also be relevant.

- Integration of Customer Fulfillment Functions with the field sales force.

**Solution:** Customer fulfillment processes include order entry, credit, legal, logistics, etc. Unless effective communication and reporting mechanisms are in place, the support of the sales organization can be a major time sink for these functions and dilute actual service to the customer. For these requirements, electronic report distribution (particularly order status)

can reduce the level of inquiry and convert general inquiries to specific requests. Electronic mail can also help this process by enabling the exchange of tactical notes and documents (e.g. contracts). These link release the tether of having to deal with exchange during working hours.

### ***6. Literature Fulfillment***

- Product information, technical bulletins, company information, and related inventories tend to be spread throughout the organization

**Solution:** When the costs associated with maintaining these inventories and sending materials to customers is fully realized it can be quite astounding. Further, due to stockouts and other delays, requests often do not have consistent turnaround and generally are not tracked. The solution is to centralize literature fulfillment. Requests can be generated by the sales person through electronic mail or through a simple flagging device imbedded in the call report. The literature fulfillment function can have pre-defined letters with the sales person's signature to place with the material to personalize it.

### ***7. Lead Management***

- Leads generated by direct mail, advertising, and trade shows are very costly to obtain and have the potential to add incremental sales or dilute the sales force.

**Solution:** The process of capturing and tracking leads must be reviewed very carefully to ensure the proper response and resource commitment. Careful management of this process has shown to yield extraordinary results. One of the keys is to provide a rapid but measured response to the inquiry. From a systems standpoint this infers minimizing keying of data and continued qualification, so that the process can be evaluated and refined. Part of this process may include telesales prior to releasing the qualified lead to the field sales force. The lead ultimately needs to be tracked to incremental sales. Thus, this type of a system includes functions for qualifying and efficiently transferring to the field force but is also includes database management to track results which may have a significant time delay.

- For some industries, lead generation is a major cost and is a key source of new business. Delay in qualifying leads and responding to inquiries represents lost opportunity.

**Solution:** Electronic mail can be used to notify sales people of leads. The 14 week delay cited by Hewlett Packard was reduced to 48 hours using this technology.

### **8. Opportunity Management**

- Opportunity management is an important factor when long sales cycles are involved combined with complicated decision processes. It is analogous to project management.

**Solution:** Although account and territory management software provide similar functionality, applications that position themselves in these terms will not have the project orientation that is required to manage limited sales resources to maximize revenue and profitability. There are applications being released which more completely address the overall needs in this environment.

- Coordination of team selling strategies and resources.

**Solution:** Complex selling environments and solution or conceptual selling processes often include resources outside of sales. Ensuring the availability of the resources and communicating the strategy and status of the client/prospect can be time consuming for the entire organization. Opportunity management addresses the issues of priorities and timing but not coordination and communication. Electronic calendaring functions across the resource base can help to ensure availability of resources and schedule meetings. The opportunity management system should provide a means to communicate the strategy/status of the prospect as-well-as a relevant profile of the people and the company. Electronic mail can be used to communicate details of meeting, directions to the location and other relevant documents including file copies of the presentation. The net of these capabilities is an effective set of tools that leverages the available time of key resources.

### **9. Claims Process**

- The illustration provided in the test referred to the internal approval process. But the issue can involve field management approvals for this or other purposes such as pricing deviations.

**Solution:** Electronic forms applications can be setup for field use as well as office use. These applications can provide for an electronic signature which speeds turnaround by a factor of ten. These systems often allow inquiry as to who has the document at any given time. This avoids paper chases to expedite the process.

### **10. Incentives**

- Incentive systems can distort performance and place added burdens on the organization which add significant hidden cost.

**Solution:** An electronic system can not compensate for an incentive system which causes aberrations in behavior. However, the reporting capabilities may help to remove "crutches" and may open opportunities to apply more constructive approaches.

## **D. Impact on Corporate Performance**

### ***1. Costs***

Published estimates place the cost of sales and marketing at 35% of total corporate cost. Improvements in targeting calls, improving the effectiveness of calls, increasing the "yield" of marketing programs and shortening sales cycles, can have a substantial effect on revenue and profitability.

Improvements in input quality and timeliness can have a major impact on support staff requirements and can break the grip of exception management which can consume whole levels of management.

Many surveys have pegged the cost of monitoring and correcting quality on the manufacturing floor at 25-40% of total operations cost.

Technology can expedite the transfer of information and make it available to all areas within the company. Systems can also guide decision making, make decentralization feasible and increase span of control.

Manufacturing can benefit from field systems because the order queue is more up-to-date and less errors occur. Real time forecasting techniques can also assist production scheduling to more effectively maximize manufacturing productivity and reduce inventory levels.

### ***2. Cycle Time Reduction***

Reengineering and sales support systems can be used to reduce the cycle time for all processes identified in the sales process section. However, since some of these cycles are very visible to the customer, the following comments will concentrate on these areas:

Order cycle time can be slashed by essentially ensuring the input of accurate and complete orders. Under this scenario, the system can directly accept them into the production/distribution system. An order status reporting system will keep the sales rep apprised of delivery dates and backorders. This notification places the rep in the position of being proactive with the account and the organization at-large.

Literature (sample) fulfillment and access to technical resources is often a vital aspect of the sales process and an area of competitive advantage. Responsiveness to these inquiries is an indication of the performance of the organization and can influence the buy decision. Electronic mail or other notification mechanisms can send these requests to the appropriate location within hours (instantaneously if necessary) of the request. Fax or electronic response can speed information to the sales rep within minutes or by the next day depending on the desired urgency of the request.

Proposal and quote turnaround time can radically differentiate the company from competition and increase the quality image of the company. Custom and off-the-shelf software can be combined to empower sales reps to create custom looking proposals and quotes in hours versus days and weeks for the competition. By including edits and other techniques, the quote will be spell checked, arithmetic calculations verified, configurations assembled, and the proposal can be logged into pending business for forecasting purposes.

Most of the effort related to product development concentrates on parallel design, etc. However, the starting place for the process is an understanding of the market and potential customers. Without an accurate understanding of the customer, the organization is vulnerable to developing the wrong new product faster. Sales support systems can provide a means for maintaining a timely and accurate data base regarding key customer attitudes, needs, and competitive activity. This type of input adds assurance that the development effort is on track and should speed development by focusing on specific high impact features.

For companies which have long sales cycles and/or employ lead generation processes, sales support systems can radically reduce these time frames and more importantly improve close ratios. Processing and distribution of leads to the field can be enhanced using electronic mail or other software applications. Responsiveness to inquiries can influence the internal buy-cycle. From a cost standpoint, the sales support system should provide the disposition of lead qualification and won/lost business statistics which can be used to evaluate alternative sources of leads and qualification techniques. These approaches help to fine-tune the system and maximize yield per dollar invested.

### ***3. Revenue and Margins***

Beyond the improvements in cost and cycle time, sales support systems can provide the sales rep with tools that help him/her develop and present the company's capabilities and products in a more effective manner. The result can be higher closing ratios, shorter sales cycles, larger orders, more line items per order, etc. The net benefit is higher revenue per unit of sales resource employed.

Tools such as inventory monitoring and sample management can increase available face-to-face selling time while adding value to the customer's organization. Similarly, improvements in cycle time for other processes will reinforce the value equation which translates into incremental revenue and margin.

For relationship accounts, sales support systems help the sales rep to be proactive and avoid the image of fire fighting. As discussed previously, fire fighting gains the plaudits of the client's operational people but leaves the door wide-open for competition and the related pressure on price, resulting in lower margins.

Sales support systems can be leveraged to provide presentations and materials that will be useful in interfacing with senior management; thereby assisting the sales rep in developing the desired level of influence with the account.

A study by the Forum Corporation concluded that an undifferentiated product can command up to a 10% price premium when supported by outstanding service.

## **VII. AN INTEGRATED APPROACH**

### **A. The Management Dilemma**

Most organizations are well aware of the need to satisfy customer requirements. The question becomes one of how to transform the existing organization into the desired mold without causing discontinuities in performance and internal upheaval.

This briefing paper is intended to provide a perspective regarding the absolutely essential and critical role that the sales function needs to play to be successful in today's marketplace. Pivotal to this role is understanding how "value" is imputed by the customer. The best programs in the world are not going to generate a competitive advantage if the customer perceives them as non-essential. The argument was presented that quality and value are defined by the customer and that sales related processes have a strong impact on cost, cycle time, and delivered quality. Consistent with leveraging processes which directly impact the customer, reengineering was introduced as a means to gain dramatic improvements in performance in the shortest possible time frame. Sales support systems were introduced as the enabling technology to implement the findings of the reengineering effort.

The briefing paper is based on experience and technology that is available today. The next section will develop a framework and methodology for implementing this approach in a rapid yet risk protected manner.

### **B. An Implementation Strategy**

#### ***1. Customer Value***

Direct contact with current customers, prospects and competitors' customers must be made to address the nature of the value equation:

- Perceived image of the company.
- Image of the company's sales force.
- How does the customer view the value equation?
- What constitutes value versus dissatisfaction?
- How large a shift in performance is necessary for the improvement to be significant?
- Who influences/controls the buying decision?
- What is the customer's competitive strategy and direction?

#### ***2. Vision Statement***

A vision statement is a statement, created by senior management, which describes a future operational state in broad and graphic terms. It serves as a rallying point for articulating direction and evaluating strategies.

### ***3. Total Quality Management (TQM)***

The importance of sales to the TQM effort has been reinforced throughout the discussion. TQM is an important alignment, improvement and empowerment tool to focus performance on customer requirements. However, this process represents a commitment to a long-term strategy that often requires 1-2 years to mature. Senior management must view TQM as a commitment to quality and nurture the development of the structure to support it.

### ***4. Reengineering***

Relative to TQM, reengineering is more tactical and seeks dramatic shifts in performance as opposed to incremental and continuous improvements. The objectives of reengineering and TQM are identical in that they both start with a customer orientation, seek reduced cycle time, increased quality and empowerment. Thus, reengineering can be done parallel to a TQM effort.

Reengineering processes that provide value for the customer have a dual effect on the organization. First, the organization derives the benefits of reduced cost. Second, the organization benefits from increased revenue and margins associated with the added value of reduced cycle time, quality/timely information, reliability, etc.

### ***5. Sales Support Systems***

Sales support systems represent an enabling technology to extend TQM to the sales organization and effectively add value to key customer fulfillment processes. The technology can assure consistent quality input to the organization and form the basis for empowerment and decentralization strategies for the field sales organization.

These technologies are available today. Thus, reengineering and sales support systems form a unique opportunity to establish competitive advantage in virtually any market. Similar to reengineering, sales support systems can be designed and installed in less than one year and can provide benefits in that same time frame.

Though significant capital is associated with these systems, their development and design can follow a specific set of milestones which manage the investment and risk. The last section of this document provides examples of results achieved using this approach.

## **VIII. A PROVEN METHODOLOGY**

Strategic Sales Performance, Inc. has pioneered an approach to the issue of sales performance which is holistic in nature. The methodology assists the client organization in viewing the sales function as a component in the total delivery of products and services to the customer. Emphasis is placed on what has been described in this document as the customer fulfillment process. Thus, the methodology helps the client organization deliver maximum value for their customers at lower cost. The result is higher revenue and margins. The following outline provides a brief description of this process.

### **1. Vision for the Business and Systems Technology**

The first task is to articulate a vision of where the corporation wants to be at some future date. This description will normally include topics such as image in the marketplace and various operational/market related goals. Critical success factors and initiatives are also common elements of such a document.

Since systems technology will provide an enabling capacity to achieve the business vision, this document includes a description of how current technologies will be migrated to support future operational needs. This information will address broad standards, policies and technology platforms as they are envisioned today.

### **2. Document Current Capabilities and Processes**

Interview techniques are used to identify current processes, management techniques, training, organizational policies and the resulting level of costs and performance.

### **3. Gap Analysis**

Defines the areas of discontinuity between the vision and current capabilities.

### **4. Process Improvement**

The methodology starts with the same business processes which were defined as "customer fulfillment" in the previous section. The analysis challenges all assumptions regarding current procedures and seeks to achieve improvement in terms of quality, cost, turnaround time and manual content. The result of this analysis is faster completion of each cycle and at a lower cost (the value equation).

### **5. Bridging Strategy and Tactics: The Needs Assessment**

Having completed the analysis, a game plan is established which will maximize results in the short term and be "doable" in that time frame. The Needs Assessment Document provides a summary of the analysis and establishes the rationale for the scope of work recommended. Given top management approval of this set of

recommendations and rationale, work is continued on a prototype of the enabling systems which will support the field sales resources.

## **6. Implementation Plans and Cost Justification**

Having approved the scope and rationale for the project, project cost estimates are developed along with implementation time lines. These reports provide a description of what capabilities will be made available in what time frame. The timing of events provides a basis for estimating corporate impact in terms of costs and benefits. Thus, these documents provide the detail to submit the project for funding/budgeting. Since the prototype is available in this same time frame, the tools to sell the system are in place.

## **7. Pilot Development**

Success of sales support systems is largely dependent on the attitudes of the field sales people. For this reason, the development process includes focus meetings to ensure that the approach is logical and intuitive from the end user perspective. A pilot operation is scheduled prior to releasing the system to the entire sales force. The pilot approach allows complete field testing and evaluation. It also serves as a basis for refining the training and support approaches.

## **8. Pilot Operation**

A pilot is typically scheduled for 1 - 3 months. Benchmarking of results is often included to ensure that performance criteria can be reached. The application systems are modified, if necessary, to reflect feedback from the pilot participants.

## **9. Rollout**

The system is fully deployed. If it is a large system, the deployment is often done in phases to better manage the logistics of training and to make the learning time manageable.

## **10. Post Rollout Expansion**

Over the life of a system, new capabilities may be added to leverage the hardware investment.

## **IX. SUCCESS STORIES AND RESULTS**

### **Example No. 1**

Client Industry: Telecommunications Hardware

Background: The client designs, assembles and installs complex communication switching equipment. The quotation process is complex requiring many components and complementary peripheral items. Lack of all items will make the equipment non-installable and inoperable. The sales process requires several calls to establish credibility and then submission of quotes relative to one or more install sites.

Development of a quote requires the combined effort of an account executive and a sales engineer. Quotations require the use of proper pricing and currently released components with subordinate sub items. Changes to quotes were often required due to customer changes in specification or clarification. Thus, a process which required considerable time the first time had several iterations before even being considered for purchase.

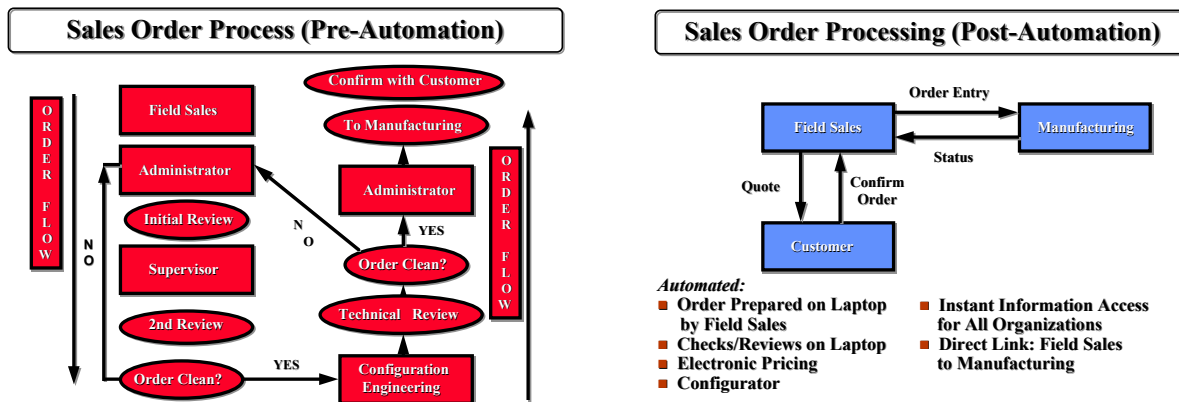
The process was further complicated by an extensive product list and specifications which resulted in account executives being confused as to full configuration requirements. Once accepted, the quotations were converted into order format and submitted to a review process to ensure terms, manufacturability and completeness. The review was necessary because the account executives simply made too many errors which would be show stoppers in manufacturing and installation. When errors were found, the process would become bogged down in corrections with the result being lower margins.

The review process involved 35 people organized in a cascading set of steps. The combination of queue time before review and remedying errors virtually doubled manufacturing lead time. With this type of lead time delays and uncertainty about when items would enter production, account executives were constantly polled by their clients for updates on schedule or status. In this environment, the only tool available is the buddy system, therefore, review people often spent additional time looking to see where an order was at in the review process. Once the order reached manufacturing, the need to meet delivery dates was often in conflict with efficient scheduling (inventory and costs).

In addition, expediting on the manufacturing floor had a cascading effect which embroiled the whole organization. Despite the best efforts of the entire client organization, the customer was not pleased. Longer promised

delivery dates made the client appear non-competitive or competitive only at a lower margin. Over time, the client acquired an image in the marketplace which depressed sales revenue.

**Solution:** Analysis and reengineering of the order process resulted in an immediate recommendation to restructure the order review process so that each individual customer administrator oversaw the whole order. This immediately simplified order status issues and reduced the queue time considerably. The systems solution for the quote, order, and review process was the development of a configurator module which worked on each account executive's notebook computer. The configurator assists the account executive in quoting consistent and complete components using the correct price and terms. Communication between the sales engineer and the account executive was augmented by electronic mail which also operates on the notebook computer. The configurator reduced the time to create a quote and allowed the account executive to respond to changes virtually on the spot as opposed to a lengthy turnaround as required by other vendors. Thus the client now had a competitive advantage. More importantly, the quote and resulting order were automatically configured to be ready for manufacturing ensuring that they went directly into the manufacturing queue as a "clean order". Manufacturing now had more lead-time to schedule efficiently and there was less pressure to expedite in-process orders. Order status reporting was also placed on the system. The account executives no longer rely on the buddy system and the company has taken on the image of being a technological leader.



Net Results:

- Selling time increased by 33%.
- Order cycle time was slashed from 66 days to 3 weeks.
- Over \$5 million in-process inventory made available for other purposes.
- Order accuracy improved by 25%.
- Order administration costs reduced by 20%.
- Sales increased 20% with same head count.
- 100% return on cash investment in less than 10 months.

## **Example No. 2**

Client Industry: Construction Products

Background: The client uses a syndicated data base to notify sales reps of project approval and start dates. Given the long lead time between initial approval and the actual specification or ordering of the material, it was at the sales reps discretion (or tracking capability) as to when the sales process actually started. The long lead-time and the use of a paper based system resulted in losing leads or simply getting on track too late. The client maintains an extensive library of local, state and national building codes and specifications, and specifications and studies supporting the capabilities of their products. Sales reps carried as much material as they could handle in paper form. But paper is difficult to keep current and paper systems require filing and organizing. It was desired that the sales reps use a consultative sales process in the conduct of business, but with paper based systems this was by no means assured.

Solution: Review of the sales process revealed that some reps started the sales process early and others later in the development of a project. Those who started early used a consultative sales process and built a "value-added" relationship using specifications and other references to advise or compare alternatives to the client's products. This process resulted in the products being specified on drawings or spec sheets creating no-bid situations for their products. Other sales reps started later, and depended on using price performance arguments at the time of the bid.

Though both sales processes were successful in garnering business, the consultative selling process generated significantly higher margins and left those who had been exposed to the approach more receptive to the client's products for future projects (longer term perspective). Given the superiority of the consultative selling process, an account management module was developed that helped the sales reps track leads and enter at an earlier point in the project. Since the system resides on a notebook computer, leads are not easily lost and it was possible to track success (lead management).

The consultative sales process was further enhanced by an electronic link to the corporate library which provided on-line access to reference documents. During the call, the sales rep can call information up on the screen and provide instantaneous answers as opposed to requesting the information from corporate. Thus, the sales cycle was made more efficient. In addition, the image of the company was enhanced by providing a service commensurate with the performance of the products.

Net Results:

- 4% increase in sales productivity
- 10% increase in sales effectiveness
- An overall 1 % change in gross margins
- 100% return on investment within 18 months

### **Example No. 3**

Client Industry: Hospital Supply

Background: The healthcare industry is under intense pressure to reduce costs while operating under a high level of uncertainty. The hospital supply market is characterized by commodity type purchases and low margins. The client adopted a differentiation strategy which stressed offering low delivered cost to the hospital while capturing higher margins. This was accomplished through distribution center location and other inventory management arrangements which equated at the extreme to just-in-time (JIT) performance levels. At the heart of the strategy was the emphasis on building relationships and maintaining a focus on delivered cost to the hospital.

The sales organization was encouraged to pursue a consultative sales approach and be opportunistic in terms of developing tighter linkage with the hospitals in terms of inventory control. At the extreme, sales people will conduct periodic inventory checks of high value materials so that the hospital maximizes its turns. This sales presence builds relationships with people who can specify products or approve substitutions which would favor the client.

Hospital systems were built to deal with the transaction needs of billing, payroll, and payables. As administration is expanded within hospitals and materials management is added, these people are starved for information, so they turn to the distributors. These topics can range from usage of a product by department to handling a stockout.

Though this is an ideal situation for the client's sales force, they lacked any tools to efficiently handle the disparate demands placed on their time. All of the information resided in various mainframe databases but access, consistency, and accuracy varied accordingly. The sales reps were forced to lean on customer support reps operating out of the distribution centers to obtain the data they required. There were also problems in identifying acceptable substitution products because the client maintained an incomplete reference on competitive products. The demand for information and fire fighting became the norm and the disruption carried over into the distribution center. Thus, at one level the client was trying to accommodate customer needs while that very act caused a decrease in customer service elsewhere.

Solution: The client needs were segmented into five basic areas:

- Catalog, price, substitutability issues
- Contract pricing, usage issues
- Order status

- Inventory monitoring tools
- Analytical, presentation tools

An electronic catalog was developed which resides on the sales rep's notebook computer. The catalog includes all of the information required to make substitution decisions. By updating the catalog electronically, the data is as good as the last update. Availability of this information dealt with the problem of having knowledge concerning competitive products and provided added value to the customer base.

Query capabilities were enhanced by providing a user friendly and intuitive interface on their notebook computers. Thus, the reps can reference price, usage, and order status information without the involvement of the people at the distribution center and at the customer's premises.

Inventory monitoring tools were developed which use a pen-based interface to quickly input inventory levels. The system automatically generates the recommended order and provides period end reports for the customer.

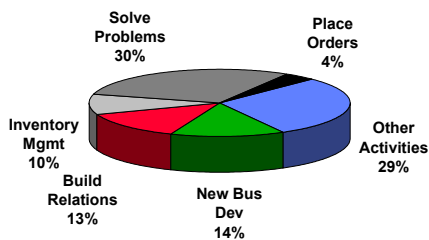
The sales reps are also provided with analytical and presentation tools which are intended to assist sales reps in studying and recommending solutions to hospitals for substitute products or inventory services.

These tools allow the sales rep to reduce administration and trouble shooting time and reinvest that time in consultative selling. In addition, the tools allow the client to extend and expand its coverage without a proportional increase in head count.

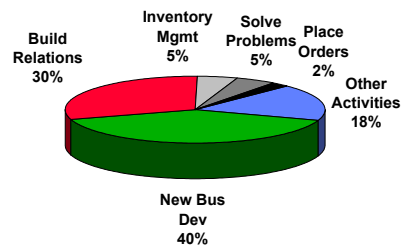
Net Results:

- Sales effectiveness increased by 20%
- Gross margin increased by 1%
- Incremental \$8 Million saved over the life of the project

**Sales Rep Time Analysis -  
Before Reengineering**



**Sales Rep Time Analysis -  
After Reengineering**



**Example No. 4**

Client Industry: Consumer Goods

Background: Client committed to a management strategy of decentralization to support the evolution of local level marketing. The sales organization lacked systems and infrastructure to support this move. Call reporting and reports distribution was done on an ad hoc basis using paper documents. Sales people had very large territories with complex and inconsistent call criteria.

Retail coordination and reporting was non-existent, leaving major account people to survey stores to evaluate conditions. All customer order information had to be requested by phone from a customer service representative. Sales calls were frequently devoted to fire fighting problems with orders. Most communication and coordination were done by telephone resulting in disruption of personal time.

Solution: It is impossible to create systems without a definition of the desired processes or infrastructure. The analysis documented current systems and a variety of informal systems. A vision statement was then created consistent with the decentralization strategy.

Gap analysis was used to identify key processes which needed to be developed. Reengineering was used to define the new processes. In some cases, the analysis had to define decision methodology and bottom-up planning processes to support decentralization.

Once the new framework for managing was defined, it was possible to convert portions of the system into computer-based applications. The applications included territory management and call reporting systems which feed relational data bases with key operational data. Electronic mail was introduced to link the field sales force together and to be able to communicate without impacting the other person's schedule. Order status was made available on the system so that sales people can identify problems and take action before they make the call. Tracking of promotion and account level advertising support was provided for major accounts so that their performance can be evaluated during business reviews. A series of reports and other tools were provide to management to assist them in managing the business.

Results:

- Productivity improvement of 5%.
- Incremental profit of \$1.3 million per year
- Exceeded the discounted hurdle rate of 25%

## About the Author

Glen S. Petersen is an internationally recognized speaker, writer, practitioner, and thought leader in the Customer Relationship Management (CRM) and e-Business industries. Mr. Petersen has held senior level management positions with systems integration and end user organizations. As a visionary and early adopter of Sales Force Automation (SFA), in 1986 Mr. Petersen led one of the first successful national implementations of SFA in the United States. Realizing the tremendous future of this new technology, Mr. Petersen joined a SFA software start-up company in 1988 and had the pleasure of working with many of the pioneering organizations that deployed sales force automation at a time when most organizations were unaware of its existence. In 1991 Mr. Petersen left the vendor community to do consulting.

This experience combined with his background in operational and strategic planning places Mr. Petersen in a unique position to advise and assist clients in this challenging area of change management and technology integration. During this period, Mr. Petersen has developed a number of proprietary facilitation techniques, which help organizations to better understand the potential of these technologies, and how to rally the organization around a single threaded, phased implementation approach.

Prior to founding GSP & Associates, Mr. Petersen was Senior Vice President at ONE, Inc. and Ameridata, a \$1.3B provider of hardware, software, and services. In these positions, Mr. Petersen directed operational strategy engagements and helped major corporations articulate and justify their CRM and e-Business initiatives.

Mr. Petersen is the author of six books:

- *High-Impact Sales Force Automation: A Strategic Perspective*
- *Customer Relationship Management Systems: ROI & Results Measurement*
- *CRM Leadership and Alignment in a Customer Centric World*
- *ROI: Building the CRM Business Case*
- *CRM Best Practices: Self Assessment*
- *Making CRM An Operational Reality*

Mr. Petersen is a frequent speaker at DCI (CRM conferences) and has developed a number of pre-conference and on-line seminars for them over the past five years. Mr. Petersen has also conducted seminars and presented at conferences created by Inc. Magazine and The Center for Business Intelligence. Topics include sales and marketing performance, the blurring of the role of marketing, sales process modeling, strategy, best practices, and return on investment (ROI) as they apply to CRM.

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