

## Your Business Accelerator

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*“Things may come to those who wait, but only things left by those who hustle.”*

Abraham Lincoln

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### **Not Enough Time, Not Fast Enough**

In today’s environment of increasingly complicated pharmacological choices, the role of sales reps is to help their customers make well-informed choices regarding treatment options for patients. Customers, whether they are prescribers, healthcare budget-holders, wholesalers, distributors, retailers or patients themselves, are increasingly educated and competent. Contract specifications are increasingly sophisticated. To close a sale or win a contract, reps must be able to react, adjust and satisfy customer information requirements on the spot.

Understanding customer needs and concerns are prerequisites for even being in the running. For example, in the U.S. market, sales reps need a clear understanding of healthcare providers’ contracting strategies within the context of managed care and Medicare and Medicaid requirements. Understanding sales channels and the needs of wholesalers and distributors is critical.

New customer demands mean sales discussions have become far more complex, demanding a wider range of product knowledge, sales techniques, customer insights and company-wide awareness. And the customer expects an immediate response. This is the key challenge facing today’s sales rep: how to balance the need for an immediate response to a customer query with gaining the right information to satisfy the customer and close the sale later.

The ability to close deals efficiently and the knowledge needed to invest time in the right customers are critical factors driving your company’s success. Both depend on a timely, two-way flow of information. Accurate and speedy information can help improve sales results and reduce selling costs. Information flowing through Sales can affect every other department in the company: for example, high-demand forecasts drive greater future production. The slower the two-way flow of information, the less responsive the organization.

This viewpoint brings together the three core insights in this book (see Introduction). Sales has clear accountability for results, requires information sweet spots and thrives on the most integrated decision-making capabilities. It also has to abide by the strict codes of conduct in the life sciences industry. A sales force with the right information, at the right time, driven by the right incentives, is formidable. Unfortunately, many Sales departments do not optimize time and speed of execution due to three barriers.

**Barrier 1: *You don't set sales targets and allocate effort based on maximizing overall contribution***

How you measure performance and set compensation drives how Sales allocates its time. If you define sales targets in terms of potential profit and contribution, Sales will invest time where it maximizes sustainable company returns. Customer relationships that secure today's orders and tomorrow's sales are a strong competitive advantage. If focusing Sales on customer and product profitability isn't a new thought, and it's not difficult to see the benefits—why is it still rare in terms of implementation?

There are several reasons. In some cases, integrated profitability information is unavailable or is too sensitive to distribute. Determining how to allocate costs may be complex or politically charged. More frequently, the company's focus on driving revenue means Sales does not have a clear perspective on long-term customer contributions. Yet the customer's potential lifetime value is not static: it changes over time. A good sales professional can positively affect the change. Effecting positive change requires that reps understand:

- The cost benefit of maintaining versus acquiring customers
- Relative weighting of various opportunities based on the “cost” of expected effort
- Longer term planning as opposed to a single sales opportunity
- A multi-tiered portfolio approach to opportunities

Without these sweet spots, your time may be poorly invested. Or worse, you won't know if it is or isn't.

**Barrier 2: *There is no two-way clearinghouse for the right information at the right time***

Customers and prescribers in the life sciences industry expect reliable company-to-company relationships, where vendors are business advisors and valued solutions experts. Sales, too, is becoming more and more about information rather than just products and relationships. However, turning sales professionals into experts on every topic is not the answer. There is simply too much customer information required to process, distill and communicate for reps to be fully educated on every possible buying scenario.

Instead, Sales needs to become an efficient clearinghouse of the right information at the right time. What's missing in most companies is an effective two-way flow of “smart facts” between the customer and the company. Smart facts are focused information packages about customer needs and challenges, company advantages and important interaction points between both entities.

The two-way nature of this information is critical. The entire organization (Marketing and Product R&D in particular) needs customer insights into what works, what doesn't and what is of greatest importance. Without this, your response to important concerns is impeded, and you won't understand the customer perspective, which is necessary for sustainable relationships. Smart facts let Sales:

- Build on customer success stories and best practices
- Link understood company values to what the customer requires
- Proactively deal with issues between the customer and company (such as late deliveries, etc.) and stay on top of the account



*Sales: two-way clearinghouse of smart, fast facts*

Sales reps—your front line with customers—are at a disadvantage when trying to build reliable company-to-company relationships and loyalty if you do not provide them with these smart facts in a timely fashion.

### **Barrier 3: You don't measure the underlying drivers of sales effectiveness**

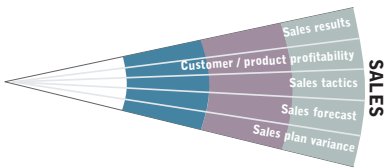
What type of input drives the most output, as measured by sales success? This is rarely evaluated or understood, and yet it is one of the most critical areas for a company to master. Contract identification, segmentation, customer preparation, sales calls and collateral material are all familiar tactics of the sales process. The missed opportunity comes from not tracking what expectations were set around these tactics and not monitoring what actually happens.

Despite significant investments in sales force automation and customer relationship management systems, companies miss this opportunity when they see setting targets as a complicated planning exercise or when it conflicts with a company bias to rely more on intuition. The choice doesn't have to be either/or. Experience and intuition can guide the initial tactical choices and outcome expectations—but monitoring these outcomes lets you make informed decisions to improve your results. Your goal is to increase sales productivity and adjust tactics when something doesn't work. Without set expectations and a means to monitor the underlying drivers of sales effectiveness, you will likely suffer both higher selling costs and missed sales targets.

### Continuous Accelerated Realignment

The five decision areas described below can improve the speed of sales execution and enable a more effective use of time. They rely on the two-way flow of vital information between customers and company. This sharing of information can accelerate the speed of adjustments and realignments of product, market, message, service and other elements of the business. Decision areas in Sales:

- Sales results → What is driving sales performance?
- Customer/product profitability → What is driving contribution performance?
- Sales tactics → What is driving sales effectiveness?
- Sales forecast → What is driving the sales forecast?
- Sales plan variance → What is driving the sales plan?



The order of these decision areas reflects a logical flow of analysis and action. They start with understanding where Sales is achieving its results, first in terms of overall sales performance and then in terms of net contribution. This is followed by drilling deeper into how Sales is using its time and to what effect. Finally, the insights gained are applied to revising the planning and forecasting process. In this way, Sales can drive a continuous and accelerated re-examination and realignment of the organization. This cycle is anchored by the organization's strategic objectives (profitability and net contribution) and incorporates frontline realities for an accurate view of Sales performance.

## Sales Results

Sales results are one of the most basic and important information sweet spots. They are one of the two foundations of sales management, the other being sales planning. They provide a consistent overview of actual revenue across the five basic components of the business—product, customer, territory, channel and time. Accurate understanding of these components suggests why results diverge from expectations. *Are sales trending down in certain territories or prescriber types? Is this consistent across all products, indications, sales reps and customers?*

Sales results should not be confined to managerial levels, but should be shared at various levels of the organization. You can empower frontline sales reps with appropriately packaged analytic information, adapted for individual reps with specific product portfolios in specific territories. Beyond immediate operational analysis, sales results let you recognize broader performance patterns to see if strategies and management objectives are on track and still making sense. With a consistent flow of information over time, you can make more strategic comparisons, interpretations and adjustments.

For example, if sales are flat in a particular therapeutic area, you need to know: *Is this a tactical problem or a strategic one—i.e., should this lead to a full re-evaluation of the company's future in this area? Are significant resource investments necessary to revive the market? Has the product proposition been outflanked by the competition?* These questions are part of an accurate assessment of sales results.

Sales results information also connects time spent, level of responsibility, strategic decision-making and operational activities. If you identify a weakness in a therapeutic area dominated by generics, the business has a number of time-related options to deal with it. The short-term solution might be a series of sales push activities, such as more rep calls or more volume discounts. Given the impact of this on margin, however, management may choose to look at the overall product portfolio to find opportunities to cut product costs. This may require long-term strategic decisions at the highest level of the organization involving Marketing, Product Research & Development, Operations and Finance. Sales results are one of the main contributors of information for this decision. The speed and accuracy with which Sales provides this information to the company is critical. More of this dynamic will be covered in the Executive Management chapter.

**SALES RESULTS**

GOALS	METRICS	DIMENSIONS	
Customer Relationship Growth %	Avg. Sales per Order (\$)	Billing Customer Category	Product SKU
Sales Growth (%)	Avg. Units per Order (#)	Customer Name	Product Line
Sales Order (\$)	Credit Balance (\$)	Customer Location	Brand
	Credit Limit (\$)	Region	SKU
	Customers (#)	State/Province	Sales Channel Partners
	New Customer Count (#)	County	Sales Channel Type
	New Product Sales (\$)	Postal Code/Zip Code	Sales Partner
	Sales Order Count (#)	Fiscal Week	Sales Organization
	Units Ordered (#)	Fiscal Year	Sales Region
	Target Phys. (#) / Sales Rep.	Quarter	Sales Territory
	Target Physicians (#)	Month	Org. Code
	Sales Force Expenditure (\$)	Week	Ship-To Location
		Market Segment	Region
		Market Segment	State/Province
		Micro-Segment	County
			City
			Postal Code/Zip Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	Executives	*		
	Managers	*		
	Analysts	*		
	Professionals	*		
Audit	Executives			*
	Managers	*		
	Professionals	*		
Marketing	Executives			*
	Managers		*	
	Analysts		*	
	Professionals		*	
Customer Service	Executives	*		
	Analysts	*		
Finance	Executives		*	*
	Analysts		*	
Product Development	Executives		*	*
	Analysts		*	
Operations / Production	Executives			*

*“It’s been a good journey. We’ve achieved remarkable ROI through the improved analysis and increased efficiency in our sales force. As for user adoption, our users are enamored with it. The more they see it, the more they love it.”*

Roderik Mooren, IT Director, Mölnlycke Health Care

### Customer/Product Profitability

The key to this decision area is recognizing which customers and products are making the largest contributions. A basic gross profit view is possible using a “sales minus discounts and standard costs” formula for customers and products. Once this is calculated, you can develop more complex views by allocating direct costs using certain drivers to determine either effort or activity plus related costs. This allows you to recognize net profit at the relationship and product levels by applying expense and allocation formulas.

Using a phased approach when moving from gross to net profit enables learning by successive iterations, and the benefit of gaining wins and proof of value before tackling more complex cost allocations. The sales force must adopt the profit goals and work with the rest of the organization on achieving them.

GOALS	METRICS	DIMENSIONS	
Average Customer Profit (\$)	Cost (\$)	Billing Customer Category	Micro-Segment
Lifetime Revenue/Profit (\$)	Customer Acquisition Cost (\$)	Customer Name	Organization
Net Profit (\$)	Customer Retention Cost (\$)	Customer Location	Division
	Customers (#)	Region	Department
	Discount (\$)	State/Province	Org. Code
	Gross Profit (\$%)	County	Product SKU
	Net Sales (\$)	Postal Code/Zip Code	Product Line
	Sales Revenue (\$)	Market Month	Brand
	Units Sold (#)	Year	SKU
		Quarter	Sales Channel / Partners
		Month	Sales Channel Type
		Market Segment	Sales Partner
		Market Segment	

Understanding customer lifetime profitability is vital to a business. It focuses the organization on the value of the long-term customer. Customer/product profitability is a powerful tool that is used at senior levels of marketing and corporate strategy. The sensitivity of this information dictates that it cannot be widely distributed, but by indexing some of this information for the sales force, you ensure Sales understands its profit priorities and is ready to put that knowledge into action.

FUNCTION	DECISION ROLES	PRIMARY	CONTRIBUTORY	STATUS
Sales	Executives Analysts	*	*	
Finance	Executives Managers Analysts Professionals	*	*	*
Marketing	Executives Analysts		*	*
IT / Systems	Executives Analysts		*	*
Product Development	Executives Analysts		*	*
Customer Service	Analysts		*	
Distribution	Analysts		*	
Human Resources	Analysts		*	
Operations / Production	Analysts		*	
Purchasing	Analysts		*	

*“Analgesic Healthcare has truly changed the work culture by providing key decision makers with an information-rich decision-making environment. For instance, by using referral models, Analgesic can now analyze the monthly and annual referral volume geographically, as well as by insurance-type distribution, to go after smarter and more profitable business. A key performance indicator such as dollar-in per referral varies from one state to another, and with IBM Cognos 8 BI, it is possible to spot significant variances even between different counties.”*

Lyn Klovos, Controller, Analgesic Healthcare

**Sales Tactics**

This decision area evaluates the sales process to determine which activities and mechanics are most effective. The key is to understand what resources, activities and tools you need to achieve targets for specific channels and contracts. This decision area continually monitors and reviews the *what* (resources) versus the *how* (mechanics).

The *what* includes understanding the following: *How many prospects are available for sales visits? How many cold and warm calls do you make? How much time is spent on research? How much time is spent with existing customers versus time with new customers? How much time is spent with prescribers versus time with centralized budget holders or wholesalers?* You require insight into all these areas to optimize time and resources. The *how* includes understanding how the cost and time spent on activities like dissemination of research findings, product detailing, conference attendance or training support, and free samples will drive sales.

GOALS	METRICS	DIMENSIONS
Average Selling Price (\$)	Sales Days in field (%)	Billing Customer Category
Direct Cost (\$)	Target Physicians (#)	Customer Name
Discount (%)	Target Phys. (#) / Sales Rep.	Credit Limit Range
Sales Calls (#)	Sales Contacts Count	Range
	Sales Contacts/Sales Rep	Customer Location
	Sales Representatives (#)	Region
	Cost per call (\$)	State/Province
	Customers (#)	County
	Inactive Customers (#)	Postal Code/Zip Code
	Discount (%)	Fiscal Week
	Net Price (\$)	Fiscal Year
	Rep T&E (\$)	Quarter
	Sales Prospect Rating Score	Month
	Sales Rep. Days (d)	Week
	Sales Orders (\$)	Market Segment
	Hospitals Count (#)	Market Sequence
	Physicians Count (#)	Micro-Segment
	Sales Reach (%)	Product Brand
		Product Line
		Brand
		Sales Organization
		Sales Region
		Sales Territory
		Org. Code
		Sales Time Priority Rating
		Priority Rating

By combining these two viewpoints, sales departments are able to guide greater sales effectiveness. Sales tactics are a direct extension of the sales performance decision area and are often the output of key account management processes. You need a structured and coordinated understanding of sales tactics, within a harmonized reporting environment, to manage your customers and sales effort effectively. This information must be accessible by your frontline sales reps to direct their efforts and help them learn from the success of others.

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	Executives	*		
	Managers	*		
	Analysts	*		
	Professionals	*		
Finance	Executives			*
	Analysts		*	
Marketing	Executives			*
	Analysts		*	

*“People spent a lot of time behind their desks trying to analyze numbers, and taking them into Excel and comparing them. Now, we are able to improve the business without increasing the task, both in inventory reporting and sales analysis. This means we have more feet on the street and we can conduct our business without increasing headcount.”*

Roderik Mooren, IT Director, Mölnlycke Health Care



### Sales Forecast

The sales forecast is an opportunity to see into your company’s future and change it. It is critical as an early warning system of future opportunities, growth and problem areas. By defining and monitoring the phases of the sales process, and their relationship to the forecast sales of key products, you can derive metrics that let you establish, follow and manage business trends. Your sales intelligence can become even more sophisticated by looking at details such as new versus existing customers, territories, distributors, wholesalers, product groups, markets and more.

GOALS	METRICS	DIMENSIONS	
Pipeline Ratio (%)	Active Customers (#)	Billing Customer	Market Segment
Pipeline Sales (\$)	Avg. Sales per Customer (\$)	Category	Market Segment
Sales Order Conversion (%)	Cancelled Order Count (#)	Customer Name	Micro-Segment
	Inactive Customers (#)	Contracted Pay's Time Range	Sales Channel / Partners
	Last Business Count (#)	Fiscal Week	Sales Channel Type
	New/Lost Customer Ratio (%)	Fiscal Year	Sales Partner
	New Customer Count (#)	Quarter	Sales Organization
	Target Phys. (#) / Sales Rep.	Month	Sales Region
	Sales Order (\$)	Week	Sales Territory
	Sales Order Count (#)	Inquiry - S/O Status	Org. Code
	Sales Days in Field (%)	Inquiry S/O Status	Ship-To Location
	Sales Representatives (#)	Mfg. Product Component	Region
	Target Physicians (#)	Product Line	State/Province
		SKU	County
		Component	City
			Postal Code/Zip Code

Each metric suggests useful business questions that can lead to positive functional change: *Why do only 10 percent of customer visits lead to product take-up? How does this compare with the competition’s experience? What would it take to increase this ratio to 20 percent (for example, a different discount structure)?*

FUNCTION	DECISION RULES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	Executives	*		
	Managers	*		
	Analysts	*		
	Professionals	*		
Customer Service	Executives			*
	Analysts		*	
Distribution	Executives			*
	Analysts		*	
Operations / Production	Executives		*	
	Analysts		*	
Purchasing	Executives			*
	Analysts		*	

*Why are some contracts lost?* The sales forecast should tie into operations, marketing, production and purchasing. The more predictive and accurate the sales plan is, the more efficiently the company can manage its processes, reduce changes to production schedules that are due to selling out of products, and stop expensive reactive purchases due to short-term shortages.

### Sales Plan Variance

Sales planning is a control mechanism, tightly linked to the budgeting and planning process. But it is also a way to manage change and understand the ebb and flow of your business. Unfortunately, the control side tends to dominate. A top-down budgeting process, where corporate objectives must be achieved (e.g., double-digit revenue growth), emphasizes planning over the actual situation. This leads to companies identifying and plugging revenue gaps with short-term revenue solutions, usually at the expense of long-term strategy—milking the future to get results today.

More useful revenue plans work from the bottom up. Alignment and accountability must be organizational values. Every department provides feedback on revenue objectives, markets, customers, channels and products. Iterations of this process may be needed to fit with top-down corporate objectives, but it allows individuals across the organization to own their numbers and be fully accountable. When the entire business is engaged in monitoring under/overperformance, frontline levels of the organization can answer questions regarding the *where* and *why* of existing revenue targets. The sales rep responsible for a missed customer revenue target can explain the *why* and suggest ways to correct the gap.

GOALS	METRICS	DIMENSIONS
Sales Order (\$)	Avg. Sales per Customer (\$)	Fiscal Month
Sales Plan (\$%)	New Customer Sales (\$)	Year
	New Product Sales (\$)	Quarter
	Sales Growth Rate (%)	Month
	Units Ordered (#)	Forecast Scenario
	Units Sold (#)	Scenario
		Market Segment
		Market Segment
		Micro-Segment
		Product Line
		Product Line
		Sales Channel Partners
		Sales Channel Type
		Sales Partner
		Sales Organization
		Sales Region
		Sales Territory
		Org. Code

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Sales	Executives Managers Analysts Professionals	• • • •		
Audit	Executives Managers Professionals	• •		•
Customer Service	Executives Analysts		•	•
Finance	Executives Analysts		•	•
Operations / Production	Executives Analysts		•	•
Purchasing	Executives Analysts		•	•

<p><b>Sales Tactics</b></p> <p>Average Selling Price (\$)</p> <p>Commission (\$)</p> <p>Sales Calls (#)</p> <p>Customer Gains (\$/%)</p> <p>Sales Cost (\$)</p>	<p><b>Sales Forecast</b></p> <p>Forecast Sales (\$)</p> <p>Sales Order Conversion (%)</p> <p>Sales Order (\$)</p> <p>Active Customers (#)</p> <p>Average Sales per Customer (\$)</p>
<p><b>Dimensions</b></p> <p>Fiscal Year/Month/Week</p> <p>Billing Customer/Category</p> <p>Customer Location/Region</p> <p>Market Segment</p> <p>Product Brand/Product Line</p> <p>Sales Organization/Sales Region</p>	

	Total Year	Jan	Feb	Mar	Q1
Commission (\$)	---	---	---	---	---
Sales Calls (#)	---	---	---	---	---
Customer Gains (\$/%)	---	---	---	---	---
Sales Cost (\$)	---	---	---	---	---
Sales Order Conversion (%)	---	---	---	---	---
Sales Order (\$)	---	---	---	---	---
Active Customers (#)	---	---	---	---	---
Average Sales per Customer (\$)	---	---	---	---	---

*The Sales Tactics and Sales Forecast decision areas illustrate how the Sales function can monitor its performance, allocate resources and set plans for future financial and operational targets.*