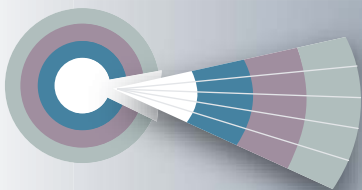


SALES: your business accelerator



*The Performance Manager
Series*



INTRODUCTION

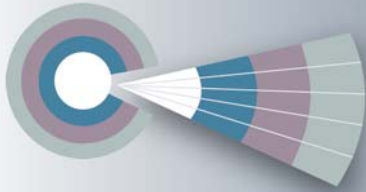
The new business book, *The Performance Manager*, can help you turn the growing information-intensity of your job from a challenge to a competitive advantage. Its thesis is simple—rather than sifting through all the data your organization may produce, if you pay attention to certain sweet spots, you will make better decisions, create better goals, and set better plans about issues that truly drive your company. We're pleased to offer you this chapter for Sales drawn from the book.

The Performance Manager, Proven Strategies for Turning Information into Higher Business Performance looks at the partnership between decision-makers and the people who provide the information that drives better decisions. It offers suggestions for 42 decision areas, or information sweet spots, taking into account your need to not only understand data, but also plan and monitor your performance. These decision areas are organized by the eight major functions of a company: Sales, Marketing, Finance, Customer Service, Product Development, Operations, Human Resources, Information Technology, plus an over-arching section for Executive Management. You will find five of these decision areas in this paper.

Each chapter introduces key challenges and opportunities companies face in the specific function. *The Performance Manager* then dives into each decision area, illustrating the core content of the corresponding information sweet spot. These are organized into two types of measures: goals and metrics, and a hierarchical set of dimensions that allow you to look at the information from a variety of vantage points.

Each decision area then offers advice on who beyond the specific function would benefit from seeing the information (e.g., Marketing should see Sales pipeline targets) to make better performance a truly cross-organizational exercise. We hope you see the value in this white paper and investigate other functional areas and their decision areas, or [take our offer for the whole book, *The Performance Manager*.](#)

We acknowledge and thank the great thinkers at Business Intelligence International, PMSI, and the staff and customers of Cognos, an IBM company, who offered their insights to make this publication possible.



Your Business Accelerator

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

Abraham Lincoln

Not Enough Time, Not Fast Enough

Customers are increasingly educated and competent. To close a sale, reps must be able to react, adjust, and satisfy customer demands on the spot. Understanding customer needs and credibility in offering a solution are prerequisites for even being in the running. New customer demands mean sales conversations 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 immediate customer response with gaining the right information to satisfy the customer and close the sale.

The ability to close deals efficiently and the knowledge needed to invest your 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. 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 short-term revenue means Sales does not have or need a perspective on long-term customer contributions. As a result, it neglects to measure cross-sell and up-sell revenue paths or the estimated lifetime value of a customer.

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*

Procurement departments are more precisely benchmarked and more subject to internal scrutiny. These departments 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.

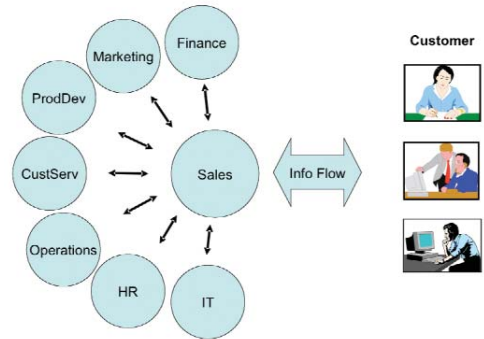
However, turning sales professionals into experts on every topic is not the answer. There is simply too much customer information required to process, distill, and communicate for reps to be fully educated on every possible buying scenario. Instead, Sales needs to become an efficient clearinghouse of 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 Development 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.

Lead generation, 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.

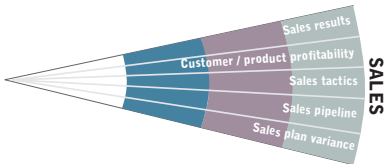
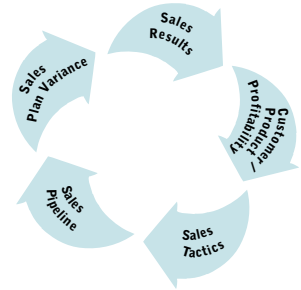
The choice doesn't have to be either/or. Experience and intuition can guide the initial tactical choices and outcome expectations—but monitoring these outcomes lets you make informed decisions to improve your results. Your goal is to increase sales productivity and adjust tactics when something doesn't 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 pipeline** → What is driving the sales pipeline?
- **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? Is this consistent across all products, channels, 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 the premium customer segment, 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 the premium segment? Are significant resource investments necessary to revive this segment? 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 commodity segment of the market, the business has a number of time-related options to deal with it. A drop in such sales in the short term may cause serious competitive damage, leading to long-term difficulties. The short-term solution might be a series of sales push activities, such as more promotions and 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 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	
New Customer Sales (\$)	Avg. Sales per Order (\$)	Billing Customer	Product SKU
Sales Growth (%)	Avg. Units per Order (#)	Industry Group	Product Line
Sales Order (\$)	Credit Balance (\$)	Industry	Brand
	Credit Limit (\$)	Category	SKU
	Customers (#)	Customer Name	Sales Channel Partners
	Lost Customer Count (#)	Customer Location	Sales Channel Type
	New Customer Count (#)	Region	Sales Partner
	New Product Sales (\$)	State/Province	Sales Organization
	Sales Order Count (#)	County	Sales Region
	Units Ordered (#)	Postal Code/Zip Code	Sales Territory
		Fiscal Week	Org. Code
		Fiscal Year	Ship-To Location
		Quarter	Region
		Month	State/Province
		Week	County
		Market Segment	City
		Market Segment	Postal Code/Zip Code
		Micro-Segment	

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

Planning is pointless if it isn't translated into action plans that are actually delivered and analysed. At the same time, there's no point in automating your sales force if you can't direct them towards achieving the relevant goals.

Vincent Meunier, Information Systems Director, Pernod

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

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 WORK	CONTRIBUTORY	STATUS
Finance	Executives			•
	Managers		•	
	Analysts	•		
Sales	Professionals		•	
	Executives	•		
Marketing	Managers	•		
	Analysts		•	•
IT / Systems	Executives			•
	Analysts		•	
Product Development	Executives			•
	Analysts		•	
Customer Service	Executives			
	Analysts		•	
Distribution	Analysts		•	
Human Resources	Analysts		•	
Operations / Production	Analysts		•	
Purchasing	Analysts		•	

The development and profitability of each product group can be analyzed separately. The same goes for strategic analyses of customer segments. In other words, the management of the holding company can examine the profitability figures for each individual product group or customer segment and link these groups or segments together, an efficient way to obtain the management information it needs.

Michael-Hagen Weese, Controller and Project Leader, Raiffeisen International Bank-Holding AG

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 accounts. 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? What is the proportion of direct sales to indirect sales?* 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 pricing, promotions, demonstrations, catalogs, leaflets, and free samples will drive sales.

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. You need a structured and coordinated understanding of sales tactics 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.

GOALS	METRICS	DIMENSIONS
Average Selling Price (\$)	Avg. Sales Hrs/Inquiry (#)	Billing Customer
Direct Cost (\$)	Close Days (#)	Industry Group
Discount (%)	Cost per Order (\$)	Industry
Sales Calls (#)	Customers (#)	Category
	Discount (%)	Customer Name
	Inactive Customers (#)	Credit Limit Range
	Inquiries (\$)	Region
	Inquiry Count (#)	State/Province
	Inquiry S/O Conversion (%)	County
	Lost Business Count (#)	Postal Code/Zip Code
	Net Price (\$)	Fiscal Week
	Quoted (\$)	Fiscal Year
	Rep T&E (\$)	Quarter
	Sales Orders (\$)	Month
	Sales Order Count (#)	Week
	Sales Prospect Rating Score	Market Segment
	Sales Rep Days (#)	Market Segment
	Units Quoted (#)	Micro-Segment
		Product Brand
		Product Line
		Brand
		Sales Organization
		Sales Region
		Sales Territory
		Org. Code
		Sales Time Priority Rating
		Priority Rating

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

We have a comprehensive view of customer behavior—which products they buy, how they pay, whether they are likely to switch, etc. This will yield large financial rewards, since we know precisely which customers are the most valuable to us and how we can best adapt our activities to satisfy them.

Ton van den Dungen, Manager, Business Intelligence and Control, ENECO Energie

Sales Pipeline

This is more than a sales forecast; it is an opportunity to see into your company’s future and change it. The Sales pipeline is critical as an early warning system of future opportunities, growth, and problem areas.

By defining and monitoring the phases of the sales pipeline, you can derive metrics that let you establish, follow, and manage business trends. Your pipeline intelligence can become even more sophisticated by looking at details such as new versus existing customers, territories, product groups, markets, and more.

GOALS	METRICS	DIMENSIONS	
Pipeline Ratio (%)	Active Customers (#)	Billing Customer	Market Segment
Pipeline Revenue (\$)	Avg. Sales per Order (\$)	Industry Group	Market Segment
Sales Order Conversion (%)	Cancelled Order Count (#)	Industry	Micro-Segment
	Inactive Customers (#)	Category	Sales Channel / Partners
	Inquiries (\$)	Customer Name	Sales Channel Type
	Inquiry Count (#)	Contracted Pay't Time	Sales Partner
	Inquiry/Quote Lead Days (#)	Range	Sales Organization
	Lost Business Count (#)	Fiscal Week	Sales Region
	New/Lost Customer Ratio (%)	Fiscal Year	Sales Territory
	New Customer Count (#)	Quarter	Org. Code
	S/O Quotes (#)	Month	Ship-To Location
	Sales Order (\$)	Week	Region
	Sales Order Count (#)	Inquiry – S/O Status	State/Province
		Inquiry S/O Status	County
		Mfg. Product Component	City
		Product Line	Postal Code/Zip Code
		SKU	
		Component	

Each metric suggests useful business questions that can lead to positive functional change: *Why do only 10 percent of customer visits lead to inquiries? How does this compare with the competition’s experience? What would it take to increase this ratio to 20 percent (for example, a lower list price)? Why are some orders lost?*

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

The sales pipeline should tie into operations, typically to production and purchasing plans. The more predictive and accurate the sales plan is in terms of product, the more efficiently production 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.

Thanks to this solution, company executives can plan out sales, costs, and deployment of staff, modify these on an ongoing basis, and use these plans to identify strategic, tactical, and operational measures.

Marina Glodzei, Project Manager BI Applications, Coloplast GmbH

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.

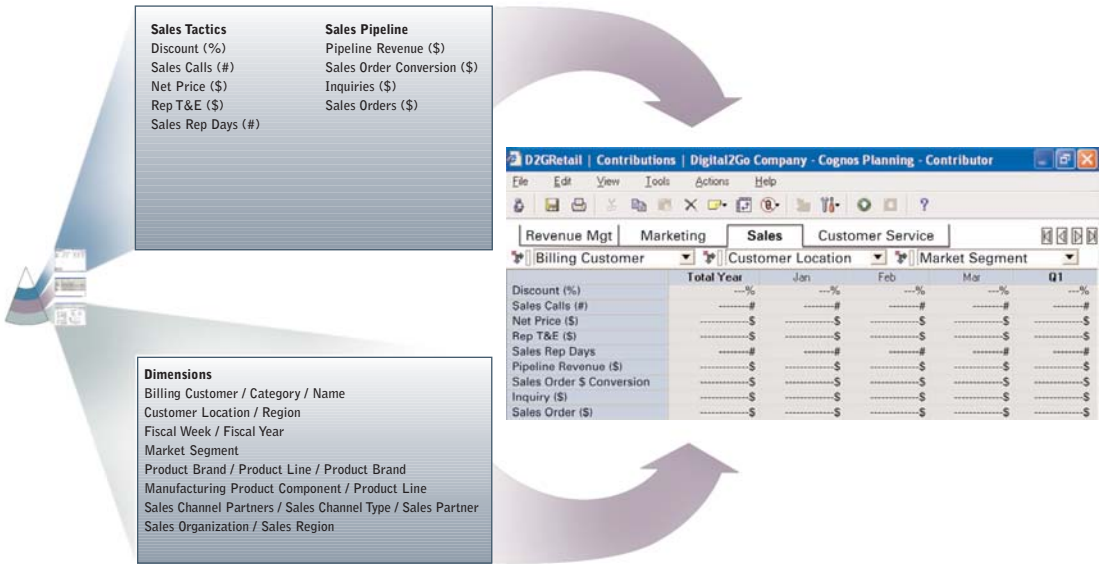
When the entire business is engaged in monitoring under/overperformance, frontline levels of the organization can answer questions regarding the *where* and *why* of existing revenue targets. The sales rep responsible for a missed customer revenue target can explain the *why* and suggest ways to correct the gap.

GOALS	METRICS	DIMENSIONS
Sales Order (\$)	Avg. Sales per Order (\$)	Fiscal Month
Sales Plan (\$/%)	New Customer Sales (\$)	Year
	New Product Sales (\$)	Quarter
	Sales Growth Rate (%)	Month
	Units Ordered (#)	Forecast Scenario (Plan/Actual/Forecast)
	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
Finance	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit	Executives			•
	Managers	•		
	Professionals	•		
Customer Service	Executives			•
	Analysts		•	
Finance	Executives			•
	Analysts		•	
Operations / Production	Executives			•
	Analysts		•	
Purchasing	Executives			•
	Analysts		•	

We believe that best practice planning should not be in the hands of a small group and we are committed to changing this at Ricoh to make planning more participative and collaborative.

Nur Miah, Senior Business Analyst, Ricoh



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



ABOUT THE PERFORMANCE MANAGER

The book, *The Performance Manager*, is authored by:

Roland P. Mosimann *Chief Executive Officer, BI International*

As CEO and co-founder of BI International, Roland has led major client relationships and thought leadership initiatives for the company. Most recently he drove the launch of the Aline™ platform for on-demand Governance, Risk and Compliance. Roland is also a co-author of the Multidimensional Manager and the Multidimensional Organization. He holds an MBA from the Wharton School of the University of Pennsylvania and a B.Sc. (Econ) from the London School of Economics.

Patrick Mosimann *Founding & Joint Managing Director, PMSI Consulting*

As co-founder of PMSI (Practical Management Solutions & Insights), Patrick has led major client engagements and has significant experience across a number of industry sectors. Patrick Mosimann also holds an MBA from the Wharton School of the University of Pennsylvania and a B.Sc. (Econ) from the London School of Economics, University of London.

Meg Dussault *Director of Analyst Relations and Corporate Positioning, Cognos, an IBM company*

Meg started her marketing career 15 years ago, beginning with campaign management for the national telecommunications carrier. She then moved to market development for Internet retail and chip-embedded smart cards before moving to product marketing with Cognos, now an IBM company. She has been with Cognos for 8 years and has worked extensively with executives and decision makers within the Global 3500 to define and prioritize performance management solutions. This work was leveraged to help shape the vision of Cognos performance management solutions and to communicate the message to key influencers.

About Cognos, an IBM company

Cognos, an IBM company, is the world leader in business intelligence and performance management solutions. It provides world-class enterprise planning and BI software and services to help companies plan, understand and manage financial and operational performance. Cognos was acquired by IBM in February 2008. For more information, visit <http://www.cognos.com>.

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