

# Sales MYTHS UNCOVERED:

## *efficient sales start in the front office*

Marileen Kan & Magiel Tak

Assumptions about customer behaviour have long been used as arguments for not cutting back on the sales force in sales front offices. However, these assumptions are quite simply wrong. By redefining the sales approach and creating customer value, cuts can be made without loss of revenue.

Reducing costs is a key pursuit for many companies in these tough economic times. Sales back offices are a frequent target with the amount of work involved in, for example, processing orders, materials and payments shrinking as quickly as the sales and order portfolios.

The front office on the other hand is often spared from cost-cutting measures. Seen as a company's engine for revenue, its deal-making activities are valued more than the back office activities – after all, after-sales comes after sales... In fact, many companies believe having more sales people automatically creates more revenue. Unfortunately, it's a false assumption, and companies need to understand this and start using their sales force more efficiently.

### **Conventional sales approaches create unwanted effects**

It is often the customers with the highest revenues that receive the most attention from sales representatives. It is of course always tempting for a sales person to frequently approach a customer that is willing to purchase its products. However, not many customers actually appreciate these extra visits.

We have seen situations in which customers received as many as six different sales representatives each year. Eager to seal a deal, each sales representative competed with the other. Some clients were smart enough to take advantage of the situation, others were simply annoyed and felt the company wasn't listening. However, taking into account the discounts provided and the time spent on a deal, the sales force was actually cannibalising its own revenues.

### **Customer-driven sales**

Changing the sales effort to match what customers actually value would help the sales force use its time more efficiently. By applying one of three possible customer-driven sales approaches sales no longer rely on geography, sector, product, or revenue, but offer customers a sales process that matches their needs.\*

### **1. The transactional sales approach**

Some clients are best served by a transactional approach, turning the sales process into a simple transaction. These clients usually know what they want, can make their purchasing decision easily, and appreciate a quick and efficient sales process. Perhaps surprisingly, many larger customers favour a transactional approach. Their purchasing is organised by a dedicated team and communication is preferably through online self-service sites, e-mail or phone.

### **2. The consultative sales approach**

Other customers appreciate some help in their decision-making process and welcome advice from sales representatives. This consultative approach requires direct interaction, possibly face-to-face, over the phone, or through online chatting using Skype, etc. One media company observed that their new advertising products were not as popular as had been expected amongst a group of their 'smaller' customers simply because the possibilities presented by the product were not fully understood. Individual customer visits were deemed inappropriate because of the level of effort needed for a successful sale, so the company organised a group meeting instead. Highly valued by the customers, the event was perceived as a workshop and networking activity as opposed to a commercial meeting.

### **3. Enterprise selling**

Rather than developing a traditional customer-supplier relationship, some customers are actually prepared to invest substantial time and effort in working with a company. Sales is then not about selling a product, but creating a partnership. It becomes enterprise selling in which companies can carry out joint projects or even integrate parts of their daily operations. One wholesaler has even been known to set up office at one of their customers' business locations. Together, they have developed an efficient, time-saving process. Of course, as always, it is important to first create a business case to ensure there is enough potential profit in the project.



### Redefining target groups

Before a sales approach can be changed, the sales potential needs to be assessed. Internal and market information help redefine the target group with internal information on revenues, orders, invoicing, etc., providing input for an analysis of the company's current customers. A look at factors such as which customers generate the most revenue or orders, or settle payments on time or late, may uncover customers that are not actually worth retaining. Financially unreliable customers, for instance, should be the first to be reconsidered, as well as leads that repeatedly fail to culminate in a deal.

Customers who have placed just a single order should not however be automatically dismissed; their total expenditure in the market is of more importance. A share-of-wallet analysis helps disclose the sales potential of a customer by defining the company's share in a customer's total expenditure on a group of similar products. In such an analysis of a leading media company's customers, we identified many new attractive clients and thus significant extra revenue.

A new target group is defined by subtracting the unwanted customers from the total group of customers and then adding the new potential customers. The sales force should then be able to assess the type of sales approach this target group would value. Ideally, sales representatives should have such an intimate knowledge of their clients as to be able to make such a judgement. Otherwise, focus groups, interviews, surveys, complaint logs, or anything else that provides insight into customer preferences can be used to decide on a sales approach. Throughout the process, it is important to balance the sales effort with the potential

revenues, taking into account the time each sales representative should spend on a customer that values a consultative approach. The aim is, after all, for sales people to spend their time in the most effective manner.

### Back and mid-office take on front office activities

Transactional, consultative and enterprise selling all require a different set of skills and levels of effort from the sales force. Enterprise selling is an ongoing process of integrating activities and may, therefore, be best undertaken by company representatives other than those in sales. The skills required are quite different to those needed to pick up a phone and receive an order.

Most companies organise their sales forces around seniority with junior sales representatives preparing and processing the deals, and senior sales representatives maintaining the personal relationships. However, realistically, sales representatives are not usually the best analysts, reporters or order processors. They excel in making personal contact, so that is what they should focus on doing. The after-sales activities can be transferred to the sales back office where employees can concentrate on efficiently processing orders and materials, billing, etc. This work can be carried out against lower costs of labour and centralised to enable economies of scale. One of our clients saved 25% of FTE after creating a central sales back office. The company's remaining sales representatives were relieved of most of their administrative burden and able to spend more time paying more personal attention to both existing and potential clients. The result was revenues on par despite a declining market.

A sales front office can create additional efficiencies by transferring some of their remaining activities to a 'mid-office' such as a call centre. The call centre then handles online and telephone sales, leaving the personal visits, workshops and projects to the sales representatives.

### The new sales force

Adapting the sales approach to meet customer needs and redirecting sales activities to back and mid-offices may seem a lot of reorganisation, but estimates for five leading companies in their sectors (telecom, media, processing industry, construction appliances and automotive) showed possible savings of 29% FTE on average. One company could even potentially reduce its total sales force by over 50%. Costs can therefore be cut in a sales front office without having a negative impact on revenues – and if ever there was a time and a means to create an efficient sales force, it's now. ■

Literature: Neil Packham: *Rethinking the Sales Forces, redefining selling to create and capture customer value*

\* Mediafacts 05|2008, : Linda Nieuwenhuis and Frank Versloot: *Online is business as usual*

### Calculating sales force savings in four steps (simplified)

#### Step 1: define the target group

Current customers	3,000	
Unwanted customers	100	-
Potential customers	200	+
Target group	3,100	

#### Step 2: assess the right sales approach for target group members

Enterprise selling	n/a
Consultative selling	100
Transactional selling	3,000

#### Step 3: estimate the yearly sales effort per sales approach

Enterprise selling	n/a
Consultative selling	80 hours
Transactional selling	20 hours

#### Step 4: calculate the number of sales front office FTE that are required

Enterprise selling	n/a
Consultative selling	4.5 FTE
Transactional selling	34 FTE