Sales Process Engineering: three typical scenarios

Preamble

Objective

The objective of this document is to show how Sales Process Engineering (SPE) can be applied to organizations of different sizes to — in each case — *increase* business-development activity and *decrease* operating expenses.

Overview of Sales Process Engineering

In essence, SPE involves the application of division-of-labor to sales.

Salespeople focus exclusively on selling (four appointments a day, five days a week) and all other tasks are performed by other specialists:

1. **Sales coordinators** assume ownership of sales opportunities and plan activities (appointments) into salespeople's calendars. (A sales coordinator works with a salesperson as does a personal assistant with a senior executive.)
2. Technical experts (**project leaders**) assume responsibility for solution design and the generation of proposals. Project leaders also manage the relationship between customers and operations during delivery.
3. **Customer service representatives** assume responsibility for the ongoing management of accounts — including the procurement of repeat purchases
4. A **promotional coordinator** interfaces with marketing to ensure that sufficient opportunities are generated to enable the sales coordinator to maintain the salesperson at 100% utilization

The challenge with division-of-labor is the synchronization of these various resources. In SPE, this is achieved by centralizing workflow management. (Just as scheduling is centralized in a project-management environment.)

Assumptions

In each of the three scenarios, we assume the following:

1. The firm sells *major* products or services (i.e. not commodities)
2. A tight integration between sales and operations is important
3. The firm sells direct (the application of SPE to a reseller channel is beyond the scope of this document)

Our position on lay-offs

Our position is that *downsizing* is not a business-improvement strategy. In other words, it does not make sense for headcount (or payroll cost) to determine the nature of the business model (the model should drive headcount).

Each of the following scenarios shows a decrease in operating expense (payroll cost), resulting from a reduction in the size of the field-based salesforce (although, in two of the scenarios, headcount actually increases).

How do we rationalize this?

First, it should be obvious that SPE is not a *downsizing strategy*. The objective of SPE is to increase the performance of the sales function (in terms of sales volume and customer service quality) *not* to reduce its cost.

However, it should also be obvious that, in all but the fastest-growing enterprises, it is impractical to increase the activity of each salesperson by an order-of-magnitude *and* maintain the same sized sales team. There are three reasons for this:

1. The organization's Operations (engineering, fulfillment, etc) is not able to keep up with sales
2. The organization is not able to fund the massive increase in promotional expenditure required to generate 10-times the current volume of sales opportunities
3. The organization's market is simply not large enough to justify a ten-times increase in business-development appointments

With this in mind, we approach the resourcing issue as follows:

1. In most organizations we convert most of the existing salespeople into project leaders. Typically, the new project leader role is the role most similar to salespeople's existing job profile. Furthermore, converting salespeople to project leaders tends to improve customer service and minimize the risk of losing valuable team members.
2. In a mid-sized organization, we expect one or two salespeople to depart of their own volition. This is not a bad thing (for either party) if the salespeople who leave are those who are currently adding little value.
3. If the organization *genuinely* has more salespeople that it needs, and if some of these salespeople *cannot* be productively redeployed elsewhere, then it is irresponsible to retain them. To do so disadvantages both the organization and (in the long run) the team members.

Appointments up: what about revenues?

The following scenarios consider the impact of SPE on the volume of business-development appointment (and operating expenses). Does it follow that an increase in business-development appointments will result in an increase in revenues?

In our experience, appointment volume *is* the primary driver of sales revenues.

In major-sales environments, the importance of salespeople's negotiation skills tends to be overestimated and the intelligence of customers, underestimated!

For the most part, a capable salesperson cannot convince a customer to make a purchase that is not in his or her commercial interest.

Accordingly, if you want to make more sales, you should almost certainly engage with more potential customers.

That said, it is incorrect to assume that additional appointments are distributed *only* across new sales opportunities. Most salespeople perform startling few appointments per opportunity — and take a surprising amount of time to process each opportunity.

In the environment we propose, as well as engaging with more potential customers, salespeople will visit existing opportunities more frequently. This will, in our experience, impact positively on both *opportunity lead-time* and the percentage of opportunities won.

While it *is* our expectation that an increase in business-development appointments will cause an increase in revenue, we do *not* expect to see a linear correlation between the two. In other words, if you double appointments you shouldn't expect sales to double. Increase, yes; but not double!

Of course, *any* increase in revenues (assuming margins stay constant) without a corresponding increase in operating expense will impact positively on profitably.

Scenario 1: Mid-sized firm (or division of large firm)

The numbers

Personnel	Salary	Headcount		Total Payroll	
		Current	Future	Current	Future
Salespeople	$ 120,000	10	2	$ 1,200,000	$ 240,000
Sales coordinators	$ 45,000	0	2	$ -	$ 90,000
Promotional coordinator	$ 45,000	0	1	$ -	$ 45,000
Customer service team	$ 40,000	2	5	$ 80,000	$ 200,000
Project leaders	$ 120,000	0	4	$ -	$ 480,000
Total headcount / payroll		12	14	$ 1,280,000	$ 1,055,000

Results	Current	Future	Change
Sales appts / salesperson / week	2	20	↗ 900%
Total sales appointments / week	20	40	↗ 100%
Operating expense (payroll)	$ 1,280,000	$ 1,055,000	↘ 18%
Incremental cost / appointment	$ 1,333	$ 549	↘ 59%

Rationale

Currently, 10 salespeople perform just 20 business-development appointments a week (2 each). The balance of their time is dedicated to customer service and project leadership.

Customer service quality is likely to be sub-optimal for three reasons:

1. The inefficiencies inherent in multitasking are causing salespeople to be overworked — meaning that they lack the focus required to effectively perform fulfillment-related activities
2. Salespeople are ill-equipped to perform customer-service tasks (they are hard for clients to contact and remote from Operations)
3. Because there is no clear delineation between the (customer-service) responsibilities of salespeople and members of the customer-service team, the latter have no choice but to take a back seat.

In the new model, the salespeople with the greatest technical expertise are converted into project leaders (a total of 4). Four salespeople leave. The two remaining salespeople are those with a breadth (as opposed to depth) of product knowledge and superior negotiation skills (almost certainly, these salespeople are also prepared to travel extensively).

Each of the remaining salespeople is provided with a sales coordinator.

Three new team members are added to the customer-service team (and customer-service representatives now engage proactively with customers.)

Finally, a promotional coordinator is added to interface with marketing (to ensure that marketing maintains a sufficient queue of sales opportunities).

The result is that the volume of business-development appointments increases by 100%, in spite of an 18% reduction in payroll expenses!

Scenario 2: Small firm

The numbers

Personnel	Salary		Headcount		Total Payroll			
			Current	Future	Current		Future	
Salespeople	$	120,000	3	1	$	360,000	$	120,000
Sales coordinators	$	45,000	0	1	$	-	$	45,000
Promotional coordinator	$	45,000	0	0	$	-	$	-
Customer service team	$	40,000	1	2	$	40,000	$	80,000
Project leaders	$	120,000	0	1	$	-	$	120,000
Total headcount / payroll			4	5	$	400,000	$	365,000

Results	Current		Future		Change	
Sales appts / salesperson / week		2		20	↗	900%
Total sales appointments / week		6		20	↗	233%
Operating expense (payroll)	$	400,000	$	365,000	↘	9%
Incremental cost / appointment	$	1,389	$	380	↘	73%

Rationale

In this scenario, one out of three salespeople is retained, and one is converted into a project leader.

A sales coordinator and a customer-service representative are added.

A promotional coordinator is not required because the existing opportunity flow should be sufficient to maintain one salesperson at full utilization. This assumes that:

1. The organization has an appealing product or service (if it doesn't, this is a new-product development issue, not a sales issue)
2. The elimination of *qualification* will significantly increase opportunity flow (while qualification tends to increase salespeople's conversion rates, it is undesirable because it impacts negatively on the volume of sales, the size of transactions and average margin)

The result is that the volume of business-development appointments increases by more than 200%, in spite of a 9% reduction in payroll expenses!

Scenario 3: Start-up or micro-business

The numbers

Personnel	Salary	Headcount		Total Payroll	
		Current	Future	Current	Future
Salespeople	$ 120,000	1	0	$ 120,000	$ -
Sales coordinators	$ 45,000	0	1	$ -	$ 45,000
Promotional coordinator	$ 45,000	0	0	$ -	$ -
Customer service team	$ 40,000	0	1	$ -	$ 40,000
Project leaders	$ 120,000	0	0	$ -	$ -
Total headcount / payroll		1	2	$ 120,000	$ 85,000

Results	Current	Future	Change
Sales appts / salesperson / week	2	12	↗ 500%
Total sales appointments / week	2	12	↗ 500%
Operating expense (payroll)	$ 120,000	$ 85,000	↘ 29%
Incremental cost / appointment	$ 1,250	$ 148	↘ 88%

Rationale

This scenario assumes a business with 10 or less employees (including the owner).

Our position is that:

1. A business this small is unlikely to be able to fund the sales-support infrastructure required to maintain a dedicated salesperson
2. Adding a salesperson without this infrastructure is an unacceptable business risk for a business this small (the rainmaker tends to end up calling the shots)
3. The day-to-day management of a business this small does not require a senior person

Accordingly, our approach in such a situation is to divide the owner's time between business-development appointments and project-leadership activities.

We will add a sales coordinator (effectively an *executive assistant*) who will insulate the owner from day-to-day distractions and ensure a consistent and optimal mix of the two activity types in the owner's calendar (business development and project leadership).

We will also add a customer-service representative

The result is that the volume of business-development appointments increases by 500%, in spite of a 29% reduction in payroll expenses!