

SALES FORCE AUTOMATION - THE LAST FRONTIER

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I. INTRODUCTION

Automated systems have become commonplace in almost every industry providing solutions in a variety of different application areas. There are scores of potential software alternatives for Accounts Receivable, General Ledger, Order Processing, and Inventory Control, but the whole area of automating the Sales Force is a concept that is just coming into its own. For many years salespeople have had to rely upon detailed recordkeeping and dogged determination to insure that sales prospects did not fall between the cracks. Additionally, management had very little way of accurately measuring the performance of marketing campaigns, telemarketing efforts, and their sales force as a whole. This paper will provide an introduction into the world of the fully automated sales force. We will discuss some basic philosophies as well as explore some of the features and functions that should be present in a sales lead management solution.

II. WHY AUTOMATE ?

There are literally dozens of reasons why a company should consider automating its sales force. Some of the major benefits are as follows:

- Provide a tool for the sales reps so that leads are appropriately and completely followedup
- Provide a tool for management to gain better control over not only the sales side of the business, but the entire business operation.
- Provides a beneficial Return-on-Investment
- System can provide an interface to the other automated applications in place
- Allows more comprehensive and detailed marketing analysis to be performed
- Provides a method to standardize the approach to sales, so that personnel turnover can be more easily managed
- Provide an easy way to import or handle mailing lists from outside sources as well as export information to other systems or companies.

The first of these benefits, a tool for the sales reps, can easily be put into perspective through the following graphic:

WHY DO CUSTOMERS STOP BUYING?

- 1% Die
 - 3% Move Away
 - 5% Buy from a Friend
 - 9% Buy from Competition
 - 14% Product Dissatisfaction
 - 68% Because of no contact or Indifference or Attitude of Sales Rep
- (Source: Edward Leader, Professional Sales Seminar 1981)

These are some pretty telling statistics. In short, the more leads that a rep can followup or touch on the more business they will generate. However, it can be an extremely difficult task to reach all the potential leads in an orderly manner, especially if the sales rep is already overburdened. An automated system can provide a rep with the tools to develop an organized approach to lead tracking.

Most good sales lead tracking software can generate tickler or action work files for reps to work off of. These files can be generated based upon followup dates, client interest, geographic location, product interest, and so on. This provides the rep with a more focused view of what they have to do for that day or week. The lists can be used to fuel either telemarketing operations or for personalized sales calls. The average cost for a sales rep to make a call in the U.S. is about \$300. Based upon this fact alone, it would appear wise to be able to selectively followup and track those leads that are of the highest potential. The following page is an example of one of the central screens in on-line sales lead tracking package. You can see the types of information that can be maintained by the programs. Everything is here at the sales rep's fingertips to make an well-informed sales call either on the phone or in person.

How does management gauge the success of their sales force? The obvious answer is through the numbers of orders placed, however what they don't know is what percentage of business fell through the cracks or was generated from various marketing campaigns. Additionally, due to the generally independent nature of sales reps, it can be difficult to standardize the approach to lead tracking. This can become a serious problem when an individual leaves their job. Quite often valuable time and energy is lost as people try to figure out what the rep has left behind, if they did leave something behind.

An automated sales lead tracking package can assist organizations with many of the problems mentioned above. Most packages will be able to track the origin of a lead. This can be extremely helpful, especially in evaluating the success of a particular marketing/advertising campaign. The typical example would be an ad that generates a lot of "bingo card" type leads, or requests for product information. An automated system can help determine what percentage of those leads actually led to a sale as well as what the overall potential of these were. Additionally, lead tracking software has the ability to handle a large influx of leads that could be a result of a major campaign.

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*****
MODE:F ACTION:L          ***** M1101
*FRT                      * TRANSACTION - TRAN          * 05/27/88
* TRX NO: 0000005E-00          *****
* DEMO #: 00000000E-00          02 DEMO: 1101
* CONTACTS:CC SYGARD,          ,MAIL 04
          SO:
          607-766-7011 1234
*
* REF: LUCIA          REF 1:
*00 PRODUCT:TERMINAL -Digilal VT220          07 ANT: 2,368.32
*00 STATUS:CL 05 PRT: 80X 10 LEAD SRC:MAIL-RV MAIL
*11 START DT:02/15/88 12 END DATE:01/01/89 PIPELINE:
*13 REMARK: 14 OPEN/CLOSE: 0
*****DATE***** C O T E S *****
*
*00010 05/27/88 REACHED THE OWNER AROUND SIX PM. WAS VERY INTERESTED
*00020 IN PURSUING A LONG-TERM RELATIONSHIP. BOTH HE AND
*00030 HIS WIFE LOVE BOATING AND FISHING. LOOKS LIKE A GOOD
*00040 PROSPECT.
*00050 X
*00060 X          LUCIA
*15 LAST FOLLOW DATE:02/15/88 16 NEXT ACTION:
*17 FOLLOW-UP DATE:02/18/88 18 FOLLOW-UP TIME:
*SF6=DEMO, SF7=PIPE, SF8=CON, SF9=LIT, SF10=NOTE, SF11=UDF, SF12=FLY, SF13=DEMX
*
*****
LOGON ID: MTPDEMO          PORT ID: TXA1:

QUICK504C L4 M1101S1.QKC(88/05/25) QDESIGN504C VT220 (c) COGNOS INCORPORATED.

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Management should view sales force automation as a tool, in the same manner the sales rep does. By having access to all the leads for an organization, management can accurately create forecasts, measure rep performance, and standardize its approach to lead followup. The key here is the increased level of control automating the sales force can bring to management. In this way it is no different than automating a manufacturing facility. Organizations often pursue this path in an effort to control costs and analyze more data, and it is no different with sales lead tracking systems.

Management should also be impressed with the return-on-investment figures that usually correspond to automating the lead tracking functions. The following pages represent some models that can be used to evaluate the ROI figures. We will start small and think about a company with annual sales of one million dollars and a software package that costs \$14,400. You can see that even at a 5% increase in business the ROI figures are amazing. That 5% figure is much lower than many statistical surveys have shown. In fact, Sales and Marketing magazine found productivity increases averaged 43% (Summer 1987) with the introduction of an automated sales lead tracking system. The ROI figures coupled with the benefits mentioned before make a pretty compelling argument in favor of automating the sales force.

III. Philosophies and Approach

There is a school of thought that believes that sales force automation is best achieved through the use of microcomputers. We do not believe this to be the case especially in the HP environment. A centralized IMAGE data base allows sharing of information and files much easier than with PC's. One of the goals of sales force automation is that of management control. By having a central receptacle for data, this is more easily achieved. The central data base concept can also have implications as to how the system can interface with other automated applications. MIS should not view the sales lead tracking data as simply an "island of information". It is possible to feed order entry as well as accounting systems, and manufacturing systems the information generated by an automated sales tool. Conversely, the sales software should be able to "import" information from other data base applications. This entire concept will allow easier generation of management reports and development of inquiry subsystems.

Eventhough we advocate a centralized data base approach to sales lead software, the package should have the ability to "export" information to other processing options, ie. another HP3000, Vectra, or Portable. The concept can be thought of distributed processing with an interface to the host. Lets consider an example. A sales rep is in the field. He/she downloads a list of leads from the corporate office to a PC. The leads are managed, tracked, changed, and more are added. At the end of the day, week, month or whatever they upload those leads to the corporate office. The leads can still be maintained on the remote workstation, but the home office can evaluate them for forecasting and other analysis.

Return on Investment Example
per \$000 in Annual Sales Volume
(Manufacturer Profile Assumptions)

	Current Base Amount	(Choose one below) <-----Increase in Sales Due to-----> Automation				
		5%	10%	20%	30%	40%
Sales	\$1,000	\$1,050	\$1,100	\$1,200	\$1,300	\$1,400
Manf. Cost of Goods	500	525	550	600	650	700
Gross Profit (50%)	\$ 500	\$ 525	\$ 550	\$ 600	\$ 650	\$ 700
Selling Expenses (20%)**	200	210	220	240	260	280
General & Admin. (Fixed)	200	200	200	200	200	200
Net Profit before Taxes	\$ 100	\$ 115	\$ 130	\$ 160	\$ 190	\$ 220
Net Increase over base	---	15	30	60	90	110
Percentage Increase over base profit due to Software	---	<u>15%</u>	<u>30%</u>	<u>60%</u>	<u>90%</u>	<u>110%</u>

** Worst case assuming all selling costs increase as the sales productivity increases. In actuality, some of these expenses will remain fixed at a lower level.

Return on Investment Example
Software Calculation Examples
(Manufacturer Profile Assumptions)

	<----Increase in Sales Due to----> Automation				
	5%	10%	20%	30%	40%
<hr/>					
Case: \$1,000,000 Annual Sales					
1. Increase in annual profit	15,000	30,000	60,000	90,000	110,000
2. Annual support fees	2,400	2,400	2,400	2,400	2,400
3. Software	14,400	14,400	14,400	14,400	14,000
<hr/>					
(1. minus 2.) divided by 3. % = RIO					
	90%	191%	400%	608%	747%
3. divided by (1. minus 2.) times 12 =					
Payback in months	14	6	3	2	1

IV. APPROACH

As with any other system, the software functionality should be the primary driver as to what system should be put together. The functionality of sales lead tracking software is different from many systems that may go into a data center. It is important that the projects aimed at decisions of what packages to implement, incorporate the sales force in their process. Because sales lead tracking is a relatively new concept, not many MIS people understand all the ins and outs. It is currently a speciality unto its own. Before implementing a new system make sure that all the bases have been covered with an individual that knows these types of systems.

The functionality that needs to be present in sales force software is going to vary from organization to organization. There are some basic pieces that should however be present in every one of those systems. Most importantly the system must be easy for the sales rep to use. This implies more than just user-friendliness. Flexibility, speed, and as few keystrokes as possible are all vital components of this. If the system is not easy to use, you will never get your sales reps to use it. The more the reps use the system the better sales results will be and the more the overall data will be helpful to management.

Some additional features/functions that should be present in an sales lead tracking package are:

- Ability to import mailing lists from third party or outside sources
- Creation of tickler/action fields to zoom in on only relevant data
- Ability to store free-form text easily along with lead information
- Ability to perform literature fulfillment and mailing labels for mess mailings
- Should be able to generate batch letters as well as customized letters on the fly
- Should have the ability to look at data a variety of different ways through keys
- Ad-hoc reporting features
- Flexible security so that there is no problem with reps stealing information from one another, but management can view all relevant information
- Ease of interface into other existing data processing applications

These are just a few of the major things to look for in a sales automation package. There are many more things which could be of importance to your own shop i.e., interface with graphics, audit trails, data dictionary, documentation...Just remember flexibility and ease of use are of primary importance.

Conclusion

It is our belief that the time to automate your sales force is now. Those organizations that do will have a competitive edge over their rivals. Most of the other major functional areas in an organization have been automated, the sales force and lead tracking areas represent one of the last frontiers in data processing. The ability to get a handle in an organized way of how your reps are performing, while at the same time giving your sales force a powerful tool, is a temptation all MIS directors should take seriously.