The 2011 Sales Optimization Insights Series:

Revenue 2012: Making it Happen Versus Hoping it Happens

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INTRODUCTION

This is the time of the year where CSOs have to wear two hats. We always envision the first one as an army field helmet, focusing us on the fact that we still have many things to execute on in order to hit this year's number. But we'd better also be putting on our "thinking cap", and giving serious thought to how prepared we will be on January 1st to start a new campaign all over again.

What do we know already about 2012? The first thing is that odds are very high that revenue targets will go up yet again, as they did for over 95% of the 2,000+ firms CSO Insights surveyed last year as part of our annual Sales Performance Optimization (SPO) study. A second thing is that while we can hope the economy gets much stronger and much more predictable, we'd better not count on it as the tide that lifts all boats. Instead we should determine what matters we need to take into our own hands to ensure success for next year.

There is an old military adage that says "Proper prior planning prevents piss-poor performance!" In this white paper we will present three questions you should include in your 2012 planning process. If you answer them fully you will significantly increase the odds that you will not only meet but exceed your revenue targets next year. If you fail to do so, you may well find yourself having more Maalox Moments than you'd like in 2012.

QUESTION #1: IS OUR REVENUE TARGET VALID?

Whether the revenue goal is something given to sales by executive management and/or finance, is developed by sales unilaterally, or is created via a joint effort, once it is defined it needs to be validated. The first step to take in order to do this is to compare your new revenue objectives to your recent historical sales performance. By that we mean that over the past months and quarters, as you have been selling, the marketplace has been giving you priceless feedback in the form of wins, losses, and no decisions. What can those experiences tell you?

As you analyze past opportunities you should be able to determine the following:

- Conversion of Leads to 1st Calls
- Conversion of 1st Calls to Presentations
- Conversion of Presentations to Proposals
- Win Rate of Forecast Deals
- Average Deal Size
- Number of Calls to Close a Deal
- Sell Cycle Length
- Average Margin
- Average Renewal/Reorder Rate
- Etc.

With those real world metrics in hand, you can now look at your 2012 revenue target through the lens of obtainability. How many sales, of what products, at what deal sizes, at what margins, can a sales rep do based on the conditions that exist today?

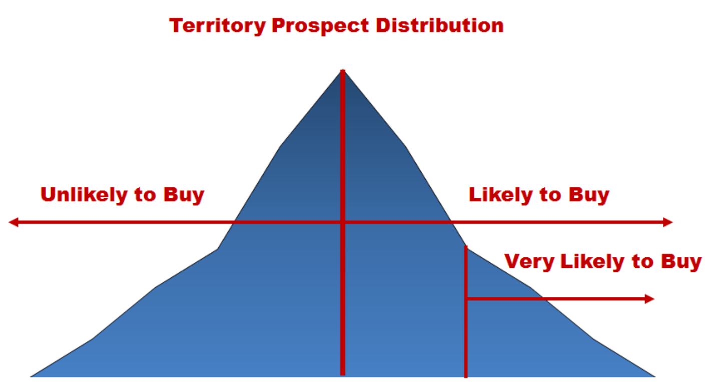
Going through this exercise will bring you to one of two realizations. First, the numbers add up and you can see a way to achieve your new goal. Or second, they do not add up in a way that makes you confident that the targets are realistic for your reps, your sales team, and the company as a whole. While finding that the answer to number two may be troubling, it is much better to know the facts now—as opposed to six months into the plan next year—because you can now start modeling what needs to change in order for the numbers to be achievable.

What if you added more reps? What if you increased investments in lead generation to create more opportunities? What if you reduced the no decision rate by a few percentage points, or increased your win rates against competitors? How about figuring out how to remove some of the admin burden from your salespeople so they have more time to actually sell? We have found a number of resources that can help you answer this first question. Two that we can recommend are Sales Revenue Forecasting Planner and Pipeline Calculator from 3FORWARD, which are easy to use and free. The following is the link to those tools: http://3forward.com/resources/ (scroll down to the "Tools" section).

However you do it, it is imperative that you take the time to figure out a formula for success. That may very well require a discussion with the CEO, CFO, or even the Board to either reset expectations or make additional investments in people, process, technology, and/or knowledge to meet the original revenue objectives. We aren't advocating creating a goal that requires no effort, but it also should not be something that you cannot see a logical way of achieving either.

QUESTION TWO: DO WE KNOW WHO OUR BEST PROSPECTS ARE?

Once you have defined an approach that considers the optimal deal mix to meet your 2012 revenue targets, the next step is to determine which accounts these deals will come from. To help frame this exercise, consider the following diagram:



In any given territory we intuitively know that there are certain prospects that are more likely to buy from us than others. But do we know exactly who they are? And if we do have that knowledge, can we further segment those accounts into likely and very likely to buy so we focus on the best of the best potential opportunities first?

Here again, a little analysis can help surface insights into which prospects we should target most of our attention on. Going back to look at past wins, losses, and no decisions, we can create a perfect prospect profile by analyzing the make-up of these deals. Specific things to look for are:

- **Industries**: Are there certain vertical segments of the market you are more successful in than others?

- **Stakeholders**: Are their certain job functions you can more successfully interact with than others?

- **Problems**: Are their certain challenges that you solve more efficiently or effectively than others?

- **Competitors**: Does going up against a given competitor increase or decrease the likelihood you will walk out with the order?

- **Co-Requisites/Prerequisites**: Are there other factors that need to be in place for you to have a higher than average chance of closing the deal?

Going through this analysis improves two areas of performance. Not only does it help sales management and the reps on their teams better prioritize which accounts to invest their time on, it also can provide very useful insights for marketing as well. If they know the top 20% of all the accounts that your company should target, marketing can invest more in generating leads from those prospects firms, and thus help fill the pipeline with the best opportunities to start with.

QUESTION 3: IS OUR LEAD MANAGEMENT PROCESS OPTIMIZED?

Now that the “who” has been appropriately identified, the focus should move to successfully generating interest within those prospect accounts to motivate someone to agree to talk to a salesperson. CSO Insights’ Lead Management Optimization (LMO) study recently found that only 30% of companies have noticeably increased their marketing budgets for the coming twelve months. So when doing “more” is not an option, how do we do “better?”

To learn where and why your current lead management strategies and tactics are generating suboptimal results, one thing you can do is staple yourself to a prospect account name, and then see how you get handled. For example, if the CIO of IBM was identified as one of the key profiles to focus on, then invest the time to evaluate your sales intelligence capabilities. Do you know who that person is? Can you identify their key direct reports? Do you have details on the challenges they are facing? Have you solved similar problems for other peers? And so on.

Ensuring access to relevant, accurate sales intelligence is a challenge for many firms. If the quality and quantity of your customer and prospect data is poor, then you need to determine ways to improve it so that your sales and marketing teams have the insights needed to engage the right people with the right messages.

And what if you get a lead? Do you have a lead scoring process in place to help you gauge if this is a deal worth pursuing or not? Your perfect prospect profile is one template you can use, but there are other things to consider in rating the lead, such as the types of touches you have had, the actions the prospects have taken, past dealings you have had with that account, etc. Formalizing a lead scoring process has been proven to increase the likelihood that a deal is followed up on, that the follow-up converts into an opportunity, and that the opportunity ends up as a deal.

A third area to inspect is how you handle incubating leads when the timing to start a buy cycle is not right. Only 28% of the firms we surveyed as part of the LMO study had a formal lead nurturing process in place. This should be 100%. Our benchmarking has shown that this is a best practice that can help generate more leads over time from a given campaign, increasing the return on your marketing investment by putting more opportunities into the sales pipeline.

So for your company, what makes the most sense? Should sales handle the incubation task, should marketing, or should it be a shared responsibility? Regardless of who owns it, what are the specific steps that should be taken with each prospect to nurture them over time? And how can you track buyer interest to know when the time is right to reengage? If you can get your arms around this, you can have a significant impact on generating more deals to pursue.

IS THE WORK REALLY NECESSARY?

At this point, you may be thinking that answering these questions is not nearly as simple as asking them. Couldn't you just keep doing what you have been doing? Let us share with you the cost of doing nothing.

Going back to our study data, we did an analysis of the firms we surveyed who excel at determining which prospects to target and how to effectively engage them, as opposed to firms that are average or need improvement at answering these questions. Let us share some key metrics with you on how the 9.7% of firms who were best-in-class at this aspect of planning compare to the rest of the pack:

Sales Performance Comparison	Prioritize/Engage: Average or Needs Improvement	Prioritize/Engage: Exceeds Expectations
Conversion Rate of Lead to 1st Discussions >75%	17.4%	31.0%
Percentage of Reps Making Quota	57.8%	68.1%
Percentage of Overall Revenue Plan Attainment	81.9%	88.8%

The numbers are fairly compelling. Doing great go-to-market planning significantly contributes to the creation of more opportunities. This then leads to more reps making their numbers, increasing the odds the company, as a whole, will hit its number.

One other factor our analysis surfaced was a noticeable difference in sales rep turnover. The best-in-class group reported a sales turnover rate of 17.6, compared to 25.4% for all other firms. Other studies we have published have found that reps like working for a predictable company, so investments in go-to-market planning can pay off in the form of less churn in the sales force.

RECOMMENDATIONS

In uncertain times, planning becomes a requirement versus a nice-to-do. So let us leave you with the following suggestions:

1. While we are all busy, you need to pull together a team to deal with the three questions we outlined in this paper. We strongly recommend that this team have some members who have no vested interest in the status quo. So get representation from other divisions to help in your group's planning, or get some resources from outside your firm, to ensure the team's judgment is not blinded by a "this-is-how-it-has-always-been" mentality.

2. Base your analysis on metrics, not hunches. Determine the percentage of reps that have been making quota, your projected turnover rate, new rep ramp-up time, win/loss/no decision rates, etc. Mining the gold in your CRM, marketing automation, and ERP systems can be a great source of data that you can use to model the current state of your sales and marketing organizations.

3. Bring more science to the art of pipeline creation and management. Create processes for account targeting so you target the right prospects. Leverage lead scoring and lead nurturing processes. Leverage technology to then track the disposition of leads through the sales cycle so you can fine-tune and enhance your lead generation efforts over time.

The effort you invest now will pay significant dividends for 2012. Questions or comments on this analysis can be directed to:

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