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# theSales Performance Journal

VOLUME 4 - ISSUE 2

> NAVIGATING TO  
BETTER SALES

MILLER  
HEIMAN®  
The Sales Performance Company

# the Sales Performance Journal

VOLUME 4 - ISSUE 2

## **The Miller Heiman Sales Performance Journal, Volume 4, Issue 2**

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## The Trends that Matter Now

These days, you can't sit around and wait for the perfect pitch to cross your path. The changing selling environment presents trends you must deal with now to be positioned to advance when conditions improve.

Sales leaders need to consider how their organization should address both the trends that influence today's market and those that are born from it. This special edition of Miller Heiman's *Sales Performance Journal* provides insight into things you may encounter in the near future, if you haven't already. Bob Miller, founder of Miller Heiman, explains how accurate forecasting is something obtainable that organizations must master in order to survive. Don't miss two great articles on how to manage two trends that are gaining momentum: self-diagnosing customers and the rise of the sourcing and procurement functions in *The Dangers of Customer Self-Diagnosis: Halting an Accelerating Trend* and *The Dark Horse of Opportunities: RFPs Re-Enter the Race*. We've also included a research-based article from guest contributor, Integrated Sales Executive Council, that takes a look at the type of salesperson who is most likely to win customers in the current marketplace.

Regards,



Sam Reese  
President & CEO, Miller Heiman, Inc.

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## navigating to better sales

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# How to Forecast Sales Accurately

by Bob Miller, Founder, Miller Heiman

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**The conventional wisdom:** “Sales managers can’t forecast accurately because there are too many uncertainties involved.”

**The reality:** “Sales forecasting can indeed be turned into an accurate, reliable process.”

Judging by the continual news of company after company missing its quarterly numbers, you would easily be forgiven if you thought businesses had no clue how to forecast their sales. Every week seems to bring yet another headline of a firm that missed its quarterly numbers because of some unexpected shortfall in demand for its products. Wall Street is generally unforgiving of such lapses, punishing the company with a drop in stock price.

Consider what happened to Motorola. After lagging behind Nokia for years, the company had been gaining ground in 2005 and its share price had risen 31 percent. Everything looked rosy the following year as Motorola continued to increase its market share and its stock jumped another 16 percent. But the company hit a snag in the third quarter. It reported revenues of \$10.6 billion, which was a solid increase of 17 percent from the same time period in 2005. But those numbers fell short of the company’s forecasts and analysts’ estimates of \$11.1 billion. CEO Ed Zander explained that the lower sales were due in part to an unexpected delay in capital spending by customers in Europe, the Middle East and Africa. In spite of his reassurances, the market response was swift and unyielding. A day after Motorola announced the shortfall, its stock price fell \$1.21 to close at \$23.64, a drop of nearly 5 percent.



Forecasting is becoming all the more difficult because customer loyalty is on the wane. Global competition has increased such that companies are less sure of where future sales will come from. Moreover, distribution channels have become more complex and the lifespan of products has decreased, all resulting in greater uncertainty. Indeed, research by Sales Benchmark Index has found that roughly two-thirds of all sales forecasts have a margin of error that exceeds 25 percent. Amazingly, more than 10 percent of forecasts have a margin of error of greater than 75 percent! <sup>1</sup>

Many companies continually suffer from sales forecasts that are inaccurate and unreliable. When projected numbers are unrealistically optimistic, manufacturing divisions ramp up operations for products that end up sitting in warehouses collecting dust. Or, conversely, the demand for a hot item shoots through the roof but the company is caught off-guard, thus missing a crucial window in the market. And it's not just big mistakes that hurt the bottom line. Sometimes even a small increase in the accuracy of your forecasts can lead to substantial savings because your distribution chain will be returning fewer products, thus decreasing your shipping, handling and storage fees. For large corporations, such savings could amount to millions of dollars. <sup>2</sup>

Let me put it this way: I have never heard a CEO or senior manager complain that the forecasts from his or her sales group were too accurate, but I have heard countless execs grouse that they simply couldn't rely on their company's sales projections. An inability to forecast sales usually means you've lost touch with your customers - a deficiency that can lead to disaster when the market makes a turn in one direction and your firm is still headed down a different path. The result: You end up developing and marketing products nobody wants.

It's a cop-out for sales managers to claim that sales forecasting is inherently impossible. The simple truth is that

companies can indeed reliably forecast their sales, and all the leading organizations do it because they absolutely need that crucial information. Otherwise, a business can't be run efficiently. How, for example, can the manufacturing department plan its resource allocation without knowing the volume of shipping orders for the upcoming quarters? The trick to accurate sales forecasting is having the right system in place.

### Understanding the Sales Funnel

The typical sales process is like a funnel. At the bottom are deals that you've almost closed. In the middle of the funnel are other prospects that are in the works. Above the funnel are numerous leads that need further investigation.

Each location of the funnel (bottom, middle or above) has a quantitative metric for the likelihood of the deal closing in a given amount of time. That period can be based on a typical sales cycle. Let's say that the typical sales cycle for your products is eight months. Your potential deals at the bottom of your funnel might generally have a 70 percent probability of closing within half the sales cycle. Your prospects in the middle of the funnel might have a 40 percent chance of closing within that time. And your prospects above the funnel might have just a 10 percent chance of becoming a finalized deal within the typical sales cycle.

To obtain an accurate projection of your sales, categorize every deal into the right location (bottom, middle or above) of the funnel, along with estimates of the size of the potential order. Then add up the value of the opportunities for each location of the funnel and apply the appropriate probability and time period. The total sum of those numbers is your sales forecast. Some may be skeptical about how such a simple concept could be effective in practice, but I have seen numerous companies dramatically improve the accuracy of their sales forecasts by implementing it.

Consider the operations of a large aerospace company that was having trouble years ago because its sales projections were all over the map – the average accuracy was just 35 percent. Then the company implemented a program that taught the fundamentals of funnel management. To begin with, managers clearly delineated and codified specific criteria that helped define prospective customers. Leads had to meet specific objective criteria before they could move to the middle of the funnel. The company conducted formal reviews each week to ensure all the salespeople were using the new system. Within just one quarter, the accuracy of the company’s sales forecasts had improved to 60 percent, eventually exceeding 75 percent. That change saved millions of dollars annually because the manufacturing group was able to allocate its resources more efficiently to plan better for future orders.

Of course, that aerospace company didn’t just implement the system and magically have the accuracy of its sales forecasts improve. Although simple in concept, the sales funnel takes a concerted effort and sustained commitment from everyone in the sales organization. And, as with other kinds of similar initiatives, the devil is definitely in the details of implementation.

### Managing the Sales Funnel

You must first classify your customer opportunities accurately - easier said than done. Many sales professionals fool themselves into thinking a deal is closer to being closed than it really is. You need to get them to be realistic by requiring good metrics, both qualitative and quantitative. Everyone has to agree to the criteria, and each person has to abide by them. You should consider having a standard form for salespeople to fill out for each solid lead, especially for potentially large deals. That form would include questions that help determine the location of that opportunity with respect to the sales funnel.

### Consider an acronym like “DUNCE”

- D:** The customer has *dollars* allocated to pay for the project.
- U:** There’s *urgency* on the customer’s part.
- N:** You understand the customer’s true *need*.
- C:** You have *coaching* in place.
- E:** The identity of the *economic buyer* or final decision maker is known.

The criteria should help managers refrain from second-guessing the sales estimates from their staff. “Because Roger always estimates low and sandbags his numbers, I’ll adjust his forecasts upward by 20 percent. And because Marcia is always wildly optimistic, I’ll cut her projected sales by half.” The funnel criteria, when selected properly, will help prevent adjusted numbers.

But you also need someone in charge of the funnel system to ensure that all the salespeople are using it and that everyone is abiding by the same criteria, someone who can hold people’s feet to the fire. The important thing here is that person has to have enough clout to hold people accountable for their individual funnels.

The funnel “meister” should be empowered to hold people accountable. If, for example, customer prospects have to have a 50 percent probability of closing before they can be placed in the middle of the funnel, then a salesperson who is closing just 25 percent of those deals needs to be taken to task. Could that salesperson, for instance, be prematurely placing those leads into the middle of the funnel before they’ve been properly qualified? That’s why the criteria need to be specific enough to make such assessments, and you need at least three or four for each funnel location. Interestingly, experienced sales managers usually know what those criteria should be because they have a sense for the typical obstacles that tend to hold up deals for their company’s products.



Large businesses should consider having a different funnel for each major product line, especially as some products have different selling cycles. Additionally, they might need to have a separate funnel for each major geographic region, such as North America, Europe, and Asia Pacific. The criteria need to reflect changing markets. In normal times, for example, your sales cycle might be six months. But in a recession, that time period could easily balloon to over a year. That's why in volatile markets you're better off using a sales cycle that is adjusted using a moving average over several cycles or, better yet, a weighted moving average that places more emphasis on recent periods of time. In addition, remember that your sales cycle is just an average. In general, larger deals will tend to take longer to close because they will usually involve more people in the approval process. Also, sales to new customers will typically take much longer than sales to existing accounts, especially when those deals involve products that are new to the market.

When implementing a funnel system, companies should consider having at least weekly meetings for people to give updates of their funnel activity. Peer influence helps keep people honest to their commitments. The real power of the funnel comes over time when people can track the progress of various potential deals, and they can identify what's stalled to develop a plan of action for moving prospects along.

### Common Traps

World-Class Sales Organizations (those defined by Miller Heiman as more likely to produce better results in several key metrics such as sales force quota attainment and number of qualified opportunities and leads) place a value on process, and accurate forecasting should always be part of that process. To improve your forecasting, the use of the sales funnel concept can help tremendously, but implementing it takes concerted effort and an awareness of potential pitfalls. In particular, companies should be on the lookout for the following common mistakes:

**1. Allowing prospects to “whirlpool.”** Every sales organization has customer prospects in the middle of the funnel that go round and round but make little progress toward moving to the bottom and getting closed. You might have an uncovered base, such as a key executive at the customer company who is unconvinced of the need for change.

**2. Confusing selling with buying.** Remember that the selling process has seven basic steps: 1) target prospects, 2) qualify leads, 3) cover the bases, 4) make proposal, 5) close deal, 6) fulfill order, and 7) up-sell and cross-sell. The buying process also has seven basic steps but they are markedly different: 1) monitor status quo, 2) recognize the need to change, 3) define problem, 4) evaluate options, 5) select best solution, 6) implement solution, and 7) assess value of solution. The problem is that there's often a mismatch in where the seller is versus where the buyer is. The classic mistake occurs when the seller is on step 5 (ready to close the deal) while the buyer isn't even on step 2 (that is, the customer isn't fully convinced that he has a problem).

**3. Treating all products the same.** Companies should consider ranking their product lines (i.e. order of potential revenues or profits) so they can spend more time tracking and forecasting those products that will have a bigger impact on the bottom line.

**4. Not making special allowances.** Sales forecasts based on the funnel concept will be accurate if you have numerous prospects that are all about the same order size. In such cases, the law of averages will prevail: some prospects will drop out while others will reach fruition so things eventually even out. When some of your sales opportunities are much larger than others, separate them from your forecast, perhaps by placing an asterisk next to your quarterly projection. Deals that represent substantially more in revenue gain often require their own individual funnels so they can be tracked separately.

**5. Failing to properly prioritize activities.** In general, salespeople tend to work the funnel from the bottom up, concentrating on the surest opportunities first and leaving the less certain stuff for last. That approach might seem to make sense, but the truth is that it leads to unnecessary volatility. Sales professionals soon realize their funnel is drying up. Panic then ensues, as everyone scrambles to find new business. Finding new leads could take months, and working them down the funnel requires more time - a lag that could result in a sales shortfall and missed forecast. To prevent that, always prioritize the three areas of the funnel in the following way: bottom, top and then middle. The only way to ensure prospecting gets done is to prioritize it ahead of the work that needs to be done in the middle of the funnel.

**6. Not having a funnel “meister.”** You need someone in charge of the funnel system with a lot of clout and who knows the process and customer accounts. This person needs to keep people honest by asking questions like, “How can this customer be in the middle of the funnel when you don’t really know the final decision maker?” In other words, the funnel meister can’t just blindly accept information from salespeople. He or she needs to constantly question funnel info because salespeople are absolutely notorious for being overly optimistic about their prospects.

**7. Making the funnel process burdensome.** On the other hand, you don’t want to make the funnel process an onerous or thankless chore. The funnel has got to be a tool that enables the sales force to work more efficiently and effectively. Otherwise, people will do everything they can to avoid using it. The trick is to integrate the funnel process with what the sales force already does. Many companies, for instance, use an internal process to track the status of customer prospects. Much of the information required by a funnel review can be obtained from such a system. For example, Miller Heiman Blue Sheets typically require salespeople to fill in the names of key decision

makers at a customer account - information crucial for any funnel review. Important data can be transferred directly to a customer relationship management (CRM) system that many companies already use. Miller Heiman’s sales planning and communication tool (*Sales Access Manager<sup>SM</sup>*) enables salespeople to avoid having to re-enter data; they only need to enter it once into an electronic version of the Miller Heiman Blue Sheet and the information is automatically to a CRM system. CRM applications typically have the capability to perform sales forecasting, and that information can be used in your funnel reviews.

**8. Over-relying on CRM.** That said, sales organizations must be careful about relying too much on data from a CRM system. As with any type of application, the software is only as good as data input. When a CRM application is too cumbersome or difficult to use, salespeople will often input information without really thinking about what they’re doing because they just want to get the task over with. Inaccurate information can lead to inaccurate forecasts. To prevent that, sales managers have to be involved in the design of the CRM tool and should never completely relinquish that job to the IT department. If they do, they risk ending up with a system that salespeople don’t really take seriously because the perceived benefits do not outweigh the effort required to use it. A good rule of thumb is that, if you can’t teach salespeople the basics of how to use a CRM system within five or ten minutes so that they can hit the ground running (later, they can learn additional functionality), then the system is probably too complex. Any sales application needs to be intuitive enough so that people can essentially learn how to use it simply by using it. And ideally the software should interface with other tools that your salespeople regularly use, such as Microsoft’s Outlook, as well as portable devices like iPhones and Blackberrys. In short, both usability and accessibility are crucial.

Sales forecasts will always have some degree of uncertainty. After all, predicting the future is, at best, an



inexact science. Indeed, you can't foresee and prepare for every possible contingency - nobody's crystal ball is ever that clear. But the sales function is a definable, repeatable process that can be tracked and managed using a simple concept called the sales funnel. And if a process can be tracked and managed, it can be monitored to extrapolate the future from the present. ■

### About Bob Miller

Bob Miller co-founded Miller Heiman Inc. in 1978. Bob developed the initial *Strategic Selling*<sup>®</sup> program in the early 1970s and has continued to develop new content and relevant sales courses, all of which were incorporated into Miller Heiman, Inc. He continues to work with Miller Heiman today in a consulting and advisory capacity, focusing primarily on thought leadership.

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<sup>1</sup> "Manage or Damage: Is Your Funnel Ratio Up to Par?" (Miller Heiman Sales Secrets, 2008).

<sup>2</sup> Chaman L. Jain and Mark Covas, "Thinking About Tomorrow: Seven Tips for Making Forecasting More Effective," Business Insight (The Wall Street Journal and the MIT Sloan Management Review, July 7, 2008).



# The Dangers of Customer Self-Diagnosis

## – Halting an Accelerating Trend

by Richard Blakeman, Sales Vice President, Miller Heiman

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I've had the same family doctor for more than 20 years - the kind of doctor you can actually have a conversation with as both a friend and as a valued advisor and professional.

During a recent visit I asked about his business – what was going on with his practice and profession. I expected to hear about malpractice insurance, health care policy or the challenges of dealing with the changing financial landscape. What I got was something entirely different.

“The web is driving me crazy,” he began. “Patients are self-diagnosing, going to this and that website to explore their symptoms. They come to see me thinking they know exactly what is wrong with them and precisely

how to treat it. They tell me that, in effect, they just need me to prescribe the drug they've already researched to solve the problem they're sure they have.”

With the onset of easier, faster access to company information, much the same can be said for buyers in today's sales community. This trend has manifested among prospective clients, new engagements, and even long-time and loyal strategic accounts. In fact, those customers who have worked with your organization for some time are often more susceptible to self-diagnosing. They may feel they thoroughly understand your business and prescribe a solution from your company's cache of offerings – despite not having scoped out true business needs or assessing fit between goals and product.



## Symptoms, Diagnosis and Treatment

Each day demonstrates how this trend of customers and clients exhibiting self-diagnosing behavior is prevailing. Customers continually report that they:

- Know exactly what they need
- Have corralled what they firmly believe their options are
- Decided what they want to buy from you, on which terms and at what price

Today's instant availability of information creates opportunity and risk: the opportunity to know more, faster, and better, and the risk of mis-interpreting needs so much that the wrong solution is proffered. For the sales professional, a larger risk lurks among self-diagnosing customers: the risk of being commoditized down to price and having the value of knowledge and experience reduced to nothing.

Typically, three common symptoms of this are observed. They can be recognized and prescribed proper doctoring, or appropriate sales strategies and tactics that can respond effectively to this trend and leverage it for success for all parties.

### Symptom 1: They Think They Know

The most common early symptoms of this challenge can be identified quickly. Inquiries typically come from lower level, more technical buying influences. They may describe themselves as being at what seems to be the final stage in their buying process, selecting the best among their own pre-conceived alternatives.

In a slightly more advanced circumstance, the initial contact may be symptomatic of a "beauty contest" – a one time opportunity to propose and present along with a small number of other competitors (whether through

a Request For Proposal or not) – with no apparent opportunity to do any further due diligence or selling.

The immediate reaction we see amongst sales professionals is unfortunately the least effective: defensiveness. Rather than instinctively launching into a sword fight with the customer, sales professionals must instead demonstrate the kind of customer-focused skills that will differentiate them from competitors. The first action should be a check and enhancement of the organization's and the individual salesperson's credibility.

Is there credibility with the customer's organization and individuals? What can be done to enhance it? Weak credibility limits the ability to alter the perception a customer might have of a needed prescription

Don Jeffries, vice president of sales at Fox Home Entertainment, uses the word "stratactical." This term describes the mix of tactical actions and support strategies that are necessary to drive customer success. When customers think they know what they want and need, one way to break through is to connect the tactics to the strategies. What is the pre-determined solution helping them accomplish, fix, or avoid? How is that tied to the key strategies being driven by leadership? If the answers to these questions are not known, or not forthcoming, then you have an immediate opening to probe and push farther back up into due-diligence and understanding of the customer's concept.

A leading hematologist describes a recent patient circumstance: "I have a cancer patient who came to me having read everything there is to read online about her condition. She questioned my professional opinion, did seven spreadsheets on the options – and in the end she was paralyzed, frozen and unable to do anything or make any decision. She purely knew too much, or thought she did."

There are times when this symptom, paralysis by analysis, comes at the end of a mind-numbing investigation of solutions – whether they are certain of what problem they are trying to solve or not. Their self-diagnosis causes them to freeze, at whatever stage in the buying process they may be in. The easiest path to a smooth thaw may well be a set of precise questions, helping the customer clarify the underlying needs and business conditions. Instead of a devout focus on existing solutions, customers need help navigating down a path that will uncover their desired business results.

### Symptom 2: Shopping the Incumbent

In some cases the self-diagnosis is driven by a more specific motive that may significantly decrease your odds of winning from the beginning.

Your customer may be using you to leverage the incumbent provider. The flavor of the inquiry is the same but the purpose is not. It may have little or nothing to do with your credibility or your value proposition. Likewise, the approach toward these customers should be tailored.

Rick Harper, vice president of sales at Covidien, puts it this way. “Changing suppliers and technologies takes risk, an individual risk, when it comes down to it,” he says. “It’s an individual coach and champion taking the personal risk of promoting change.”

Harper mentions that when his team sees a competitors’ customer bring a self-diagnosed solution to his team, seemingly ready to purchase, their first checkpoint is credibility and influence.

“Do we have an internal coach that has the credibility and the influence to successfully sponsor the commitment it will take to change,” he asks. “Or are they just shopping us to drive down the incumbent’s price?”

The key here is to understand a customer’s motive, and assess the likelihood of winning almost immediately. How much resource can your organization afford to apply? Is there a unique way to leverage the opportunity?

### Symptom 3: Drawing a Line in the Sand

The most dramatic sort of customer self-diagnosis comes when the customer draws an absolute line in the sand and is unwilling to respond to any attempts to change the game or playing field. The organization has fixed, as a collective, what it is it wants to buy (converting the sale into a transaction and therefore a service into a commodity), and is not only looking for you to quote and potentially fulfill, but to do so on its exact terms.

Traditional wisdom would say an organization has only two choices in this circumstance:

- Sell what is known to be the wrong solution, or at best case, a non-optimal solution, hoping for the best while taking profit.
- Walk away from the opportunity, letting a competitor take the transactional business and (potentially) fail. Your organization may be positioned to pick up the pieces.

Bethany Schultz, Miller Heiman’s vice president of client engagement, regularly uses the concept of “if/then.” It’s not that you can’t do the deal, Schultz mentions. It’s about not lying on the tracks in front of the train.

“Your responsibility is to be very clear with the customer about the implications of the path on the other side of the line in the sand,” she says. “If we deliver what you’re asking for the way you want it, *then* here are the things that are necessary to make it successful.”

It’s possible to keep professional demeanor and uphold responsibility to the customer, in effect drawing your own line in the sand as to how to meet the customer on



their terms while assuring the greatest possible odds of success. Tom Williams, a Miller Heiman sales consultant in the health care industry, puts it this way:

“There are times when you just need to hold your ground, tell the customer the truth based on your experience, and be firm about it. Customers that you want for the long-term will understand and respect your position, whether they agree with it or not – this will often differentiate you effectively from your competitors. If you don’t win this deal on the customer’s terms, it sets the stage professionally for future opportunities to work together.”

### **The Final Prognosis**

In his 2009 book “Planet Google,” Randall Stross describes an environment that strives toward “the ultimate goal... to provide Google’s software with enough personal detail about each of its visitors that it could provide customized answers to the questions ‘What shall I do tomorrow?’ and ‘What job shall I take?’”

Regardless of the ramifications, the pace at which digital information exponentially grows will quicken and the sales profession will need to learn to adapt appropriately. The trend toward immediate and seemingly unending access to information is not slowing down, but accelerating. Along with this acceleration goes the need for the sales profession to lead, not merely respond to, the trend. While sales organizations can enjoy an undeniable advantage in the researching of their prospects and customers, they must expect that their prospects and customers will also have done their homework.

Those who are able to improve their strategies and tactics to align closer with customers at an early stage and help develop their concepts will differentiate themselves and their company by the way they conduct the profession of selling. ■

### **About Rich Blakeman**

Rich Blakeman, sales vice president at Miller Heiman, has a unique business background combining sales and marketing executive leadership with consulting assignments at senior levels of global industry-leading firms. He has proven himself successful at creating organic growth and differentiation for companies through their sales strategy and its execution.

Rich’s track record includes leading teams of cross-company sales leaders in developing and implementing enterprise models for strategic account management and sales effectiveness. He has advised on and personally led the deployment of sales processes and practices including compensation and incentives, benchmarking, global sales automation, value proposition development, account planning, executive sponsorship and training.

### **Contributors**

#### **About Don Jeffries**

Don is senior vice president of sales at 20th Century Fox Home Entertainment, a division of the world’s third largest media conglomerate News Corporation. He is based in the Greater Los Angeles area.

#### **About Rick Harper**

Rick is vice president of sales at Covidien, a \$10 billion global healthcare products leader. Rick is responsible for sales leadership of Covidien Airways and Ventilation Businesses, part of Covidien Respiratory and Monitoring Solutions Global Business Unit. Rick is based in Boulder, Colorado.

#### **About Bethany Schultz**

Bethany, vice president of client engagement, joined Miller Heiman as a sales consultant and won business with large manufacturing, electronics and services companies using the *Miller Heiman Sales System*®. Her account development brought the largest single engagement to Miller Heiman to date. She later took on a sales vice president role leading independent sales consultants in the South Central Region.

Presently the vice president of client engagement, her more than 20 years experience in sales, management and consulting services enables her to effectively support and assist clients with better tracking, measurement and realization of results as a result of engaging with Miller Heiman. She also acts a key liaison between customers and the products team by validating customer needs that can drive improvements to Miller Heiman's existing and new product development efforts.

**About Tom Williams**

Tom Williams, Miller Heiman independent sales consultant, is a former senior executive with general management and sales and marketing expertise with major health care organizations. For 25 years, he consistently built shareholder value by selling and marketing high technology products and services in the domestic and international markets.



# The Dark Horse of Opportunities

## – RFPs Re-Enter the Race

### *A Sales Secrets Feature*

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The consequences for failing to adapt to today's changing business environment are rather steep. In response to the shifting landscape, sales organizations are looking everywhere they can for new opportunities. Business development practices that may have been off the table in more prosperous times are suddenly back in consideration.

“There is a lot of renewed interest in the sourcing and procurement arena,” says Sam Reese, president and CEO of Miller Heiman. “Whereas before this way of identifying new business may have been avoided at all costs, many organizations are reconsidering investing resources into the procurement process.”

In the *2009 Miller Heiman Sales Best Practices Study*, 89

percent of World-Class Sales Organizations, those who were more likely to produce better results in key metrics, including the number of qualified leads, reported that they consistently followed a standardized process to qualify opportunities.

So can Request for Proposals (RFPs) be considered in the same vein?

“The nuances are different when treating an RFP as an opportunity,” says Miller Heiman's Bill Golder, executive vice president of business development. “But as organizations operate with higher stakes and increasingly limited resources, these solicitations are understandably being considered more and more for follow up and qualification.”

### Buying Organizations: Tightening the Belt

As budgets tighten, the need to invest in the right solutions when money is available calls for stringent review of service providers. Many organizations have begun incorporating their procurement professionals into the decision-making process, adding further pressure and more bases to cover for the selling organization.

“Some companies have even created the position of Chief Procurement Officer,” says Reese. He notes that, given the challenges companies face today, it makes sense to see the procurement function involved in most major buying decisions.

“Companies are hypersensitive about what return their dollars will provide,” says Golder. “Putting a more stringent process around how the organization will spend money provides some level of assurance for executives. Procurement departments are stepping up to provide value when companies are cutting costs.”

However, sales leaders must keep in mind that this is not always the case. Golder reflects that many procurement divisions will actively solicit vendor information in order to be perceived as a valuable facet of the organization. “I’ve seen a higher volume of RFPs being generated,” says Golder. “Many RFPs are likely a result of the need for a close eye on ROI, but some may originate elsewhere.”

He notes that some RFPs are not born from a genuine need within the organization. Sometimes an RFP is a fulfillment of a need from the procurement function to be perceived as providing value to the organization.

Chuck Moeller, a Miller Heiman sales consultant with extensive experience in the RFP arena, finds that many firms, especially those selling to the public sector, tend to take on the characteristics of their public-sector customers’ buying processes. They establish rules such as requiring

three sources for every procurement or constructing complex evaluation and scoring systems that attempt to do one of three things:

1. Foster the appearance of having competition for major purchases even when the decision is already made.
2. Level the playing field such that the only factor in the decision is price, i.e. commoditizing your company’s offering.
3. Validate their decision on who to buy from that was made well before the RFP was released, i.e. keeping the winner “honest.”

“Sales leaders dipping their hands a bit deeper in today’s RFP jar need to be conscious that the intentions of procurement may not always be coming from a true business need or specific business challenge,” says Golder. “There is the possibility that they are collecting information merely to tout it in front of upper management levels.”

### Opportunity Management Best Practices of World-Class Sales Organizations

In the 2009 Miller Heiman Sales Best Practices Study, there are sales activities in which World-Class Sales Organizations excel that all organizations should consider when participating in a client or prospect’s RFP process.

<u>Activities</u>	<u>WC</u>	<u>ALL</u>
We clearly understand customer issues before proposing a solution.	<b>93%</b>	<b>50%</b>
In each deal, issues of key individuals involved (in prospect firms) are always systematically identified.	<b>75%</b>	<b>32%</b>
In a large deal, we always gain access to key decision makers.	<b>87%</b>	<b>42%</b>



Companies are limited by the procurement agency's process – compromising the true value of a consultative individual or organization's exploratory process. Without discovery-type conversations on the front end of an engagement, the proposal is reduced into a condensed report that screams "transactional."

The first question to answer in this circumstance is whether or not the opportunity is important enough to pursue. Is it worth spending time and resources? Is the obligatory procurement process warranted? The tough choice, notes Reese, is to decide whether or not you think your chances are good enough to expend the energy required to respond to the procurement requirements or if you think there is a more effective way around this process.

Is the appeal of another opportunity going to be more important than determining a win-win customer-buyer relationship that will serve the interests of both parties?

### **Sales Organizations: Mining for Prospects**

The reality is that many sales organizations are prepared to answer: yes, the opportunity is worth pursuing. Many companies looking out the window at today's market have become discouraged by the dwindling shape of their universe.

Whereas many organizations used to view the RFP process as a courtesy or protocol taken by the soliciting company (who typically already had a vendor in mind), today's competitive landscape has pushed many companies into a position to consider them as more valid opportunities.

"In almost every case, if the first time you learn of an opportunity is when an RFP is issued by an organization, your chances of winning are close to zero," says Moeller.

Because the inherent purpose of an RFP is to detail the organization's business requirements, the real objectives

are often left unexplored – resulting in wasted time for all but the winning bidder. In fact, a simple response often opens both buying and selling organizations to the possibility of a mis-matched pairing if only line-item requirements are reviewed. When a company selects a solution that proposes to solve problems a, b and c, a larger opportunity is missed: the joint exploration of business challenges with a consultative company in that market space to unearth additional needs that could also be met.

"Traditionally, responding to an RFP has not been about helping the customer develop their concept," says Golder. "An extreme view of when to respond to an RFP or not existed. But because of the macro reasons, the pursuit of RFPs has become more commonplace."

Reese reiterates that, because competition has intensified, there is a big emphasis on driving profits via cost reductions. "A rigid procurement process makes it really hard for salespeople because the whole process is designed to take the 'selling' out of the equation," says Reese. "Their mission is to obtain the best quality goods and services at the lowest possible cost and they sometimes think a process weighted toward quantitative analysis is the best way to approach it."

While some companies simply solicit information to 'have on hand,' providing that information can potentially work in favor of a sales organization. By responding to an RFP, an organization makes a statement that it can provide value to a company. A tangible connection is made which could be cultivated long term in order to deliver future results. It can be perceived as an exercise in branding.

However, Moeller is quick to advocate a sense of caution. "Most opportunities that are awarded through RFPs are pre-sold by someone, and the RFP process is simply the method used by the organization to document the already agreed-to deal," he says. "This is not always the case, but

the win rate for firms that 'blind-bid' RFPs is typically no more than 5 to 10 percent. Given the cost associated with responding to a complex RFP, most companies should thoroughly assess whether they want to allocate their resources in this manner.”

So how is it possible to decipher whether someone is just trying to stay busy or whether there is actual executive support behind the initiative?

Circumstances to consider:

- **A pre-existing vendor partnership.** “This is a great circumstance of when you’re in you’re in, and when you’re out you’re out,” says Golder. “Assessing whether the company is in a trouble mode and looking for additional help or whether it is satisfying a process will be integral.” Including RFPs in your company’s pool of prospects can be a way to expand the universe, no doubt, but there cannot be room for any soliciting company that doesn’t seem open to new service providers. If the prospect has a consistent history of one provider, the initiative is likely process driven. Additionally, the pre-existing relationship works to the advantage of the prior vendor, as they have likely helped the searching organization craft the solicitation to reduce the probability of another company winning the bid. When is your organization coming into the process? Is it early enough to influence the crafting of the bid, or is the request so firmed up that there is only a wing and a prayer to help you secure the business?
- **Information collection.** Procurement divisions and professionals may be soliciting information to show in the event that they need to be perceived positively. Has the company made recent organizational changes that might motivate internal members to vie for recognition or survival? Are other aspects of

the organization overly bureaucratic, leading one to hypothesize that the solicitation has been made without actual intent?

- **Is selling in the equation?** One problem with RFPs is that they eliminate a large portion of the consultative approach between selling and buying organizations. “Companies issuing RFPs are holding possible vendors at an arm’s length,” says Reese. “It leaves little room for organizations to apply a sales methodology or process – in effect, taking the ‘selling’ out of the picture.” If the emphasis is solely on an exploration for the best price, there can be no guarantee that they will be evaluating responses thoroughly.
- **Who’s in the picture?** “A crucial thing to determine is if the procurement function is supported by the business,” says Reese. “Are they the engine driving purchasing decisions, or are they acting in response to what management is requesting? Do they have knowledge of the items and services requested, or are they generalists that go from telecom equipment to air conditioning units?”

“The federal sector presents additional challenges,” adds Moeller. “Procurement integrity, the Federal Acquisition Regulations (FAR), and the unending push for competition at all costs lengthen sales cycles, add complexity and change the rules for how you sell.”

Moeller notes that these things can create significant barriers to entry for firms that don’t understand the rules or know how to work within them to position for competitive advantage.

As Golder says, nothing is the same today. “Until now, there has been some hesitancy, and rightly so, to engage



in such a rigid qualification process,” he says. “But as more organizations feel a pinch and become antsy, the stigma is being shoved aside in favor of the chance at a new customer – regardless of what that working relationship will look and feel like.”

Ideally, those relationships should be forged together with confidence. The confidence to know that, with the right steps, buying and selling organizations will cross the gap of customer needs safely to the side of accomplishing the goal together.

“The key is to get involved early on in the RFP process,” says Golder. “Delving into the heart of what their concept is before they actually cast it as finite leaves a better opportunity for the sales organization to fulfill the right requirements.” ■

## Contributors

### **About Sam Reese:** **President and CEO, Miller Heiman**

Sam Reese has led Miller Heiman to its position as the foremost thought leader and innovator in the strategy, process and training that drives sales performance. Since he joined the company in 2000, Sam has grown Miller Heiman’s revenue by more than 150 percent, expanded product offerings and e-learning initiatives and amassed a partner network of world-class sales consultants. His experience and success in sports, business, technology and leadership give him a unique perspective on what it takes to win in today’s competitive business environment.

### **About Bill Golder** **Executive VP of Business Development, Miller Heiman**

Bill Golder has extensive sales and sales operations experience working within complex, multi-channel matrix management organizations. His primary expertise is leading business-to-business sales of professional services, as well as multi-unit operations management. He has proven success in leading key change initiatives

related to sales compensation, organizational realignment, sales optimization, training, product development, and operational improvement.

### **About Chuck Moeller:** **Independent Sales Consultant**

Chuck Moeller brings almost 25 years of leadership experience in sales operations, business development, strategic planning, and executive management to his role as a Miller Heiman independent sales consultant. Chuck’s experience in federal business development, plus six years as a Miller Heiman Client Associate allows him to provide unique insight into the challenges companies encounter in this complex selling environment, and to deliver effective sales performance solutions.

## Recommended Reading

Available in the Miller Heiman Knowledge Center

### **Selling to the World’s Largest Customer: The U.S. Government**

What makes government business such a tempting target is the scope of the opportunity. While the sales effort and relationship must take place well in advance of the RFP, the response or proposal is the actual document that will be evaluated and against which they’ll make the award.

### **Define Your Ideal Customer**

Time is money. Define your ideal customer to concentrate on business you can win. Learn to maximize your time by finding and selling to your most profitable customers.

Special Guest Feature

# The New High Performer

Most companies are betting that reps who focus on building stronger customer relationships will rebuild sales. They're wrong – here's why.

By the staff of the Integrated Sales Executive Council

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## Tough Times

It's tough being a rep these days. Tightened credit markets, reduced capital and operational spending, and a tight focus on cash flow have had a devastating effect on customer demand. Opportunities thought to be sure deals are unexpectedly unwinding. And even when customers acknowledge the long-term benefits of a proposed solution, short-term cost constraints keep them from moving forward. Perhaps not surprisingly, the portion of reps that sees their sales goals as unattainable has doubled since 2006.

In response, sales teams are calling familiar plays. Indeed, many say they're "getting back to basics." For example, sloppy adherence to the sales process – made visible by the retreat in customer demand – is being remedied.

Sales execs are also focusing on helping their reps better communicate the value proposition, hoping a sharper message will stand out in the noise.

But the most common response we've seen is strengthening customer relationships. Watching orders dwindle, sales execs and managers are pushing reps to stay as close as possible to their customers. Mantras like "find a minute, fill a minute," "just get out there," or even "hug a customer," have become commonplace.

But how well is that strategy working? Are reps pulling these levers doing better than those doing something else? Which reps are winning in the current environment?



## A Deeper Dive into Our Sales Rep Research

To determine which type of sales rep is mostly likely to succeed in the current economy, we asked more than 450 first line sales managers to assess three of their direct reports (two core performers and one high performer) across 44 different attributes covering areas such as attitudes, skills, behaviors, activities, and knowledge. We then used a number of regression techniques, including factor analysis, to assess the impact of each of these attributes on the overall gap-to-goal sales performance for each rep across the past year.

### A Range of Rep Profiles

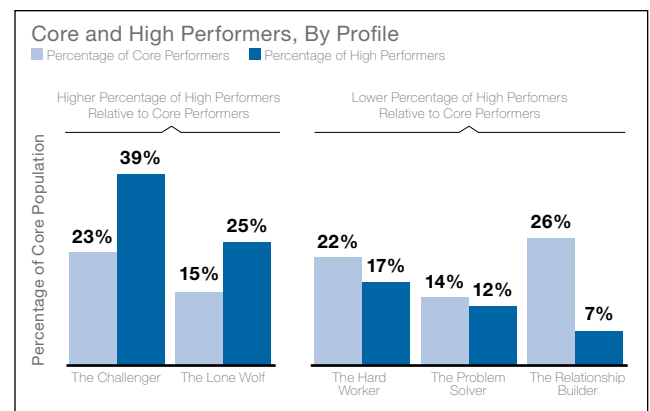
To answer these questions, the Integrated Sales Executive Council surveyed more than 450 sales managers at more than 30 companies around the world about their reps. What we found surprised us and shows why “back to basics” – especially a singular focus on relationship building – is a losing strategy.

To begin, we looked for similarities across the more than one thousand reps involved in the survey. Through factor analysis, five profiles emerged:

- The Hard Worker - always willing to go the extra mile. He is self motivated and does not give up easily. He seeks out feedback and tries to identify opportunities for improvement.
- The Challenger - the debater on the team. He has a deep understanding of the customer’s business and isn’t afraid to share his views, even if they are different. He is assertive in dealing with internal and external stakeholders, tending to push people out of

their comfort zone.

- The Relationship Builder - focused on serving the customer. He is adept at building and nurturing customer relationships by being highly accessible to customers and responsive to their specific needs.
- The Lone Wolf - self-confident, follows his own instincts instead of the rules.
- The Problem Solver – detail-oriented, reliable, and naturally drawn to solving client issues. He excels at handling post-sale service issues that, when left unresolved, can harm client relationships.



Each of these profiles has its strengths and each of them is commonly seen; our research shows they are fairly evenly represented across companies. But they differ widely in how well they perform.

You’ll find core performers in each profile, but the greatest abundance of top performers is found in one profile: the Challenger. Why?

### Why Challengers Win

A close look at Challengers shows three defining characteristics that seem to matter. First, they can teach customers something new and valuable. Challengers compellingly offer their customers unique perspectives for competing in their markets – not deep dives into the

supplier’s products and solutions.

This approach can powerfully differentiate the sales experience in the customer’s eyes. And the degree to which the perspective offered ties back to the supplier’s unique strengths positions the supplier to win the business.

Second, Challengers tailor their messages to individual customers based on the customer’s desired outcomes. A head of manufacturing might be trying to maximize plant throughput by standardizing production runs but another person involved in the sale might be trying to increase the number of product variations offered to customers to increase choice. Challengers know this and alter their pitch to reflect differing motivators.

This characteristic is also a “select for” trait in the economic downturn. As customers become more risk averse and pull more people into the sales process, the range of desired benefits expands. Reps who can tailor across a more diverse group of people involved in the sales process are more likely to win in a consensus-buying environment.

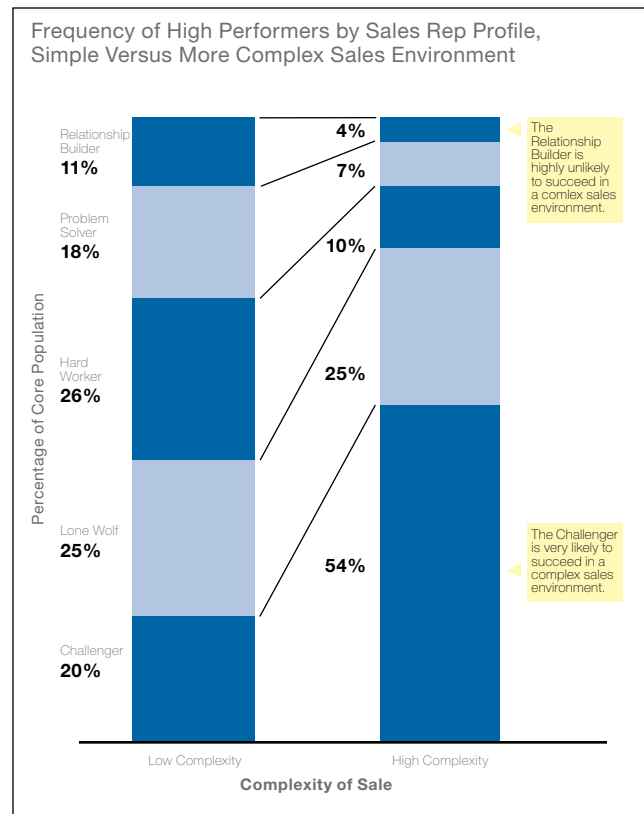
And third, Challengers assert and maintain control in sales conversations. Not only is this type of rep more likely to stand firm when customers push back, he is also likely to create tension – constructively. That means pressuring the customer’s ideas and timelines in a positive way intended to bring the customer to a better outcome.

It makes sense that this behavior provides reps an advantage. In the face of intense risk aversion by customers, reps who can move customers outside of comfort zones (without alienating them) can drive action.

If Challengers are more likely to win in the current environment, who is most likely to lose? Surprisingly, it’s the Relationship Builder. How can that be when so many sales teams place so much emphasis on strong relationships?

To be clear, our conclusion isn’t that strong relationships don’t matter – they do. But they are not enough. Relationship Builders overdose on relationship strength, working around the customer, agreeing with the customer and seeking to remove tension. From the customer’s perspective, Relationship Builders might make interactions feel good, but hardly memorable or valuable. Challengers understand this and take a very different approach – they would rather be respected than liked.

If Challengers are winning in the downturn, who will win in the recovery and beyond? It seems Challengers will have the upper hand there too. As the immediate pressures facing customers fall away, managing through complex sales will return to its previous place as a top concern. Accordingly, we looked at rep performance in high and low complexity sales environments and found that the Challenger wins – by far. The combination of teaching, tailoring and assertiveness that serves this group so well in the current economy provides a real advantage to Challengers in moments where sales





complexity matters.

### **Minting Challengers**

What can you do to build Challenger reps in your organization?

You need to enable your sales reps to do three things:

- Teach for differentiation - Enable your reps to offer unique perspectives that reframe how customers view their business and set your offerings apart in the marketplace.
- Tailor for resonance - Equip your reps to tailor your message to a variety of individual stakeholders across the customer organization to win broad consensus for your solution.
- Assert control - Encourage your reps to deliberately guide conversations to ensure your teaching message sticks and that your pricing holds steady in the face of rising customer risk aversion.

Some Challengers are born – others are made. You can, and should, boost their numbers on your team to succeed in the downturn and beyond.

Does your sales team have enough Challengers? If you'd like to learn about building them on your team, contact the Integrated Sales Executive Council for a free consultation on how the best companies cultivate Challenger skills among their reps at (571) 303-4924 and mention reference code SECMH.



## **About the Integrated Sales Executive Council**

The Integrated Sales Executive Council, a Corporate Executive Board program, is a membership of senior executives with a shared commitment to stewarding sales performance. We offer a set of unique services and tools designed to assist executives with their most pressing managerial, communications, and decision-making challenges.