

# **SALES PERFORMANCE MANAGEMENT**

MAXIMIZE PROFITS WITH COMPREHENSIVE  
SALES PROCESSES

**White Paper**

SAP Customer Relationship Management

**THE BEST-RUN BUSINESSES RUN SAP™**





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# EXECUTIVE SUMMARY

## SALES PRODUCTIVITY DRIVES REVENUE AND PROFITABILITY

Changes in customer buying behavior, increased global competition, continued tight financial markets, and higher customer expectations: these are just some of the challenges forcing many sales organizations to redesign and, in some cases, reinvent how they sell. Such efforts are particularly prevalent in highly competitive environments, saturated markets, and industry sectors in which products are not true differentiators.

Many companies establish formal sales processes to boost productivity in their sales organizations. The positive effects of more productive sales forces extend beyond simple cost reduction; they help increase revenue and the likelihood of higher profit margins as well.

To improve the performance of their sales operations, successful organizations employ best practices to help them:

- Define and measure key performance indicators (KPIs)
- Rate the value of each account and sales opportunity
- Align salespeople and accounts
- Focus on productive activities

The key to a productive sales force is ensuring that salespeople concentrate on acquiring, growing, and retaining profitable relationships within their account bases. This requires a clear and detailed view of prospects, customers, and the market – and the ability to turn that insight into action. Companies with highly productive sales forces do just that.

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To achieve this superior level of sales efficiency, you need a sales force automation (SFA) system that supports the management of pipeline performance and territory alignment. It must also help you attain insights by analyzing customer relationship management (CRM) and other enterprise application data.

# OPTIMIZE SALES OPPORTUNITIES

## EFFECTIVE SALES PROCESSES AND SYSTEM SUPPORT ARE KEY TO SUCCESS

After years of deploying systems and processes merely to control costs, companies are now deploying systems that will help drive profitable growth. To maximize their profits, many companies seek to increase revenue and margins and improve the productivity of their sales forces. Enhanced productivity that involves your sales organization concentrating on your most valuable customers and prospects can reduce costs while boosting revenue and margins.

Your sales force must operate at the highest level of productivity to acquire, grow, and retain profitable customer relationships. To meet this challenge, many companies establish formal sales processes and provide all required customer information to their sales professionals in usable and useful ways so they can turn insight into action.

Implementing an effective sales process is an enterprise-wide endeavor that requires comprehensive knowledge of your business and sales cycles. An integral part of that knowledge is recognizing that sales processes, which entail sales-cycle management and execution, involve both early planning and ongoing performance measurements.

Developing a successful sales process or enhancing an existing one involves several challenges. You need to match the appropriate sales professionals with the right accounts so that your best salespeople work with your most valuable customers. You need an efficient way to measure your sales performance and success. You must ensure that your sales professionals focus on productive activities such as determining their most important accounts and planning appropriate activities for them. You must also ensure that your salespeople apply the right strategies to the right opportunities and continually make their quotas.

To efficiently address these challenges and become more process oriented, you need adequate system support. Because success requires the integration of huge amounts of data from CRM and other enterprise application systems, you must employ automation rather than manual efforts to measure the performance of predefined KPIs. Many companies without the necessary system support eventually halt their efforts to measure sales performance after only a few months. They do so because of the enormous amount of labor needed to gather all the data required to achieve beneficial results.

System support is equally important for your sales managers and representatives. They need the essential functionality of an SFA system to help manage pipeline performance, align territories, and analyze data. Inadequate system support will hinder their abilities to perform timely and accurate value-rating activities, assign resources, evaluate opportunities, and plan productive sales activities. It is, therefore, critical to deploy the appropriate SFA system before you attempt to address your sales processes and anticipated objectives.

# DETERMINE KEY PERFORMANCE INDICATORS

## THE RIGHT PERFORMANCE MEASUREMENTS CAN MAXIMIZE SALES OPPORTUNITIES

Sales analytics, which you can use to assess KPIs, offer enormous opportunities to improve the ways you measure your sales organization. Industry analysts, for example, believe an average organization loses a great deal of sales if it has limited visibility into sales activities.

Deploying sales-analytical functionality can help you dramatically reduce lost opportunities and improve the performance of your sales organization. It can help you improve productivity from existing sales resources, realize faster productivity gains from new salespeople, increase penetration into existing accounts, and expand your customer base.

These critical objectives form the basis for implementing a sales-performance measurement plan. KPIs and the right performance-measurement tools are critical to the creation of a successful sales process, which includes measurement, control, and correction efforts.

Continuous measurements of your sales organization according to the following KPIs are critical to success:

- Percentage of sales reps achieving quotas
- Increase in success rates at each major stage of the sales cycle
- Pipeline required to make quota (based on the difference between actual sales and quota)
- Close rates of forecasted deals
- Percentage of visits covering predefined objectives or success factors
- Quotes per order

- Coverage rates, including visits and calls, of your most important customers
- Sales-force turnover rate

Measuring performance based on your top achievers also helps your sales professionals learn what they need to do to attain greater success. The knowledge gained from such measurements can help reduce the gap between your leading salespeople and the rest of your sales force.

### Establish an Effective Sales Process

A proven way to establish a successful sales process is to design a performance-indication program to help your salespeople recognize their objectives and the way they measure success based on predefined KPIs. These elements will help define the scope of the sales process and the key areas that need improvement.

It is important to ensure that some KPIs – such as quotes per order, percentage of visits covering predefined KPIs, and coverage rate – are available in real time. A lag in access to such data can detract from the usefulness of the measurements and hinder the reaction time to items that require attention. With the rapid pace of today's sales environment, any delay can have a negative impact on the planning of required activities. In addition, performance indicators that help you understand pitfalls and quickly capitalize on opportunities are often of greatest importance at critical stages of the sales and reporting cycles.

### Start with a Simple Report

Successful performance-management efforts involve more than reporting; they support informed sales decisions and improved win rates. The first element, however, is a simple report from which you attain information about effective activities that salespeople can undertake to close deals. Salespeople, for example, can use report information to determine that their pipelines are insufficient to reach future sales targets, identify new opportunities, increase the value of deals, or close deals earlier. They can combine such data with past experiences to identify required actions.

By including the right performance indicators, you can help salespeople use the reports to determine the reasons for certain occurrences, such as whether pipeline shortfalls result from a lack of prospecting quantity or quality. Performance indicators can help salespeople determine how many additional prospects to contact daily or what benefits they would achieve by spending a certain amount of additional time with each new prospect to build greater rapport. Such KPIs include raw metrics linked to benchmarks or simulation processes to answer what-if scenarios.

# IDENTIFY YOUR MOST VALUABLE ACCOUNTS

## SALES FORCE AUTOMATION OFFERS A ROBUST APPROACH TO VALUE-RANKING CUSTOMERS

In the past, customer opportunities were more plentiful, and a shotgun approach to account management was often successful. But increased competition, decreased customer loyalty, and inflated quotas have changed today's sales environment. As a result, sales take longer to complete, opportunities are more complex, and salespeople must prioritize their actions more efficiently to remain successful.

The key to making the right sales-management decisions and allocating the appropriate time and resources to each account begins with a thorough understanding of your account base. Real-time visibility into the value of accounts increases your ability to prioritize customer opportunities and make the right business choices.

To rate the value of your customers correctly, you need to analyze them from different perspectives. Many sales organizations rank their customers on "A-B-C" or "gold-silver-bronze" scales. While such simplistic approaches provide salespeople with quick indications of the value of certain accounts, it is unclear what they actually mean. You may, for example, have to downgrade historically steady customers who experience financial troubles, or upgrade customers who usually buy products from competitors but have recently become disenchanted with those companies' services.

Deploying sales-analytical functionality can help you dramatically reduce lost opportunities and improve the performance of your sales organization. It can help you improve productivity from existing sales resources, realize faster productivity gains from new salespeople, increase penetration into existing accounts, and expand your customer base.

You may also have to determine which customers require priority service.

Without a clear way to rate the value of each account, individual salespeople are likely to develop disparate approaches to suit their specific needs. An SFA system with robust value-ranking functionality ensures that your sales professionals have real-time access to information about the value of their accounts. It also facilitates data maintenance by updating each account's revenue or margin contribution in real time – eliminating the need to update this data at fixed periods.

You have to consider quantitative factors (such as revenue and profit) and qualitative factors (such as the loyalty of customers), along with account histories and outlooks, to rate the value of specific accounts successfully. Such factors help you determine:

- The total volume of products or services that a customer buys from you and your competitors
- The outlook for the same customer's potential to purchase products or services from you and your competitors
- How much the customer has bought from you during a specified time frame
- The outlook for the customer's potential to buy products or services from you instead of your competitors

After combining and structuring this information in an automated value-ranking tool, you can make effective prioritization decisions. You can also use the tool to segment specific groups, such as large inactive accounts with strong future potential. You can employ this grouping technique to plan your strategy, forecast results, and assign resources.

# ALIGN YOUR MOST PRODUCTIVE RESOURCES

## THE PROPER ALIGNMENT OF SALESPEOPLE AND ACCOUNTS CAN IMPROVE WIN RATES

The alignment of salespeople and accounts can have positive impacts on sales organizations. Proper alignment can help sales managers achieve enhanced productivity, lower employee turnover, higher revenue per account and salesperson, and a more profitable sales operation.

To optimize the alignment of salespeople and customers, however, you must do more than simply choose an approach. The alignment process is complex and requires management insight, the involvement of your salespeople, and constant monitoring – all of which you can achieve only with the support of a powerful SFA system.

Companies employ different methods of assigning accounts to their salespeople. You may choose to designate accounts based on geography and hope to turn the savings in travel time into extra sales. You may assign accounts based on vertical-industry segments, anticipating that salespeople will make more sales by gaining greater understanding of specific industries and customer needs. You may align older, experienced salespeople with valuable current customers and assign younger, more energetic salespeople to the higher risk-and-reward challenges of finding new customers. You may also decide to use a combination of options or select a completely different approach.

The key to making the right sales-management decisions and allocating the appropriate time and resources to each account begins with a thorough understanding of your account base. Real-time visibility into the value of accounts increases your ability to prioritize customer opportunities and make the right business choices.

Whatever your choice, it is critical to do more than protect loyal salespeople by offering them the easy accounts. You need to balance the inclination to reward loyal and effective salespeople with the need to assign strong employees to the most challenging accounts that offer the greatest potential.

Examples of successful territory re-alignment abound. A technology manufacturer achieved substantial revenue and productivity increases after hiring an external consulting firm to target several geographically based territories. The consultancy helped the company recognize that it could attain the same revenue by dividing many of its top territories in half and sending salespeople to visit new as well as existing customers. In the fiscal year following the changes, the territories that the manufacturer partitioned produced as much business as the original territory, indicating that the company could set and achieve the same revenue goals with their salespeople covering smaller areas.

Executives at another technology firm realized that certain salespeople were highly successful in some accounts and not profitable in others. As a result, the company would continually reassign salespeople to accounts for which they were best suited. For example, the company would avoid assigning salespeople with strong business-value selling skills but weaker technology abilities to accounts that required technical aptitude. While managers who reviewed account alignments weekly recognized the costs associated with instability in account coverage, they did not hesitate to shift resources on short notice. Though time-consuming, this process had a dramatic and positive impact on the company's opportunity win-rate and customer-satisfaction levels.

# FOCUS ON PRODUCTIVE USE OF TIME AND RESOURCES

## SALES FORCE AUTOMATION CAN EMPOWER SALESPEOPLE TO PRIORITIZE ACTIVITIES

It is no longer enough simply to forge contacts with customers. To succeed in an environment in which sellers and buyers are extremely busy, you need a strategy that will maximize their contacts by planning activities at the right times for the right reasons.

Productive activities are at the core of successful sales organizations. Although a salesperson's sales talent, ability to identify customers' needs quickly, and other soft skills remain important, salespeople must rapidly determine which activities and accounts deserve their time. On a basic level, salespeople must determine which prospects on their lists to call. To determine priorities quickly and appropriately, they need information about when someone last contacted a prospective customer and that prospect's value potential to the company. This part of the sales process can help salespeople find new opportunities rather than spend time on activities that are likely to yield fewer sales.

The most common measurement of sales productivity is how salespeople use their time, but you must also consider other activities as well. In fact, thriving sales organizations empower their salespeople to prioritize productive activities that ensure they spend time with customers representing the best opportunities.

The proper alignment of salespeople and accounts can help sales managers achieve enhanced productivity, lower employee turnover, higher revenue per account and salesperson, and a more profitable sales operation.

A leading high-tech manufacturer, for example, released updates of its computer product lines as technology improved. This strategy worked well with customers who adopted technology early, but not with the buying cycles of customers who followed set upgrade paths and renewed their products every few years. The manufacturer's salespeople knew which customers would likely purchase new products immediately. They recognized the benefit of not offering such customers large discounts on outgoing product lines or they would likely lose sales for the new technology. Salespeople also knew which customers were unlikely to purchase new products immediately but were potential buyers of outgoing product lines at discount prices.

The right SFA system can help you accomplish all such objectives. It can also help you partially automate and enhance activity planning. Another technology manufacturer, for example, used customer data to generate and send activity proposals, with deadlines,

to each salesperson automatically via its SFA system. The salespeople could then decide whether or how to act on the proposals. The automated process required no administrative work from the salespeople, who were able to manage customer relationships more efficiently and effectively.

# UNDERSTAND AND EVALUATE YOUR OPPORTUNITIES

## SUCCESSFUL SALES PROCESSES ENABLE YOU TO COMPARE AND OPTIMIZE OPPORTUNITIES

Opportunities form the basis of sales pipelines, and salespeople spend most of their time working on them. As a result, it is important to deploy a process that helps you better understand and compare opportunities so you can eventually derive more revenue and profitability from them.

Many sales organizations manage their pipelines and sales processes by targeting opportunities, which represent qualified chances to make sales to accounts. Most organizations try to determine the validity of opportunities by having sales managers informally query salespeople about the details of their opportunities. Sales managers can use this process to control forecasts. They can also suggest activities and deliverables to guide salespeople through the opportunity phases. The process, however, does not enable salespeople to fully understand each opportunity.

Successful sales organizations provide standardized structures and processes, based on sales methodology implementations or company best practices, to evaluate opportunities. Such frameworks use the following defined criteria to help salespeople quickly assign scores to every opportunity:

- A customer's financial ability or budget
- The financial value of the purchasing decision for a customer
- Competitors whom a customer is considering
- Your ability to contact a customer's decision makers directly

While salespeople typically want to pursue every opportunity, smart sales teams realize that some opportunities waste time and resources. The right sales force automation system can help determine priorities and create action plans to achieve the best results.

If every salesperson follows the same process, the management team can attain a clear understanding of the strength of sales forecasts. For example, an opportunity in which a customer has no budget is of no value, and therefore would not appear in forecasting reports.

Standardized processes also afford sales managers access to information they can use to guide their sales staffs without having to interview each salesperson individually. Sales managers could, for example, offer to lend assistance after determining when their salespeople should contact potential customers' decision makers.

Of even greater importance is a salesperson's ability to compare and prioritize all available opportunities in the pipeline. A proper SFA system can help determine priorities and create action plans to achieve the best results. While salespeople typically want to pursue every opportunity, smart sales teams realize that some opportunities waste time and resources.

Opportunities are also connected to sales stages, which divide an opportunity's progression into distinct segments. Sales stages are useful in establishing time-frame benchmarks and closely observing opportunities that deviate from the norm. A company may determine, for example, that 10 days is the average length of time for an opportunity to remain in the information-gathering stage before it moves to the proposal stage. If an opportunity does not reach the proposal stage for more than 20 days, the company may flag it as a potential problem and require a review of activities that have occurred to date. If, on the other hand, the company completes the information-gathering stage in one day, a similar alarm may trigger a review to ensure that customers are not using your proposals as decoys in discussions with competitors. Pipeline performance-management functionality can help you easily identify such abnormalities.

# REVIEW YOUR OPPORTUNITIES AND ACTIVITIES

## AN SFA-ENABLED REVIEW PROCESS CREATES A COLLABORATIVE ENVIRONMENT

While it may seem unusual to attain significant benefits from sales reviews, the knowledge transfer between managers and salespeople can be substantial. Ensuring a healthy relationship between sales managers and salespeople requires more than people skills; you need a solid understanding of how to deliver value to a customer. SFA-generated reports measuring win rates can help you assess the increased success of your salespeople.

Thriving sales organizations boost their productivity, revenue, and profits by deploying customer relationship management systems to support sales processes that drive consistent results and improved performance.

Your sales organization maintains reporting relationships among sales professionals, managers, and executives. These relationships are designed to support accountability, guidance, and direction from top to bottom. Successful salespeople, who typically represent some 20% of a typical sales force, tend to be self-sufficient, self-motivated, and independent employees. The other 80% of your sales force, however, requires coaching, advice, motivation, and supervision.

The relationship that exists between salesperson and sales manager is critical. Many salespeople, for example, dislike micromanagement. Without clear processes and tools, they may harbor resentment about their managers, believing they waste their time with unneeded questions and tasks, try to steal their successes, and diminish their capacity to perform.

Companies that determine their salespeople hold such beliefs must move quickly to install processes, such as opportunity reviews, that support collaboration. Such processes help sales managers stay informed about activities in accounts and opportunities. They also provide deeper insights into strategy and tactics. Indeed, the key to mutually beneficial relationships is the ability of sales managers to support the success of their salespeople.

A global IT leader recently established a specialized review process that benefited managers and salespeople alike.

Salespeople employed the pipeline performance-management functionality within the firm's SFA system to help them quickly prepare for weekly update meetings. The system provided information about the number of their open and closed deals, as well as how such deals compared with their quota goals. The reviews included discussions about expected timelines, milestones, and the resources required to reach their goals. The system also defined unique ways to flag stalled accounts and opportunities so that managers could quickly identify and resolve problems.

# OPTIMIZE SALES PERFORMANCE WITH SAP® CUSTOMER RELATIONSHIP MANAGEMENT

## SAP SOFTWARE ENABLES SALES PROCESSES THAT INCREASE PRODUCTIVITY

With global competition intensifying today's sales-performance challenges, successful companies boost their productivity, revenue, and profits by deploying CRM systems to support sales processes that drive consistent results and improved performance.

Companies can streamline many of their SFA processes by implementing the SAP® Customer Relationship Management (SAP CRM) application. The ability to rate and analyze customers according to their value helps you manage accounts so that you set and meet the right objectives. You can use defined criteria tailored to business processes to assess opportunities and ensure you concentrate on the opportunities that drive higher revenues and profitability. You can save time and resources by quickly determining which less-valuable opportunities to abandon.

SAP CRM provides sales professionals and managers with pipeline performance-management functionality they can use to track performance and simulate expected results based on real-world metrics such as churn rates, quotas, and expected year-over-year growth. They can also work more closely together to evaluate opportunities and identify potential issues such as stalled opportunities. Tighter collaboration helps them make fast decisions and plan appropriate activities easily and quickly.

Your dynamic sales environment requires you to react quickly to changes in opportunities by reassigning salespeople to accounts. The territory management component in SAP CRM makes such reassignments quick and easy. In addition, SAP CRM helps your sales organization capture the most relevant information in real time, so you can make faster decisions. Your sales professionals can also create their own reports – functionality that helps reduce support costs and increase user acceptance.

Another important aspect of SAP CRM is its seamless integration with other SAP software such as the SAP ERP application. This synchronization eliminates the need to maintain separate systems and ensures the rapid, accurate, and automatic transfer of order-management, billing, financial, and other critical data between SAP CRM and SAP ERP. You can also easily and quickly access and transfer product-availability, credit-check, and other order-related information between the applications.

Sales-analytical functionality from the SAP NetWeaver® Business Intelligence component lets you create reports and assess KPIs with data from SAP CRM, SAP ERP, and other SAP and third-party software. Such reports can help you determine customers' buying habits so you can target the right customers with new products or discounted discontinued products throughout their buying cycles. SAP CRM also provides preconfigured planning and reporting content, such as customer-profitability analyses, so you can immediately begin

to evaluate the value of your customers. With SAP CRM, you know your sales professionals are engaged with your most valuable customers to increase your sales and profits.

To learn more about how SAP CRM can help you improve your organization's sales performance, please contact your local SAP sales representative or visit us on the Web at [www.sap.com/crm](http://www.sap.com/crm).







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