

Improving Inside Sales Effectiveness Using Technology

Putting Web Collaboration to Work



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Summary

Between 10/06/2005 and 12/07/2005 CSO Insights gathered data for its first survey on Inside Sales Effectiveness. Over 400 companies responded to the survey covering more than 50 different metrics. A summary report was prepared that looked primarily at the demographic profile of participants. For example, the number of inside sales reps on their team, how these reps are assigned quota and compensated, tasks they routinely perform, time associated with these tasks, etc.

There are other areas of interest to further investigate from the survey data, principle among these is the impact of technology on inside sales effectiveness. This paper, a companion piece to the summary report referenced above, looks primarily at the Internet and how firms are leveraging the power of the web and tools now available to support their sales efforts.

In the most general case, quota attainment is an indicator of sales effectiveness and of the tangible return companies can look toward at least as partial justification for future investments. These investments might be bringing in new technology to further support the inside sales effort, to allow greater customer self-service, to increase marketing and brand awareness, etc. We have mined the data to identify specific areas that warrant further consideration by companies interested in knowing what's working and what isn't; what looks promising and what doesn't.

One of the most common forms of technology, Customer Relationship Management (CRM) applications has been broadly implemented by firms reporting. CRM can range from ACT! or Outlook at one end to Siebel or Oracle (soon to be the same!) at the other. Can these applications contribute to improved sales effectiveness—improved performance? The answer appears to be a solid “Yes.” Firms having implemented CRM outnumber those not implementing by 3:1 and their overall quota attainment is 60% versus 49%, respectively. Two conclusions can be drawn from these figures.

First, CRM does not enjoy a 75% market penetration in general, so the high ratio here confirms that inside sales and call centers have been early and broad adopters of technology. Second, with overall quota attainment for the entire survey population at 58.2%, it is clear that new performance gains and competitive advantage will be coming from complementary and/or ancillary technologies.

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Early adoption of appropriate technologies will provide immediate and near-term competitive advantage.

We have directionally observed and present in the following pages areas where certain companies are seeing real gains. These areas include:

1. Using the web to conduct account research, on-line demos, web-based collaboration and seminars (“webinars”), and lead follow-up/fulfillment.
2. Leveraging web-demos and collaboration to outpace other firms in quota attainment by 9-22%, depending on average deal-size.
3. Seeing turnover rates 50-100% better than firms not using web-based collaboration technologies.

It is our opinion that early adoption of appropriate technologies will provide immediate and near-term competitive advantage. In the longer term we feel the best of these technologies will become commonplace and firms continuing to resist their implementation will be at a definite competitive disadvantage.

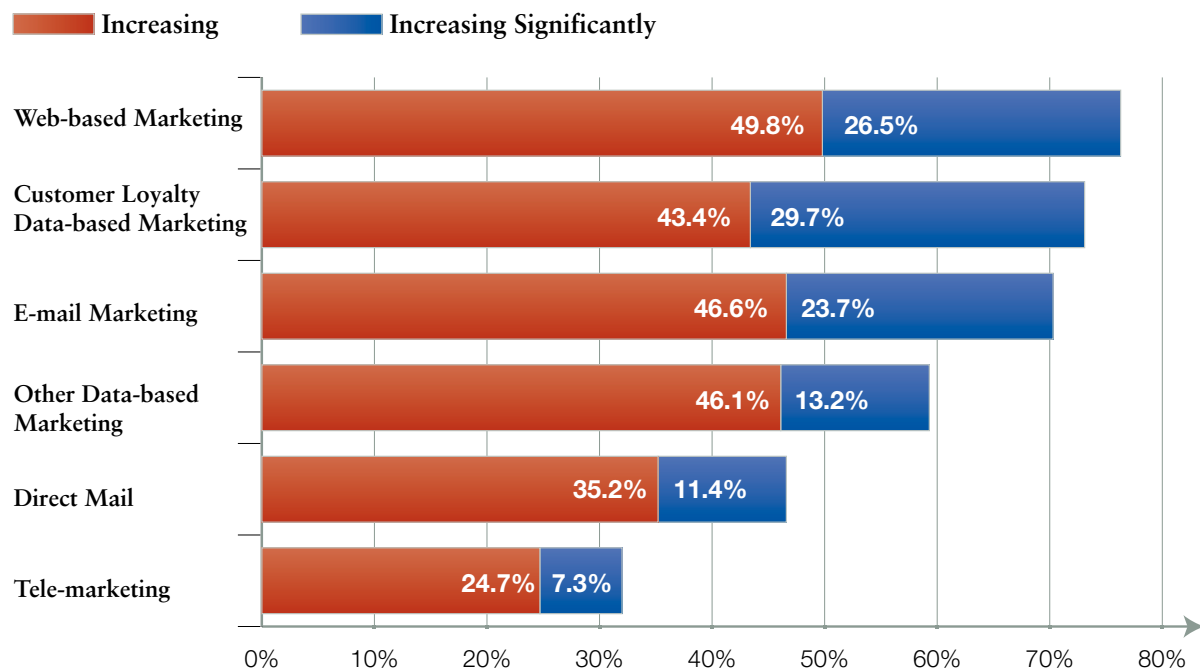
Overview

In the Summer of 2005, CSO Insights conducted a research project looking at target marketing priorities. One finding from that project was the projected changes in target marketing priorities in the year ahead. The numbers were both striking and surprising in their magnitude and are presented in Figure 1 below.

If there is any question in your mind about whether the web and the Internet are for real, check out where leading companies expect to see significant change in the months ahead. Web-based marketing will be increasing in more than three-quarters of firms reporting and significantly in a third of these. E-mail marketing also is approaching 70% in its change figures and technology figures heavily in the other two categories of data-based marketing.

While it appears that Telemarketing is trailing with projected increases of only 32%, remember that Telemarketing is well established and in this case suffers from the problem of big, rather than small, numbers. Considering that telemarketing has been around for more than 25 years, a nearly one-third ongoing increase in this area is still dramatic and significant.

FIGURE 1
Projected Changes In Target Marketing
Priorities A Year From Now



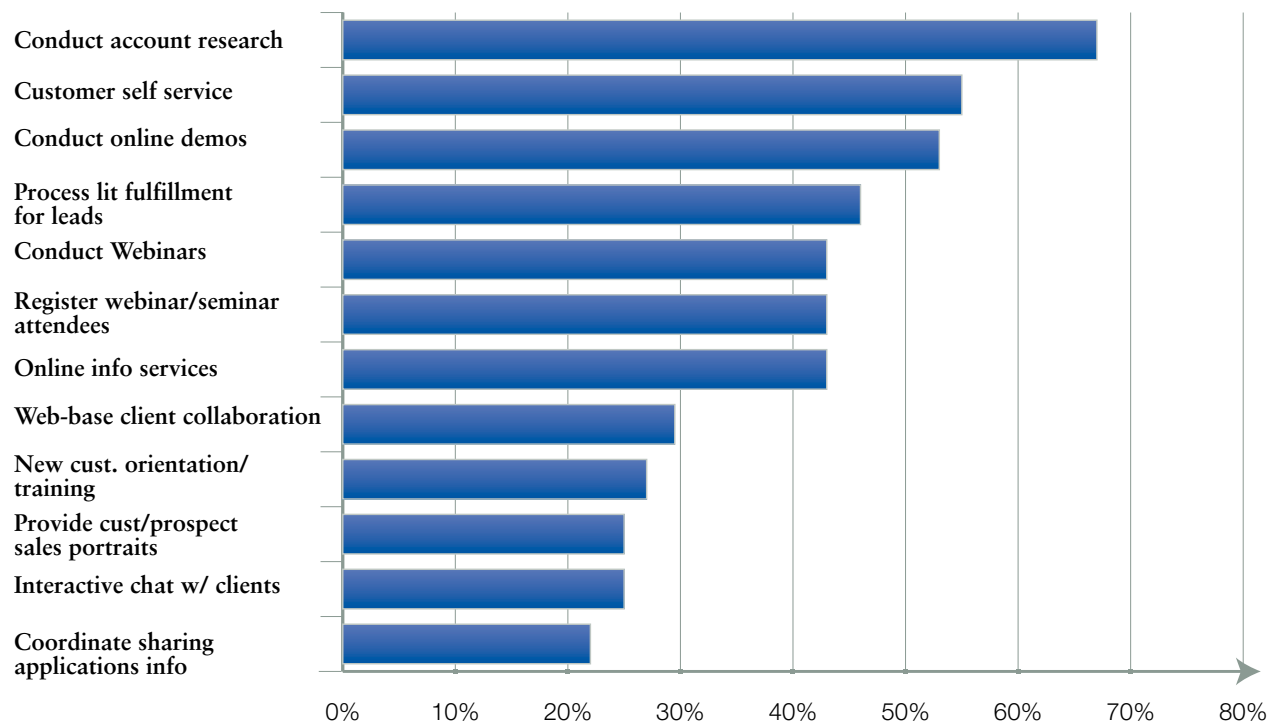
Our questions were many but essentially boiled down to two:

1. The web's impact on marketing is clear enough—is there a similar clear and dramatic web influence on sales?
2. With the increasingly recognized need to align sales & marketing, will the changes projected above telegraph into and through the entire sales cycle?

These questions helped shape areas of questioning in our Call Center/Inside Sales Effectiveness study. Specifically, we were interested in how companies felt they were leveraging the Internet today and what impact these various uses were having. The first of these questions is presented in the chart below.

Looking at Figure 2 below we see four major groups of Internet use. At 67%, the most common use of the Internet today is conducting account/prospect research. Given the bounty of information available through company web sites and, additionally, through on-line information subscriptions it is hard to imagine a sales rep blindly making cold calls into an organization. Regardless of deal size, CRM implementation or other distinctions, it is clear inside sales reps today are availing themselves of the Internet's vast information resources.

FIGURE 2
How are You Leveraging the Internet



“Our engineers used to spend all their time going up to our network servers to locate information. Now they’re going to WebEx Sales Center because they know they’ll find what they’re looking for and that it’s current information.”

— Tom Parrish, General Manager of Special Products, Electro-Matic

The second group (above 50%) includes Customer self-service, a tool primarily used in customer retention, and Conducting on-line demonstrations particularly used in new customer acquisition. It should be noted that Figure 2 represents companies whose sales focus is primarily business-to-business (B2B). When looking at companies with a primary business-to-consumer (B2C) focus, Customer self-service was the only element that scored above 50% (52.6%). All other elements in the Figure 2 chart scored between 15% and 37%.

The next group contains four elements, each in relatively frequent usage (greater than 40% of respondents): Processing literature fulfillment for leads; Conducting webinars; Processing registrations for webinar and/or seminar attendees; and Subscribing to on-line information subscriptions (e.g., OneSource, InfoUSA, Hoovers, etc.).

The fourth group (between 20% and 30%) receiving mention for reasonable levels of frequent use contains three similar but different activities: Web-based collaboration with clients; New customer orientation and/or training; and Interactive chat sessions with clients and customers. These three activities share the possibility of being real-time or spread over time.

For example, any of these sessions can have a number of participants at the same time but in geographically disparate locations. All attendees can participate in and contribute to the conversation, document creation or presentation either through a chat window on screen (where questions, answers and dialogue are all in text), on a separate phone line or using voice over Internet protocol (VoIP). If the session is recorded and archived, anyone not attending live can listen to the session or review the transcript later.

Providing customers and prospects with personal sales portals is a different approach to leveraging the web. Rather than an interactive session, an individually tailored web site (i.e., micro site) is created and all relevant product, marketing and sales materials are located there. A prospect can visit the site at any time and can come back multiple times over an extended period or sales cycle. Analytics allow the seller to see if the prospect has bothered to visit and look at the materials provided there and, if so, which seem to be of most interest (e.g., most time spent on certain pages, documents forwarded to others in the company, etc).

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The final member of this fourth group is using the web to share information between various applications. Examples are the company’s ERP, accounting and CRM applications. These might

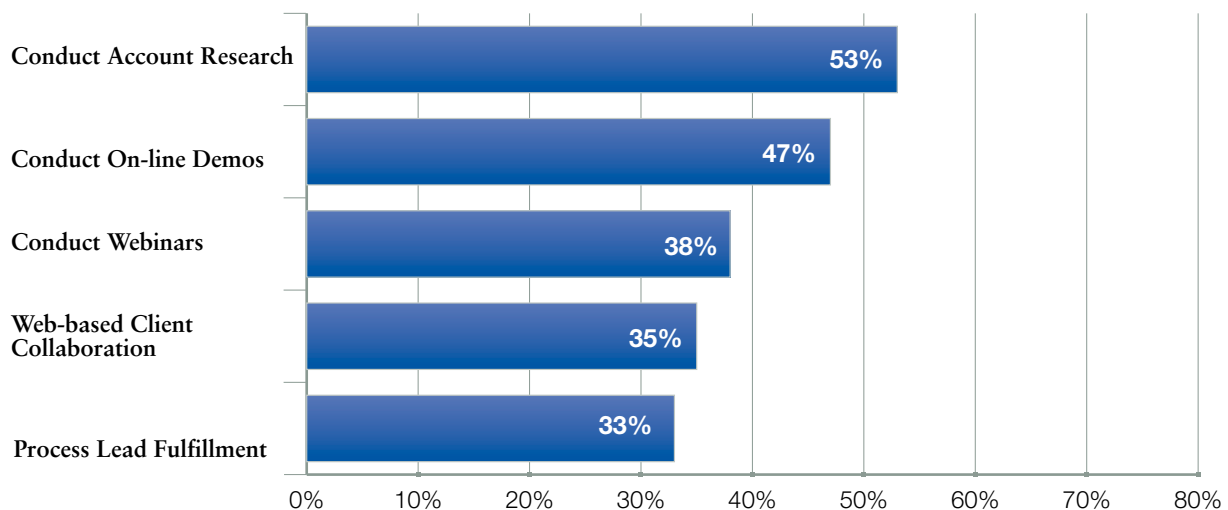
be used to exchange customer credit ratings, product inventory and availability status, history of marketing campaigns to a specific prospect, and so on. “One version of the truth” about any single customer or prospect is a challenge when various data about that customer are held in separate systems (and databases); as seen in Figure 2, many companies are attempting to work through this challenge by leveraging the Internet to share information.

We are interested in what activities companies are engaging in and what technologies they are using to improve their sales effectiveness. At the same time, of equal or greater interest is what impact CSOs feel they are having with these activities and technologies. That is, are the bets they are making in these areas paying off?

In asking this follow-on question we wanted respondents to assess whether the impact of each activity on Inside Sales Effectiveness was Significant, Minor, Some Impact, No Impact, or Do Not Know. The interesting results of this question are shown in Figure 3 below. This chart depicts the top five activities that were rated as having Significant Impact on Inside Sales Effectiveness. As can be seen conducting account research remains the #1 use and significant impact activity but the gap has narrowed considerably between this and the next contender: on-line demonstrations.

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FIGURE 3
Internet Activities Significantly Impacting Sales Performance



Knowledge is Power

As noted earlier, sales reps today, both inside and field based, are routinely conducting web searches on prospects and customers. According to our recent survey, Inside/Telesales reps spend 11.6% of their time researching accounts. This doesn't sound like a lot but when you consider it's almost an hour of every 8 hour day it seems more formidable.

This isn't a bad thing; knowing who you're calling and what they do is important. But there are aspects to all this researching that are a bit disturbing. First, much of what is researched is from surfing various web sites. Google has made this exercise tons easier but has also tended to generate dozens of possible articles, references, or mentions many of which are completely irrelevant.

Second, it is not easy to save the results of a Google search and either refer to them later or share them with another (try it). If your Inside/Telesales rep doesn't connect with the immediate call, they will either have to cut & paste a good deal of information into the contact screen for their next call or, as is too often the case, they will re-research or "re-surf" the same content again and again.

Recognizing this dilemma, solution providers are taking different approaches to addressing it. One referred to in Figure 2 is providing subscriptions to reps for on-line information services. These services scour the web, annual reports and 10Ks, press releases and other news sources, then aggregate relevant details and index them by account, individual, etc. Typically provided on a subscription basis many companies have integrated information sources into their CRM application so that the details are readily available when a prospect is brought up.

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A Picture Is Worth a 1,000 Words

This interactive capability engages prospects, allows them to focus upon and/or try out the features they are specifically interested in and ensures they are not off reading email while the seller is presenting!

Running a close second in significance of impact are on-line demonstrations. These have become ubiquitous in the software world and are increasingly so elsewhere. In its simplest form, on-line demos leverage the Internet to allow individuals to log into an on-line meeting/session. There are various providers and schemes for doing this but all of them provide a log in and password to ensure everyone who gets into the session is supposed to be there.

Once in the basic premise is the same: What is seen on the “presenter’s” computer desktop is seen live on the computer screens of all session attendees. Again, there are differences in interfaces and underlying metaphors (e.g., meeting, class room, etc.) but the bottom line is you as a seller are able to literally show someone anything on your computer without having to travel to the buyer’s location to sit down and show them. Companies have cost justified this service in several ways but this first, reduced travel time and expenses, is always dramatic and immediate.

Software companies are an obvious user of such demo-ing capabilities because, by definition, their buyers will have a computer readily available and, today, are almost certain to also have a decent Internet connection. With these pieces in place, sellers can perform the usual “show & tell” of various aspects of their application or click through a PowerPoint slide deck showing related/relevant screens in the application being considered.

Another powerful capability distinguishing some on-line tools from others is the ability to allow the prospect to “drive;” that is, to turn over or share control of the presentation/application to the buyer. This interactive capability engages prospects, allows them to focus upon and/or try out the features they are specifically interested in and ensures they are not off reading e-mail while the seller is presenting!

There are a few firewall and other technical security considerations but these have largely been addressed in the past couple years. With few exceptions today there is little need or reason for a sales rep to get in a car and drive to a physical location only to do a demo. Clearly, there remain other reasons to hold face-to-face meetings but running a prospect through a product demo (software or otherwise) is not likely to be one of them.

Incidentally, these demos are not confined to software. In fact, they are really only limited by your imagination. A manufacturer in the upper Midwest has taken the buyer’s ability to “drive” the demo literally. They created a video from inside the cab of their largest street sweeper. Prospects can now sit in the driver’s seat and look around to check out visibility, instrument layouts and options and many other features.

“I’ll Meet You On-Line”

“Webinar”—a web-based seminar — is a term used as frequently in today’s business conversation as conducted on the Internet. Seminars attended on-line, typically with a PowerPoint presentation and presenter’s voice over, are a popular alternative to physically showing up for a seminar. Although not limited to PowerPoint slides, let’s face it, 98% of the seminars you attend in person rely on this convenient tool; so why drive clear across town, or worse, halfway across the country to see the same thing you could in the comfort and immediacy of your office?

In addition, webinars can and routinely are recorded and archived to be viewed at the attendee’s convenience later. A national real estate company with 6,600 licensed offices worldwide now uses webinars for agent/associate training. They offer 120 programs each month and are unconcerned about the number of attendees. Previously, a minimum of a dozen or more registrants were required to justify the facility cost, travel expense, instructor time, etc., to schedule a program. Last-minute drop-outs often translated into last-minute class cancellations; agents who planned to attend or needed to for continuing education credits would have to hustle to find some other solution.

Today, if only one or two people register, the class is still run with a good deal of 1:1 attention; all is recorded and other interested students can attend the recorded class and benefit from receiving very nearly the same personal and detailed instruction. The company now delivers this diverse and comprehensive schedule of classes with a half-dozen full-time trainers, instead of fewer classes with five trainers and 125 training associates.

Registration for seminar/webinar attendees and on-line information services tied webinars (41.5%) for frequency—though not impact. For many of the same reasons, registration tasks are better handled via the Internet. Interested registrants can provide their details at their own convenience, not simply during normal business hours of the company holding the session. In an increasingly global and connected business world, the ability to transcend time zones and complete registrations is of high value.

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Two Heads Are Better Than One

Similar to on-line demos and webinars are on-line meetings with clients and/or colleagues to collaborate on projects. And all the benefits outlined above apply in this area as well. Team members can gather on-line without being in the same physical location. Those who either have scheduling conflicts or are in dramatically different time zones can catch up watching the recorded session and then add their own contributions.

Think of e-mail discussions you've had with someone in a distant location. You can send off a comment at the end of the day while they're sleeping and have their response waiting for you first thing in the morning when you come back to work. If this seems far-fetched there are clear real-world examples. An aircraft manufacturer in the US is pursuing an opportunity with an airline in Malaysia. Their top competitor is in Europe where they have just lost in a similar situation. The "War Room" for tracking such opportunities exists in virtual space while the sales team members are literally in every part of the world. Viewing schematics, documents, presentations and, in some cases, each other allows for tight coordination of resources throughout the sales cycle.

The same approach applies to coordinating with clients and prospects. One company we've studied uses a hybrid of everything presented in this section as a best practice. With an exceedingly complex and technical product they used to have technical pre-sales engineers accompany sales reps on calls where the product would be demonstrated and/or specific product features would be discussed. The company found that in a 2-3 hour meeting, the technical person would typically be involved for less than an hour.

Today this company has a technical duty person assigned each day. They don't travel to sales calls but do attend via Internet meetings for that portion where their participation is required. In this way, the company is finding that their pre-sales engineers are able to contribute to as many as three or four meetings in a day, rather than being tied up for 1-2 days with travel to participate in a single meeting.

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“Why Don’t You Send Me a Brochure?”

Rounding out the group of high impact activities is on-line literature fulfillment. To the sorrow of career printers everywhere, more and more “soft” (i.e., electronic) documents are being transmitted via the Internet. There are numerous advantages to sending soft copies including speed, cost, currency and customization. The transit time of mailing a brochure, product spec sheets or other literature is not in synch with most buyers’ timelines today; even overnight delivery is too long and the added expense is seldom justified for routine or boiler plate documents.

In addition to the expense of printing and mailing literature, there is the cost of storing it; historically printed documents could be out of date long before they were out of supply. And making edits and updates was not possible without an entire reprint. Soft copies have none of these problems and so, as seen in the frequency numbers above, have blossomed to third place in Internet activities by inside sales teams.

There are a growing number of solutions in this area as well. In addition to simply emailing company literature and other collateral pieces, some companies are creating individually assigned sales and marketing portals. Analytics allow sellers to see when, where and for how long prospects have visited various pages on the portal. However, to date, the impact of this approach remains less clear.

What is clear is that the Internet is seen as a direct and immediate connection between buyers and sellers. Whether it’s a relatively passive communication sending along company/product literature or a completely interactive and collaborative meeting, the Internet has increased the speed of communication, expanded the various forms this can take and deepened the impact each can have.

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Looking for Leverage

Of course the base data from the larger responding population is always of interest and provides a good baseline of how technology is being used and what the overall state of the marketplace—in this case Inside/Telesales—is. However, we then try to look deeper, to find connections with or at least correlations to outstanding performance.

This was our first foray into Inside/Telesales so we do not have historic data or trends with which to compare. In our effort to mine the data we tested a number of ideas and found some better than average performance figures. We also found some outstanding performance figures but within a limited subset of the population. Still, we were able to directionally observe a trend that we feel warrants your closer consideration. This section presents areas we feel hold genuine promise for increased effectiveness.

By way of overview, our Inside/Telesales survey attracted more than 400 respondents. [For a more complete recap of summary findings please visit www.csoinsights.com and download “Benchmarking Telesales & Inside Sales Performance—Summary Report, Fall 2005”] The major pieces of that research revealed that overall quota attainment was 58.2% by all inside sales reps, across all industries and size companies. Annual rep turnover averaged 42%; 21.8% voluntary and 20.1% involuntary. 42% of respondents reported an average deal size of less than \$5000 and nearly 80% had an average deal less than \$25,000.

Since conducting Account Research was the primary use of the Internet, we looked at quota attainment of just these respondents and found it to be 59%. Since two-thirds of respondents reported doing account research, it is not surprising their quota attainment essentially matched the entire population. However, even for those firms saying their research resulted in Significant Impact, quota attainment remained 59%. Companies that did account research and implemented a CRM system did not fair noticeably better. Quota attainment: 60%.

For companies that did on-line demos and webinars their quota attainment was 63%. This did not change significantly with the addition of account research or on-line meetings with clients. It declined to the norm (57%) with only on-line demos. This combination (i.e., on-line demos and webinars) correlates with better performance but not with what we would call break-out performance.

The major pieces of that research revealed that overall quota attainment was 58.2% by all inside sales reps, across all industries and size companies. For companies that did on-line demos and webinars their quota attainment was 63%.

There were other benefits and/or areas of improvement beyond quota attainment. Rep turnover was improved: 26% (12% voluntary, 14% involuntary) vs. 42% seen above. One consistent finding somewhat independent of the actual use was that with some infrastructure investment, rep turnover declined. It appears that reps feel they have a better chance for success if their company has made any technology investment to leverage the Internet.

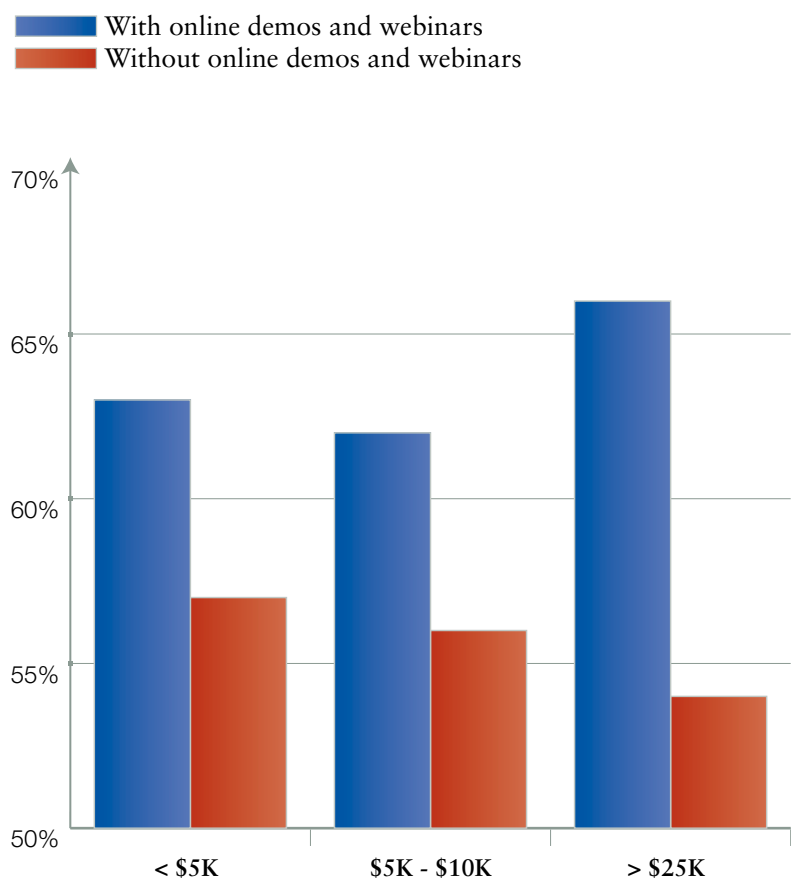
Is That All There Is?

Still, we felt a persistent nag to keep looking. Is there any indication of a brighter and better future? All combinations of technology still fell in the range of average (55%-59%) to improved (60-64%) performance. Nothing really lit up the figures.

We looked in one more area for distinctions—deal size. See Figure 4. For deals up to \$5,000, there was the same range of quota attainment differences: with on-line demos and webinars 63%, without 57%. For deals up to \$10,000 the numbers were effectively the same, 62% vs. 56%

However, for average deals of \$25,000 or more, the numeric differences became significant though the numbers upon which these are based are small (13 vs. 34). With this in mind we directionally observed the following figures and trends. Quota attainment in this group was 66% for teams that did on-line demos and webinars vs. 54% for those that didn't. With collaborative client meetings added the quota attainment number reached 70% but the sampling size was too small to rely upon (<10).

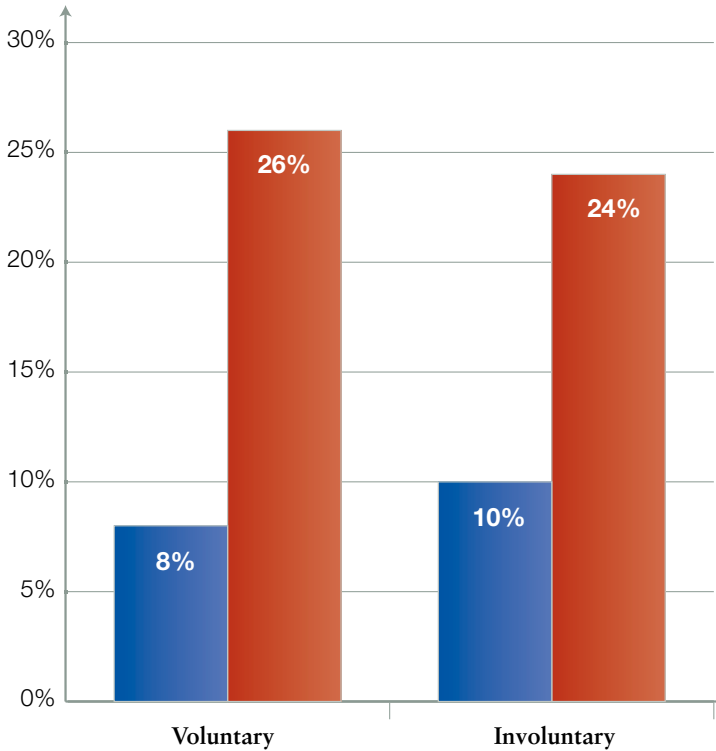
FIGURE 4
Quota Attainment by Deal Size



Just as compelling, maybe more so, were the turnover numbers. See Figure 5. For the companies with deals sizes of \$25,000+ utilizing on-line collaboration, turnover figures were 8% voluntary and 10% involuntary. For their non on-line collaboration counterparts the figures were 26% voluntary and 24% involuntary. This is a truly significant difference: less than one-third the rate of voluntary departures/defections and less than half (42%) the involuntary. This means fewer people firing themselves because they know they can't make their number and fewer people you have to fire because they didn't.

FIGURE 5
Sales Rep Turnover Rates

■ With online demos and webinars
■ Without online demos and webinars



This is a truly significant difference: less than one-third the rate of voluntary departures/defections and less than half (42%) the involuntary. This means fewer people firing themselves because they know they can't make their number and fewer people you have to fire because they didn't.

Conclusion

Inside Sales and Telesales are increasingly part of the mix as companies look to drive down their cost of sales, while helping optimize performance. And leveraging technology, particularly the Internet, will be key to increasing Inside/Telesales effectiveness. Today the differences are not dramatic but, in our opinion, the writing is clearly on the wall.

On-line collaboration appears to be providing some, albeit limited, advantage to those firms using it today. Looking beyond the immediate and limited data points available to us at this writing, history provides clear and consistent support for the gradual and overwhelming adoption of technologies that work. And they are repeatedly led by the higher end of their markets.

Looking at earlier examples, long-distance phone calls and air travel were absolute luxuries for the average earner. These services once restricted to the wealthy are now commodities, literally, to everyone. Cell phones, fax machines, PCs, high-speed Internet access and many others all started their successful march with those that could afford them and eventually everyone could.

We predict the same for on-line collaboration tools. Although a limited data set in this study, the higher the average deal size, the greater the performance of companies using this technology. In each of our reports we are careful to point out the statistical maxim: Correlation is not causation.

Still, it is our opinion that on-line tools are and increasingly are becoming a competitive advantage in certain areas and with higher level opportunities. In time this advantage will migrate to more areas and smaller opportunities.

And in the longer term, not having these tools integrated into your Inside/Telesales teams' infrastructure will become a competitive disadvantage.

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About CSO Insights

CSO Insights is a research firm that specializes in benchmarking how companies are leveraging people, process, technology, and knowledge to optimize the way they market and sell to customers. Over the past twelve years, CSO Insight's sales effectiveness survey of over 7,500 sales effectiveness initiatives has become the benchmark for tracking the evolution of how the role of sales is changing, the challenges that are impacting sales performance, and most importantly, what companies are doing to address these issues. For more information on this research go to www.csoinsights.com.