

Exploiting Sales Capacity



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“When the winds of change blow, some people build walls and others build wind mills”
- Chinese Proverb

Market demand in B-to-B markets is stagnating. The number of new orders bagged by Indian companies fell by 30 per cent in 2015 compared to the previous year¹. This is attributed to the fact that the Indian manufacturing and infrastructure sector has been stagnant in the recent past. India's core sectors (coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity) recorded a growth rate as low as 1.4% in 2015².

This has left many Companies watching helplessly at escalating costs while sales are flat or falling. They are aware that the way to harness sales volumes in a stagnating market is to aggressively expand their customer base. However, in the B2B space, customer acquisition is not an easy job. Numerous meetings with different managers in client organizations, followed by technical approvals and demos may be required to land the first order. The efforts needed and time taken to get an order from a new customer is usually much higher than that required for getting reorders from the existing customer base. So, more the customer interaction more would be the sales. Consequently, the current narrative of the top management in almost every B2B organization is “go out in the market... spend less time in office”. On the face of it, this instruction sounds odd – aren't the sales people already expected to spend most of their time in the field?!

Analysis of how sales teams use time

Vector Consulting Group analyzed how sales managers in equipment manufacturing companies spend their time. The results provide an interesting insight.

1. Salesmen put in long hours at work. Many of them (33-43%) work overtime
2. Salesmen spend as much as 65-80% of their time doing sales support activities!
3. 80-85% of field visits of salesmen are limited to existing customers
4. Only 15-20% of these visits are to potential customers

AREA	TASK	TIME SPENT
Pre –order	Price negotiation, Getting price approval within organization, Making quotations, Order entry, Tendering, Finalization of commercial terms etc.	20-25%
Order Fulfillment /Post order	Order documentation and processing, Material follow up, Commercial clearances, Drawings coordination, Advance payment follow-up, Follow up for Service and installation, Invoicing, Issue resolution, Follow up with client for payment, Collection etc.	45-55%
New Business- New/Existing Customers	Generation of leads, Customer visits, Making calls, New segment development, Capability Presentations, Making Offerings	15-20%

Table 1: How a typical salesman in India uses his time*

**source: Research at Vector Consulting Group*

If we define the core-competency of a salesman as the ability to bring about buy-in for company products through customer interactions, then all other tasks can be described as sales support activities. The top capacity guzzler of a salesman are these sales support tasks related to pre-order and post order- right from ensuring clean order entry in the system to all customer follow up tasks during order execution. Most of these support tasks require easy access to IT systems, rigorous documentation and strong coordination with customers and other internal departments making it necessary for sales managers to spend most of their time in local branch offices rather than on field visits.

Moreover, even though each of these support tasks (as shown in table 1) done by a salesman looks small, they cumulatively not only use up their capacity but also waste it. Every enquiry to order cycle or an order to collection cycle is interspersed with numerous small tasks. Each of them is typically iterative in nature and has to be done in small periods of time; else they are likely to become urgent. For example if an enquiry

comes in and the proposal has to be sent in in the next five days, the salesman is forced to drop everything and process the enquiry. Or, if a dispatch is held up for want of inspection during the month end, most often, the sales man is asked to step in to sort it out. Then, the sales person is likely to drop everything else to facilitate the dispatch. *(In many organizations, the sales team spends the last week of the month just trying to ensure dispatches and invoicing, wasting a clear 1/3rd of their capacity).* When each sales man handles about 10 to 15 open sales orders and 10 to 15 open enquiries, the number of open support tasks can be as high as 50 to 100. All these 50 to 100 tasks, with low lead-time service requirements, create a cycle of perennial urgency and bad multi-tasking for the sales person. Moreover, all these tasks affect the rate of order intake as well as the rate of final billing to the customers. So, to use time better and to avoid perennial switching between different type of tasks, sales teams try to batch various types of tasks across different sales orders into time buckets. (Such batching is one of the reasons for spikes in order booking and dispatches in many organizations). But, in spite of this, the capacity available for actual sales work (acquiring new customers or selling new products to existing customers) is little and, very often, the efforts required to acquire a new customer look disproportionately high with respect to immediate results.

Consequently, salesmen are in a perpetual conflict. On the one hand they have to meet new customers to establish new business, and on the other they have to focus on support activities to ensure that they meet their monthly order booking and sales targets. Their capacity is currently completely taken up by the second. So, even if the board rooms resonate loudly with the demand for expansion of customer base to increase market share, as long as this conflict is not resolved, nothing is likely to change.

Solution that does not work

To release capacity, salesmen have to be released from having to chase sales support tasks. But building a backend support team that truly serves its purpose is not simple. Many companies have tried this and burnt their fingers. To free up some of their salesmen's time, some companies, particularly the ones with multiple business units and geographically spread out branch locations, have tried to create a commercial function at branches to support the backend work like order entry, dispatches and material follow up. But this did not work as expected for two reasons. For one, the support team did not have the authority to interact with customers directly. They could complete their tasks only with information and help from the sales team. The prime responsibility and accountability of support tasks resided with the sales force. Secondly, the support team also had other unrelated responsibilities limiting their availability to undertake support tasks in a timely manner. When tasks were missed or were incomplete, the salesmen had to follow up with them. So, the support team was not perceived as adding any value. To the contrary, it was seen as just adding another layer to the bureaucracy the sales team had to wade through.

The core problem

The only way out of this conflict is to question the fundamental assumptions of how Sales as a function is structured. The two key assumptions under the current organization of sales are as below:

- All customers want single window of communication for all matters regards to sales and sales support activities
- Accountability, and hence, the responsibility of all activities related to order intake and final billing should reside with individual sales team.

The first assumption is flawed and the second one costly. Customers need to be able reach out to the company and have access to the relevant information without having to continuously repeat themselves. But it is irrelevant whether this is to the same person who sold their product to them or not. In fact, in many situations, they prefer to talk to an expert, rather than a person who just acts as a contact point without having the necessary competency to deal with the queries.

The banking sector works very effectively with multiple windows – customers interact with the call center, website, and branch offices without feeling the need to talk to just one person.

The price organizations pay for the second assumption is the tremendous loss of sales capacity.

Releasing Sales capacity

What is needed to resolve this dilemma is a method by which the non-sales or support activities are taken up in a manner that ensures clockwork efficiency and reliability without using the sales capacity for any kind of coordination. For this, a streamlined backend has to work directly with customers with machine-like efficiency! Only then will the sales team have the confidence to let go of the support activities.

In order to ensure that the backend is streamlined,

- 1) The support team has to be centralized so that there is aggregation of work from across branches, making a dedicated team for support tasks viable. The team should have direct access to customers.
- 2) The universe of tasks has to be standardized with clear handover criteria and then divided between different teams based on time and skill requirements (e.g. payment follow up, design follow up etc.). This reduces need for multi-tasking of the support team and improves ability to get back to a task after natural interruptions. (The need to distribute support tasks across different resource types is one more reason why the support activities need to be centralized for maximum aggregation benefits).
- 3) Service Level Agreements have to be in place, which clearly defines scope and responsibilities. The entire back end has to be managed like a shop floor with real time evaluation of tardiness and right time expediting.
- 4) The process has to be automated wherever possible, especially the big volume, repetitive tasks.

When all work together seamlessly, much like various stages of a production process, expediting customer calls to the field sales team will quickly reduce to zero. This will build confidence in them to concentrate on “real sales”.

Improving sales team productivity

An effective backend may release approximately 70% capacity of the salesmen, but this still does not prevent a further level of wastage. Research indicates that half of the time an average salesman spends on customer calls is used up for travelling and another two thirds is spent waiting to meet customers. Since customers tend to be geographically spread, this limitation makes salesmen pick and choose whom to visit. They generally meet only those who they believe are most likely to give them an order. Many opportunities for building relationships and influencing orders in the company's favor at pre-bid stages are thus missed in this bargain.

So in order to use the salesmen's time better, it may be useful to do an analysis of the customers a company serves and see if they can be serviced effectively without any wasteful travel. There are essentially two kinds of customers – repeat customers or existing customers, who have given at least one order and new customers who have to be targeted for business development (for acquiring the customer or increasing share of business).



Repeat customers

Repeat customers or existing customers have already demonstrated their conviction in the company's brand by purchasing from the company. Still, maintaining the relationship through continuous contact is important. With paucity of time, most sales persons leave out a large dormant customer base from their regular contact schedule. But the good news is that since product demos and expert selling skills are not required, a good portion of these interactions can be conducted through a phone beat which can also reach out to a much larger base than what travel can accomplish! These phone beats can be done by a separate team which focuses on reaching out to entire customer base in a pre-defined rhythm. Travel for physical meetings, then, need to be done by the field sales only when the customer specifically requests for one.

This approach requires sales with existing customer base to be handled by teams of two groups of resources working in tandem – internal sales and field sales. But the advantage of this is that most of the transactions (including closing of sales) are taken care of by the internal sales partner by directly interacting with the customers. And since the field salesman makes only scheduled meetings, set up by the internal sales partner, with a definite agenda, his travel is focused and more rewarding.

New customers/new products to existing customers (business development)

Selling to new customers or a new business development require a much longer time and involve a series of physical meeting/s with the customer. This also requires a higher degree of expertise in terms of understanding of the customer requirement, knowledge of the company's products and selling skills. At same time, approaching every new customer requires a cold call. The expert salesman however finds cold calls very unpleasant.

Here again, tasks related to the “cold call” phase – setting up the meetings and making the sales call can be divided. Centrally located campaign coordinator/s can develop the database, filter potential opportunities through e-mail or phone interactions and schedule visits for the expert salesmen to woo the customer. This team can also take care of all the non-sales activities needed to support business development. Once a new sale has been finalized, the customer can be handed over to the team servicing repeat customers.

When internal sales activities are as per process and sales visits are pre-scheduled, there will be a much greater transparency of the sales funnel than it currently exists. Monitoring of the sales tasks can be done by checking the progress of orders in the funnel. Each order can be mapped to be in various stages of the sales funnel with the help of any standard CRM package and if a task is indicated as stuck, help can be provided proactively for speedy issue resolution. Effort should be to improve flow from lead generation to billing. Increased flow will, over time, reflect as increase in sales.



Changing the paradigm

At very core of this new paradigm is the theory of constraints approach of taking all possible steps to subordinate to the identified constraint. This is the only way to ensure maximum usage of the capacity of the constraint. The subordination steps involve reorganization of the sales function and an even greater revolution in thought. But when multiple people (centralized back end, internal sales teams, field salesmen and business development managers) work together to make sales happen, there will be quantum jump in sales productivity while ensuring improved quality of service. Moreover, sales will cease to be a “black box” as it is often considered now and become more transparent. Since this model is expected to free up considerable amount of sales capacity, the company may also find itself with surplus salesmen. The approach also opens up new possibilities of re-defining and aggregating branch and geographical locations.

ⁱ http://www.business-standard.com/article/companies/new-orders-slow-down-for-india-inc-in-september-quarter-115100700386_1.html

ⁱⁱ <http://www.dnaindia.com/money/report-why-india-s-core-sectors-continue-to-slow-down-2073680>

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