

# How High is Your Sales IQ?

## A Process-Based Approach to Sales Intelligence

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Total intelligence support, including internal and external intelligence, is essential to making a good sales impression – and a sale. Competitive intelligence (CI), like any knowledge-based process, must successfully serve as clients those core business activities that contribute the most to revenues, profits, stock price, and other measures of enterprise value.

Across nearly all industries and organizations, sales activities rank high as sources of value. Its core activities (identifying target markets, creating awareness of product offerings, developing and maintaining customer or prospect relationships) remain essential in virtually all organizations. CI typically increases its return on investment when it supports sales.

Many CI practitioners have sales executives and groups as their key clients. SCIP recognized the specific needs of this membership segment in 1996, when it established Sales and Marketing Intelligence (SMI) as a CI sub-discipline and sponsored a major study of SMI practices among its members (Powell and Allgaier, 1998). In that study, we concluded that “Marketing and sales is an acid test for the practice of competitive intelligence. It is there that CI can and must have significant, demonstrable impact if it is to succeed as a discipline.”

Over the years our view has been supported by many individuals. Dozens of presenters made fine contributions over the years to the SCIP SMI symposia series, and several created excellent articles in SCIP journals (among them Levy, 2003; Prescott and Miree, 2000; Naylor, 2002; and Schulz, 2002). The SCIP online newsletter also contains several contributions to the field.

CI is particularly vital in a time of change. The nature of sales is changing, and the sales function itself is under pressure. Product life cycles are shorter in many industries, driving the need for faster sales cycles. In-person sales call costs have risen consistently, and the time sales people spend

on these calls has decreased. Companies increasingly look to alternative solutions to boost sales productivity, such as outsourced sales forces, or sales based more heavily on telephone and internet interactions.

To describe CI sales support, we have chosen a process-based approach, where that support changes at each stage of the sales process. A major defining process is the sales cycle which takes you from identifying what kinds of customers you will target, to winning new business. The CI practitioner must understand this cycle fully to effectively implement a complete program of sales support intelligence.

### THE SALES CYCLE

The Sales Cycle is a widely used model of how sales works, although in practice we know of no single definitive version. We focus here on the business-winning version and business-to-business sales that involve large accounts. Other variations focus on expanding relationships with existing customers, or on winning back customers that have been lost. We do not include discussion of product development (linked directly with sales at the front end) or customer service (a direct link to the back end.) We use the word *product* generically to indicate offerings of both goods and services, as well as bundled portfolios of products.

The Sales Cycle has seven major stages. (See Sidebar 1.) Each succeeding Sales Cycle stage narrows down the focus on progressively fewer companies as prospects, but the need for information about each prospect expands. (See Figure 1.) At the beginning of the cycle, information sources tend to be more formal and quantitative (e.g., structured databases). Towards the end they are more informal and qualitative (e.g., conversations with key players).

The time between target segmentation and win or loss may be months or even years. Most sales organizations work to decrease the average sales cycle time, and CI practitioners

must work closely with the sales team to be sure CI does not delay the cycle at any stage.

**CYCLE-BASED INTELLIGENCE**

There are three primary constituencies (two present and one hidden) in any sales interaction. All sales intelligence activities should take into account all three:

- the prospect, whose business problem we are solving within the submitted proposal
- the company (us), whose competencies are assessed by the prospect as responsive to its needs or not
- the competitors (assuming a competitive bid situation), whose offering is benchmarked by the prospect against ours

Three major patterns of intelligence also flow within the cycle. To be most effective, SMI must actively support and enable all three:

- inbound from the sales force, processed and used ‘up the line’ for decision-making or for outbound deployment
- outbound to the sales force to arm them in competitive situations
- crossbound, exchanged within and among the sales force

**TARGET SEGMENTATION**

Target segmentation links business strategy and the sales cycle: it answers the question “To where do we sell?” Segmentation strategy determines strategies for marketing communications (including advertising, public relations, and the internet) and sales force hiring and deployment. It is done prior to a new product launch or a significant re-launch of an existing product. At least once every few planning cycles, management revisits this strategy, since market conditions can change rapidly.

Segmentation decisions are often based on aggregate industrial demographics: size (measured by both aggregate revenues and number of companies), profitability, and growth. This information can be developed from trade journal articles, league tables published in general business periodicals like *Financial Times* and

*Business Week*, and industry reports produced by securities analysts and independent syndicated research firms.

Key non-financial trends are gathered from qualitative industry sources including conversations with industry experts. For example, what are the most important trends affecting the industry, and how are these most likely to play out in the coming 12-36 months? CI can infer direct competitor intentions for a segment by monitoring their sales force hiring patterns, watching industry news, and conversing with sources familiar with the industry.

Other targeting approaches can replace or supplement this demographic approach. CI must be flexible and creative in addressing them. For example, another very effective segmentation solution is needs-based targeting, reviewed in the following section. Table 1 summarizes the intelligence requirements at this and other stages of the sales process.

**PROSPECT IDENTIFICATION**

Once target segments and their criteria are identified, then summary information about the individual targets must be gathered. Most industries have at least one trade association that collects and maintains information about that industry. A phone call to the industry association library may be sufficient to gather this information. Government agencies can also be an information source. Third-party



Figure 1: The Sales Cycle

industry directories are available at any good business library, and increasingly on the internet.

Geographically based listings are available from several sources. City business directories, for example those published by Crains, cover several major US markets. Local newspapers and internet directories such as Yahoo and DMOZ are also increasingly comprehensive and useful. The same league tables identified in the segmentation stage can be re-used to extract information on specific companies.

Information for prospect identification can be maintained as structured data, but in a more readily actionable form than at the target segmentation stage. This data must be migrated into a format that can be easily input to the support system your sales force is using, whether workstation-based, enterprise-based, or ASP-based.

Under certain conditions, needs-based targeting can analyze trigger events that determine prospect attractiveness. For example, publicly-held companies have much *open-source* information available, and you can use that information to identify individual target companies. What companies typically use and benefit from your product? What specific

needs do they have that your product meets? Once you pinpoint the events or conditions that lead to product purchase, you can narrow the targeted field of prospects. A systematic, ongoing program of needs-based targeting can shorten the sales cycle, and result in greater business production per sales call.

## PROSPECT QUALIFICATION

Here, CI plays a key role in helping sales focus on prospects when they have the highest probability of winning. To do this effectively, CI must:

- start with a keen knowledge of competitor capabilities and offerings
- understand the factors critical to winning the business
- impartially assess its own company's strengths and weaknesses compared to alternative suppliers

CI is most effective when it has a direct and meaningful relationship with the sales team. By incorporating sales' current understanding of prospect requirements and buying motives into their analysis, the CI team can create a more comprehensive and realistic assessment of a bid outcome.

A simple Excel-based model can support qualification decisions by graphically depicting probable bid outcomes against a set of anticipated players. Using your company's portfolio of key tangible and intangible product attributes, the CI analyst rates all market players on these same elements and compares them with known prospect requirements.

Modeling bid scenarios highlight specific strengths or weaknesses your company faces in a bid situation. Results can be used to understand the additional investment needed to counter perceived weaknesses before making a go/no go decision. The model's success in forecasting probable sales outcomes, and sales' acceptance of the model, can help further integrate intelligence into sales' key decision process.

## ACCOUNT PLANNING

When there is a decision to pursue the account, one of the first steps of the account planning team is to detail the anticipated actions and resources necessary to win the sale. The CI professional is most effective when part of this team. This participation facilitates CI's role in:

- examining assumptions the team may have about the competitors
- challenging and clarifying those assumptions
- determining what bid-specific information is required and when
- making the information available to sales in a timely and usable manner

### SIDEBAR 1: THE SEVEN STAGES OF THE SALES CYCLE

1. **Target Segmentation.** Determine the market segments most likely to need the product. Often based on demographic criteria such as industry, geographic location, and size.
2. **Prospect Identification.** Identify specific companies that meet the criteria set forth in the segmentation stage. These companies are likely to become clients.
3. **Prospect Qualification.** Decide if prospects are worth the often considerable investment necessary to pursue them. Can we win this business, and do we want this business?
4. **Account Planning.** Formulate a specific plan to win the business of each qualified target prospect. This involves gathering intelligence about prospect-specific needs, purchasing criteria and decision process, and competing offers.
5. **Account Interaction.** Contact the prospect directly. Reasons not to buy and direct comparisons with competing offerings are often raised by the prospect at this point.
6. **Proposal Preparation.** Create a formal proposal, competing with several potential providers, or a "sole source" response, where only one solution has been identified.
7. **Win or Loss.** Determine if the prospect becomes a current client (a "win"), or remains a future client (a "loss") at least for the moment.

**TABLE 1: SUMMARY OF INTELLIGENCE SUPPORT FOR SALES**

	Intelligence Clients	Sales Activities Supported	Intelligence Objectives	Intelligence Products	Intelligence Sources	Technology Supports
<b>Target Segmentation</b>	Corporate and sales management	Marketing communications resource allocations; sales force deployment	Establish strategic sales priorities	Market size, profits, growth; segment trends; target competitors	Trade journals; league table aggregates; industry reports; trade sources	Web browser; Excel
<b>Prospect Identification</b>	Sales management; sales force	Prospect qualification; account planning	Identify specific companies meeting established criteria	Company listings; summary demographics	Trade journals; league table details; industry and geographic directories	Web browser; Excel; CRM/sales automation
<b>Prospect Qualification</b>	Sales management; sales force	Go/no go decision to pursue account; additional account investment	Assess buy likelihood and time; strengthen competitive position	Bid outcome forecasting	Internal networks; external experts; sales force debriefs; secondary information	Web browser; CI intranet or database; Excel; CRM/sales automation
<b>Account Planning</b>	Sales management; sales force	Account-specific sales planning	Deepen customer, competitor information	Competitor assessments	Internal networks; external experts; sales force debriefs; secondary information	Web browser; Excel; CRM/sales automation
<b>Account Interaction</b>	Account team	Sales contacts	Communicate factors influencing sales outcome	Prospect dossiers; competitive offers and relationships	Prospect; the 'grapevine'	E-mail; phone; CRM/sales automation; sales intranet
<b>Proposal Preparation</b>	Account team	Proposal preparation, submission, and defense	Play key role in creating winning proposal	Prospect needs assessments; competitor bid strategies and pricing	Prospect hosted bid meetings; industry sources	Design and page layout; electronic presentation
<b>Win or Loss</b>	Sales; marketing, corporate management; account team	Future sales planning; product development	Strengthen competitiveness; identify winning approaches	Prospect buying criteria; competitor information	Prospect buyers; sales team	Excel; CRM/sales automation

CI account planning support is an iterative process, as requirements and competitors are clarified and the need for relevant, detailed information increases. When information is not available, develop and execute a collection plan that includes web based and secondary sources, and includes access to a pre-established network of knowledge holders, both internal and external to the company. Internal company network development can be aided by expertise mapping technologies that help identify 'who knows what.'

Retainer relationships with third parties can augment internal resources and minimize contracting-related friction when fast response time is needed. Such standing agreements

allow an organization to more effectively utilize external expertise, while enabling the third party to better know and address its business requirements.

### ACCOUNT INTERACTION

At this point in the cycle, sales management moves to an advisory and oversight role. Now it's up the sales team to make things happen by starting with a personal meeting. Each sales person should go into a prospect meeting with a clear understanding of how the prospect's business is doing, and walk out even better informed. This reinforces the

## SIDEBAR 2: PROSPECT DOSSIER CONTENTS

- information on general company events
- background on this business unit
- background on the purchase decision-maker
- summaries of previous prospect interactions
- competitor relationships with the prospect
- the prospect's specific needs and objections relative to this product
- specific comparisons between your product and competitor products

prospect's impression that the salesperson's objective is to solve his problem, not just make a sale.

A standard vehicle for communicating prospect business information is a one or two page prospect dossier. (See Sidebar 2.) While some companies assign dossier development to sales or sales support people, we recommend against this. A dedicated resource outside the sales function (either internal to the company, like the CI team, or an outside contractor) is better positioned to provide high-quality and timely prospect dossiers.

The sales person also needs to understand how the purchase decision will be made:

- Will it be made by a group or specific individual?
- Who are the influencers and how do they gather information?
- What are the decision criteria?
- When will the decision be made?
- Will the purchase necessarily be made, or is an internal *build* outcome possible – or even a *project on hold* outcome?

Finally, the sales person needs to know as much as possible about the competitive offers under active consideration. It's very likely that new, updated information on such offers will be forthcoming at the meeting. This new information, which could include new competing products, features, product promotions or competitors, should be quickly fed back to CI for analysis and distribution.

## PROPOSAL PREPARATION

Proposal preparation is the final *do or die* stage, as it represents a lasting, tangible demonstration of your company's capabilities and skills. The proposal should reflect most client-relevant intelligence gathered at previous sales cycle stages.

Competitor pricing is of particular interest at this stage. Pricing structure and strategies are as important as pricing levels:

- What volume and other discounts are available?
- Are there hidden discounts, like services rendered in-kind?
- How are product offerings bundled?
- Are different prices available to different classes of customer?

Much industrial espionage revolves around efforts to obtain competitive bid pricing information, sometimes by theft or subterfuge conducted internally by a company or a third party. Such tactics often violate antitrust and intellectual property laws and also run the risk of civil litigation.

## WIN OR LOSS

All bid decisions present an opportunity to learn from the interaction and use the resulting information to compete more effectively in the future. A program of systematic bid post-mortems provides a legal and ethical means to assess the perceptions of decision-makers who have recently interacted with all relevant market players. This enables you to understand how your company stacked up against its competitors on all decision factors, including pricing, from the prospect's perspective.

Win/loss analysis has several benefits. It

- enhances the competitive knowledge base underpinning all stages of the sales cycle
- sharpens internal support processes impacting competitive results (your company's degree of negotiating flexibility relative to rivals)
- offers a way to extend your company's relationship with prospects, and demonstrate its interest in improving future performance
- can sometimes save an account previously thought lost

Win/loss analysis is most effective when sustained over time, and when the actual reasons for wins and losses are objectively obtained. For these reasons, companies often use third parties to manage such programs. Through win/loss analysis, CI can help to insure the *voice of the customer* is infused into its sales intelligence products.

## LEVERAGING THE VALUE OF SALES INTELLIGENCE

Gathering competitive information is part of what sales professionals do best, and their proximity to the prospect and *the grapevine* puts them in the ideal position to do it. For example, when raising objections to a sale, the prospect may refer directly or indirectly to a competing offer. This information has relevance far beyond the outcome of that particular sale.

But salespeople are often not used to, or even open to, giving information back in a way that it can be used by others in the company. They can be conditioned to do so through traditional training (including attention to techniques and ethics), incentives, recognition, and common courtesy and gratitude (surprisingly effective). Even the most competitive salespeople feel good when they help the team, as long as someone they respect acknowledges this.

Sales people are highly competitive and financially motivated. Anything that clearly helps win a commission will have their active support, provided they recall where that help came from. CI should provide active and passive reminders to assist this recall.

CI should serve as the hub for the capture, analysis, and redistribution of information gathered by the sales force. This includes information about competitor initiatives and customer trends, and best practices for redirection within the sales force. Some companies have created technology-based solutions such as intranets to assist with communication.

## CONCLUSIONS

The sales cycle explains a lot about the intelligence needed to support the sales process. Everything? No. We have focused primarily on sales tactics, and less on sales strategies. (Then again, effective sales has a lot to do with tactics and execution.) Even so, we've suggested a long list of recommendations for implementation.

If you are not yet in a position to implement total intelligence support for the sales cycle, then we recommend you do what you can, when you can. Every little bit helps your organization achieve shorter sales cycles and greater sales productivity. To focus on what you can do, we recommend the following steps:

1. Define how the idealized Sales Cycle model actually works in your organization.
2. Take an inventory of the supports you currently provide.
3. Identify what the greatest needs are going forward.
4. Put together support initiatives in each of those must-have areas.

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## SIDEBAR 3: KEY PRINCIPLES OF EFFECTIVE SALES INTELLIGENCE

- CI maximizes its value by effectively supporting the sales process based on what sales, not CI, recognizes as meaningful.
- To effectively support the sales process, CI must fit itself to the stages of that process.
- Intelligence needs, sources, products, and techniques differ along the sales cycle stages.
- Selling and intelligence-gathering are closely-knit activities.
- Sales intelligence is a two-way street.
- Sales intelligence should directly support and benefit sales teams in the field.
- Help a salesperson make a sale and you not only assist a win for the team, you also gain another intelligence source-and win respect for the CI function.

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