

# **Session 3**

## **Sales Force Automation**

### **Managing the Top Line**

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## ***SFA: Now and Then***

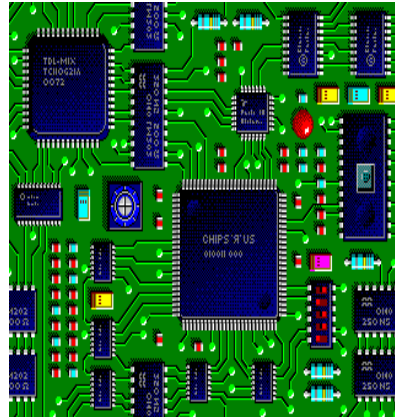
- **SFA were originally meant to improve sales force productivity and encourage salespeople to document and communicate their field activities**
- **They are becoming increasingly focused on cultivating customer relationships and improving customer satisfaction**

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## ***SFA= Early CRM***

- Late 1980's software vendors realized that companies needed help
- Salespeople had various means of recording customer information and communication critical account news back to the home office

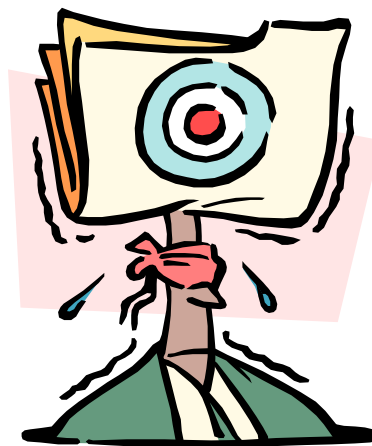


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## ***The Problem***

- When those employees with this information left, they simply took their little black books and forced the company to locate and re-collect customer data, from ground zero



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# ***SFA Warm-up***

- Salespeople took time to warm up to the idea of SFA
- It would make things easier but they would have to spend time learning and felt nervous about it



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# ***Today's SFA***

- Sales Process/Activity Management
- Sales and Territory Management
- Contact Management
- Opportunity Management
- Configuration Support
- Knowledge Management

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# Sales Process

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tgoff@tedgoff.com



"And should there be a sudden loss of consciousness during this meeting, oxygen masks will drop from the ceiling."

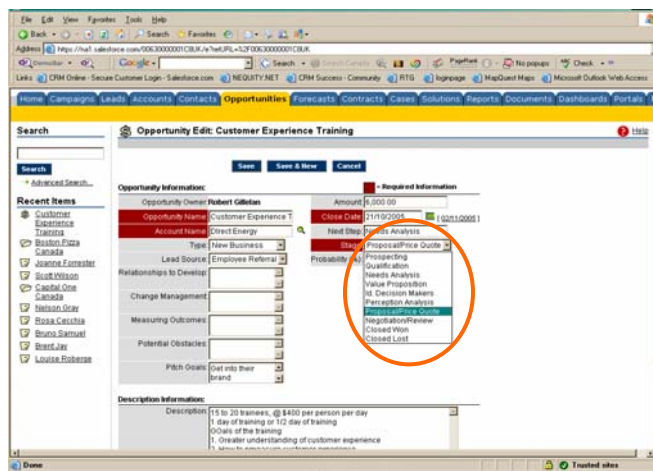
- **Sales methodology:**
  - Customized to the company's specific sales policies and procedures, known as sales process management
  - Include a sequence of sales activities that can guide reps through each discrete step in the sales process
  - Sales process tools are not sophisticated

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# Sales Process



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# Activity Management

- **Activity management:**
  - Offer calendars to assist in planning of key customer events
  - Automates both individual and organizational to-do list – Team collaboration tools
  - Provides valuable post facto analysis of a sales cycle; which allows the team to examine the duration and procedures involved in critical tasks
  - Sales process and activity management are only as good as their ability to be tailored to intervals sales methods

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# Activity Management

The screenshot displays the Salesforce CRM interface. At the top, there is a navigation bar with links for Home, Campaigns, Leads, Accounts, Contacts, Opportunities, Forecasts, Contracts, Cases, Solutions, Reports, Documents, Dashboards, and Portals. Below this, the user's name 'Robert Gillelan at Kyrlink Inc.' and the date 'Wednesday, November 2, 2005' are shown. The main content area is divided into several sections:

- Search:** A search bar with a 'Search' button and an 'Advanced Search...' link.
- Recent Items:** A list of recent items including 'Boston, France, Canada', 'Alicia Carcchia', 'Bruno Barnaud', 'Brent Jay', 'Louise Robesne', and 'Michael Tambo'. There is also a 'Messages and Alerts' section.
- Calendar:** A calendar view for November 2005, showing a meeting on November 1st from 5:00 PM to 6:00 PM.
- My Tasks:** A table listing tasks with columns for 'Completed', 'Date', 'Subject', 'Name', and 'Related To'. The tasks are:

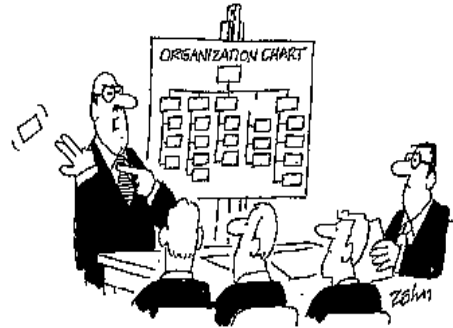
Completed	Date	Subject	Name	Related To
X	04/01/2005	email about website	Jackson, Grant	
X	2/30/2005	Call	Stan Smith	CRM - CMA
X	2/10/2005	Trx. again	Brent Jay	
X	2/10/2005	Send Black you letter	Alicia Carcchia	
X	01/04/2005	Letter	Alicia Carcchia	
X	2/10/2005	Station Call	Louise Robesne	Privacy Audit and Managed Services
X	2/10/2005	Fill in the CMA for again	Bruno Barnaud	

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# Sales and Territory Management

- Sales managers oversee tens or hundreds of sales teams and cannot stay abreast of every active sales initiative
- Sales management tools can enable them to manage this large task
  - Offering data and reporting options to provide on-demand access to sales activities
  - Teams can be linked to headquarters specialists
  - Sales managers can track territory assignments and monitor pipelines and leads for individual territories
  - Limits on territories

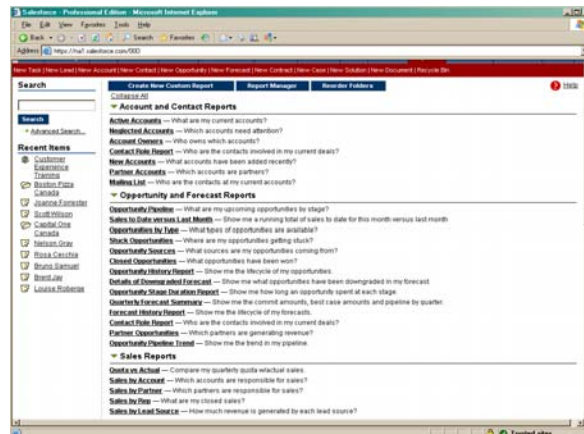


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# Sales and Territory Management

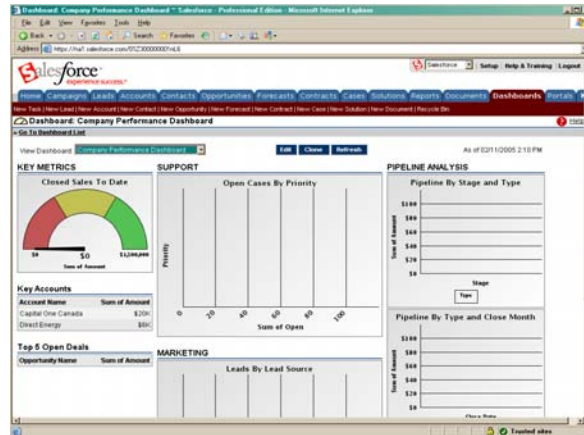


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# Sales and Territory Management



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# Contact Management

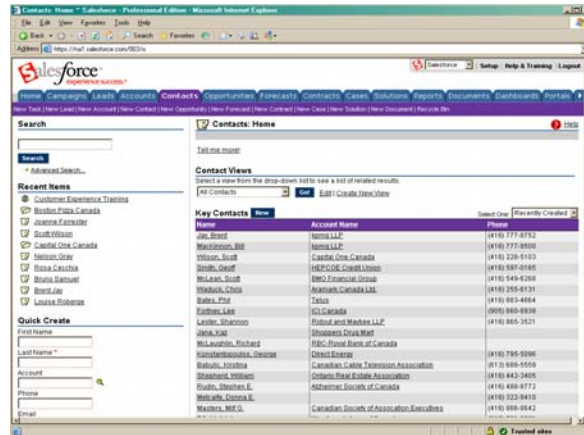
- ◆ **Contact Management:**
  - Subset of sales force automation that deals with organizing and managing data across and within a company's client and prospect organization
  - Software can contain various modules for maintaining local client databases, displaying updated organization charts, and allowing salespeople to maintain notes on specific clients or prospects
    - ◆ Can answer specific questions quickly
    - ◆ Enable salespeople to communicate their schedules to the organization at large
  - Real value of CM is in its capability to track where customers are and who they are in terms of their influence with sales management functions

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# Contact Management

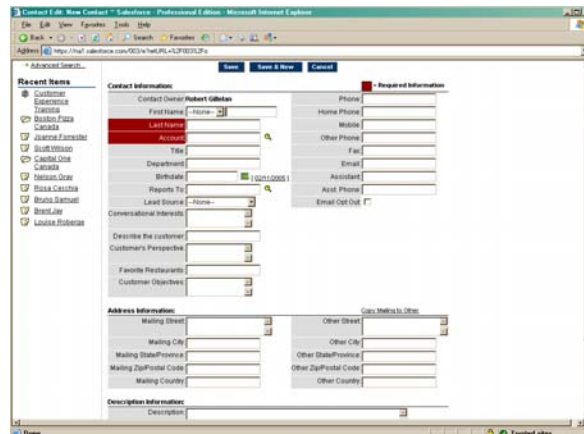


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# Contact Management



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# Opportunity Management

Also known as “opportunity management” and “pipeline management”

- Aims to provide foolproof sales strategies so no sales task, document, or communication falls through the cracks

Sales people follow a defined approach to turning opportunities into deals

## Tools:

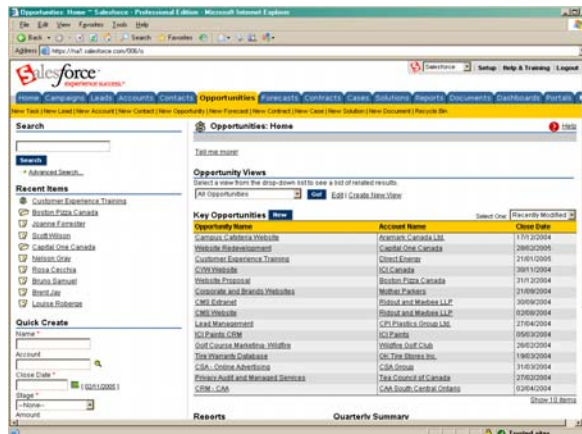
- can provide qualified leads through marketing campaigns or lead referrals
- can also track other prospect attributes
- These capabilities can result in answers to questions that previously demanded guesswork

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# Opportunity Management



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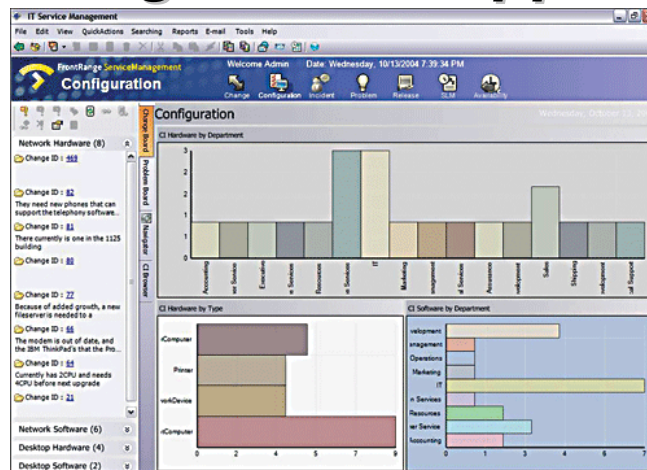
# Configuration Support

- CRM products have evolved to leverage this information by providing product-specific configuration support to companies who must build products for their customers
- Often use graphical sales process
- Order stage is reached, the tool can calculate a product configuration and price quote automatically
- Can then provide forms that facilitate electronic communication of the information to other areas of the company

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# Configuration Support



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# Knowledge Management

- **The more information the better**
  - Plethora of information
  - To effectively use this information salespeople need easy access to it
    - Intranets are a solution
  - **KM are systems that can locate and store this information and provide users with a single application.**
  - **Geographical boundaries are now non-existent**

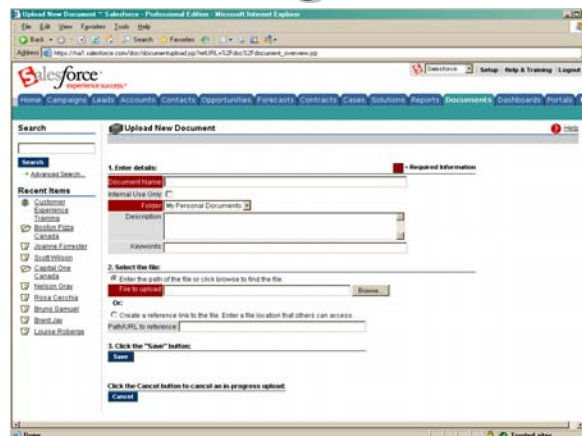


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# Knowledge Management



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## ***SFA and Mobile CRM***

- **From Client/Server to the Web:**
  - Web has simplified information availability
  - Intranet eliminates traditional support costs of managing communications
  - Salespeople no longer need act as systems programmers, setting up their communications options, modem settings, and the like
- **SFA goes Mobile:**
  - CRM vendors intend to unburden it altogether
  - Handheld devise technology is evolving fast
  - (PDA) Personal digital assistants can support anytime/anywhere

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## ***Field Force Automation***

- **Field Force Automation**
- **Field Service implies the service or repair of customer equipment on the customer's premises**
- **Each communication can be performed using wireless technology**
- **Wireless technology ensures near real-time repair updates allowing CSRs and sales reps to interact with the same data in real time**
- **FFA is the fastest-growing area of CRM**

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## ***SFA Benefits CRM***

- **Sales force automation leads to better informed and more productive reps**
- **Increases likelihood of closing a sale**
- **Enhances customer relationships, not to mention the bottom line**

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## ***Successful SFA***

- **Let SFA use affect sales compensation.**
- **Change hiring practices and job role descriptions to include use of CRM.**
- **Provide Learning Incentives**
- **Minimize input requirements**

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# ***Hewlett Packard***

- **Hewlett Packard**
- **Quality printers, high-end servers, and a crack management team**
- **One of their main goals is to provide an industry-leading customer experience.**
  - **Global Scale- customers range from the largest companies in the world to small mom-and-pop operations**

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# ***Hewlett Packard***

- **CRM is a major initiative for HP**
- **\$72 billion company**
- **Offices in 178 countries**
- **145,000 workers**
  - **20,000 are CRM users**
- **HP is still dealing with a \$19 billion merger with Compaq Computer**
- **Biggest maker of computers and printers**
- **Third-largest provider of technology services**

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## ***What they did***

- **Hp's initial CRM effort focused on the organization that touches the customer most: THE SALES FORCE.**
  - It's goal was to provide the company's global sales force with an automated and standard way to perform contact management and account planning.
  - HP chose a CRM solution from business partner Oracle and has deployed the Oracle Sales online product to customer-facing employees in North America and other countries around the world.
  - With Customer activity data in an Oracle "customer master" database, HP can provide a remote salesperson with the ability to track a customer's activities across organizations.
  - Mike Overly's CRM team has made the ability to share information about customer touch points across organizations a key CRM success measure.

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## ***What They Did cont...***

- **Improvements**
  - Dynamic personalization for web visitors
  - Automated lead routing from marketing to the internal sales staff and HP partners.
- **Overly says "We're in the solution business, we're not just interested in solving today's problems. They was access to a range of Customer information.**
- **The goal is to enable customers to control their relationships with Hewlett Packard.**

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# **Challenges**

- **Deploying CRM has its trials.**
  - Sales reps all over their world share the goal of being as productive as possible; however, every sales person has a preferred way of getting the job done.
  - Overly and his team have had to surmount habits and assumptions that are often not only organizationally entrenched but also cultural.
  - “We’re no longer talking about every country’s having a unique personal productivity tool, but about an HP solution”.

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# **Good Advise**

- **Overly, CRM Program Director at HP advises others who might be deploying CRM on a similar global scale to be mindful of three success metrics:**
  1. Obtain sustained executive presence, meaning that executive leadership must be engaged throughout the CRM lifecycle.
  2. Always keep one eye on today’s problem, and the other on tomorrow’s problem.
  3. Ensure change leadership, with emphasis on the word leader.

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## ***The Golden Nugget***

- **“You tell me how a person is measured, and I’ll tell you how they behave”.**
  - In keeping with this core cultural tenet, HP continues to establish and meet a series of CRM performance measures.
- **“We’re putting measures in place to reinforce the behavior we’re looking for”.**
- **Three measures:**
  1. Increased revenue
  2. Decreased costs
  3. Industry-leading total customer experience

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## ***Measuring Customer Lifetime Value***

**Strategic Selling and  
Database Marketing**

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## ***A misunderstood value***

- **... in most businesses, accountants treat investment in customer acquisition (and retention) as one more current expense instead of assigning it to specific customer accounts and amortizing it over the life of the customer relationship.**
  - **Frederick Reichheld  
The Loyalty Effect**

## ***What is Net Present Value?***

- **An approach used in capital budgeting where the present value of cash inflow is subtracted from the present value of cash outflows.**
- **NPV compares the value of a dollar today versus the value of that same dollar in the future after taking into account inflation and rate of return.**
  - **If the NPV of a prospective project is positive then it should be accepted, but if it is negative then the project probably should be rejected because cash flows are negative.**

## ***What is Lifetime Customer Value***

- **Lifetime Customer Value is the net present value of the profit you will realize on the average new customer during a given number of years.**

## ***Barriers to LCV***

- **No database to track information**
- **Pressure to Perform**
- **Financial Analysis not a priority for marketers and sales representative**
- **Lack of understanding of calculations to perform LCV**

## ***Customer Retention Rate***

- **This is the number that will make biggest impact on your calculations**
- **Annual CRR**
  - Year “x”customers/Year x-1 customers
- **Periodic CRR**
  - Year “x”customers/Year y customers

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## ***Customer Retention Rate***

- |                     |                             |
|---------------------|-----------------------------|
| • <b>Time line</b>  | • <b>Retained Customers</b> |
| • <b>Year one</b>   | • 50,000 Customers          |
| • <b>Year two</b>   | • 20,000 Customers          |
| • <b>Year three</b> | • 10,000 Customers          |
- **Retention Rate**
    - Year one = 0%
    - Year two = 40%
    - Year three = 50%

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## ***Customer Spending Rate***

- **The average amount spent by a customer by an average customer per year.**
  - Typically the longer customers are with you the more they spend per year, and per order
- **Total revenue is the number of customers still buying in the year times the spending rate of that year**

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## ***Revenue from Customer Retention***

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Customers</b>	50,000	20,000	10,000
<b>Retention Rate</b>	0%	40%	50%
<b>Spending Rate</b>	\$200.00	\$250.00	\$300.00
<b>Total Revenue</b>	\$10,000,000	\$5,000,000	\$3,000,000

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## ***Variable Costs***

- **Usually includes items that vary by the number of customers you have**
  - COGS
  - Customer Administrative Services
  - Customer Service
  - Debt collection, Delivery, returns
- **Ask your finance or accounting department**
- **Do not include fixed costs**
  - Utilities, Overhead or debt service

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## ***Acquisition Costs***

- **The total of costs for communicating to and selling customers**
  - Cost of Marketing
    - Advertising
    - Promotions
    - Events
  - Cost of Sales
- **Run costs for both customer acquisition and customer loyalty processes**

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## **Total Costs**

	Year 1	Year 2	Year 3
<b>Variable Costs</b>	\$7,000,000	3,250,000	\$1,800,000
<b>% Variable Costs</b>	70%	65%	60%
<b>Acquisition Costs</b>	\$40.00	\$0	\$0
<b>Average Acquisition Cost</b>	\$2,000,000	\$0	\$0
<b>Total Costs</b>	\$9,000,000	3,250,000	\$1,800,000

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## **Gross Profit**

- **Total Revenue minus the Total Costs**

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## ***Discount Rate***

- ◆ **The profits of customer retention are realized over a period longer than one year. The value of a dollar 3 years from now will be less than it is today.**
- ◆ **Interest rates are a factor**
  - **Average interest of 8%**

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## ***Discount Rate***

- ◆ **Risk is also a factor**
- ◆ **Competition**
- ◆ **Obsolescence**
- ◆ **Interest Rates**
- ◆ **Market Forces**
- ◆ **Other risks**
  - **Annual risk factor of 4%**
    - Fiscal conservatives should match the risk percentage to the inflation rate

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## ***NPV Profits***

- **After the discount rate is established, apply the discount rate against your expected profits to calculate the Net Present Value of your annual profits.**
- **NPV = gross profits/discount rate**

## ***Cumulative NPV Profit***

- **Once the annual NPV is determined, the next step is to add the NPV of profits for the first year with each subsequent year.**

***– I.E. NPV Year 1 + NPV Year 2 + NPV Year 3 = 3 Year cumulative NPV***

## ***Lifetime Value***

- **The Customer Lifetime Value is determined by Subtracting the Annual NPV from the Cumulative NPV and dividing the result by the number of retained customers.**

$$\text{– LCV} = (\text{CNPV} - \text{ANPV}) / \text{Retained Customers}$$

## ***Increasing CLV***

- **Referrals**
- **Price Premiums**
- **Reduced Costs**
- **Increased Volumes**

## ***CLV and Marketing Strategy***

- **Increase Retention Rates**
- **Generate Referrals**
- **Increase Average Sale Value**
- **Reduce Direct Costs**
- **Reduce Marketing Costs**

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## ***Increase Retention Rates***

- **Factors you can control**
  - Customer you target
  - Price
  - Relationship building efforts
  - Attentive Customer interactions
- **Factors you can't control**
  - Competitors strategy
  - Market forces esp. saturation

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## ***Increase Referral Rates***

- **Keep track of referred customers**
- **Compared to average customers**
  - They have a higher retention rate
  - They have a higher spending rate
- **Connect the referrer and the referee's record to determine the increased value of the referrer.**
  - Create an advocate group of customers

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## ***Lessons of CLV***

- **A practical technique available to people who leverage databases**
- **Customer Lifetime Value is future net profits**
- **Customer Lifetime Value grows with each repeat purchase or referral**
- **Customer Lifetime Value grows over time**

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***Thank – You !***

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