

Dynamic Sales Knowledge Management:

What Sales Must Know to *Win* the Game



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EXECUTIVE SUMMARY

Earlier this year we published an analysis of Proactive Sales Intelligence, which focused on the types of knowledge and insights companies need to provide to their salespeople to help them *get into the game*. That is, surface new opportunities and then at least be placed on the “long list” of solution providers. Feedback from research clients reinforced that getting into the game was a problem clearly worth solving. However, doing so presents a second challenge: *winning the game*.

As we noted in our 2007 Sales Performance Optimization report, the result of marketing and sales’ efforts is that reps are now able to convert more leads into first calls. But sales performance after that point in the sell cycle continues to deteriorate. The percentage of first calls progressing to presentations, presentations progressing to proposals, and proposals progressing to closes are all down again. Compounding the problem for sales teams is that discounting is again on the rise and the ramp-up time to get new reps fully productive continues to increase.

The net result is that the percentage of salespeople making quota across the 1,300+ firms we surveyed is down.

The past few years have seen companies invest in a number of initiatives to deal with these challenges. Some firms are paying premiums to attract experienced sales talent, other companies are providing more training to sales reps, more businesses are deploying CRM technology, etc. Yet the ability of reps to close deals is still trending in the wrong direction for many sales organizations.

Many, but not all.

In reviewing the performance data from companies that are bucking this trend and seeing an improvement in their sell cycle conversion rates, we found a second common knowledge component. Many of these firms provide their salespeople with insights they can use in the sell cycle to clearly present the benefits of their offerings, create differentiation between themselves and the competition, and create a sense of urgency so the deal closes quickly.

This white paper will explore the concept of Dynamic Sales Knowledge (DSK) Management and how it can directly contribute to improved sales effectiveness by helping sales forces:

- ❖ Increase the number of reps making quota by 23%
- ❖ Improve win rates of forecast deals by 13%
- ❖ Reduce voluntary sales rep turnover by 32%

Any of the above would be a welcome improvement. All of these added together make a compelling case for companies revisiting their DSK strategies in order to help reps hit their targets in 2008. Questions or comments regarding the findings presented in this white paper should be directed to Jim Dickie, jim.dickie@csoinsights.com, (303) 530-6930, or Barry Trailer, barry.trailer@csoinsights.com, (415) 924-3500.

INTRODUCTION

Boiled down to its core components, sales effectiveness includes two key aspects of selling: 1) getting sales reps to do the right things (the *what* of selling) and 2) giving them the knowledge to do these things the right way (the *how* of selling). The right things we often call process. Think of this initially as providing sales professionals with a framework of steps they need to complete in a sell cycle: Interest Generation; Needs Analysis; Education; Proposal Creation; all the way to Close.

Typically each of these steps has key tactics that need to be executed to take the prospect to the next stage in the buying process: give the corporate presentation, conduct a current-state audit, provide references, meet all key stakeholders, etc. As outlined in our article in the *Harvard Business Review* last year, companies that develop and socialize a formal sales process across their sales force outsell firms that do not take this critical step.

But the “*what*” of selling is only part of the solution. Most experienced sales reps can recite the list of activities that need to be accomplished. What they struggle with is “*how*” to do these things: How do I get to key decision makers? How do I create differentiation? How do I help prospects understand the full value that we can deliver?

A key metric that clearly shows that this challenge is impacting sales effectiveness can be seen below in Figure 1. In our latest Sales Performance Optimization study, in which we surveyed more than 1,300 companies worldwide, we asked participants what percentage of the initial calls they had with prospects progressed further in the sell cycle to at least the point where their reps were able to do a presentation on their offerings.

Initial Calls Progressing to a Presentation

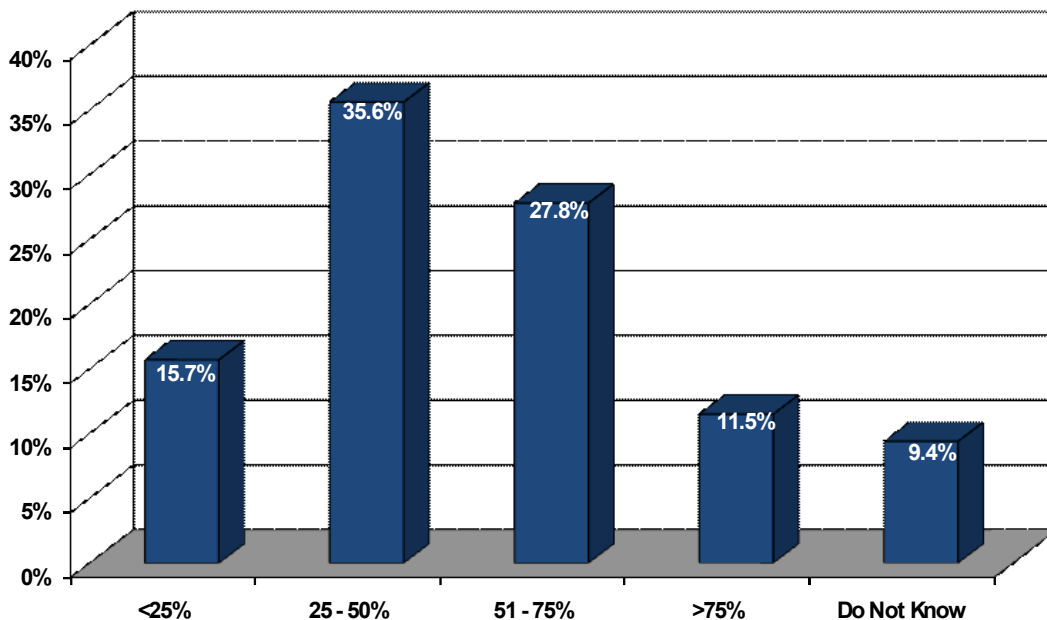


Figure 1

As you can see, the results are not very inspiring. Roughly 1 in 9 firms reported a conversion of first calls to presentations of greater than 75%, while more than half of the firms reported less than 50% of first meetings moved further into the sell cycle. There is another red flag reflected in these figures. A company's return on marketing is substantially impacted when reps convert leads into first calls, but then fail to convert a high percentage of those first calls into real opportunities.

A key contributor to this problem surfaced out of our research data. Most companies today report doing a competent job of giving sales reps access to sales data and other documents (product data sheets, price lists, customer/prospect contact information, marketing presentations, sales playbooks, price lists, competitive news releases, etc.). However, in considering aspects of what we refer to as sales intelligence (messaging for handling objections, competitive knock-offs, ROI business cases, etc.), the majority of companies surveyed stated that they were *not* making it easy for sales reps to find these types of insights and knowledge that they needed for effective selling.

One part of the problem can be attributed to the fact that these firms often do not have processes in place to identify and capture this information from the start. A second aspect of the problem is that even those companies that do have the ability to capture this information don't have the ability to easily access it in a useful way.

THE DYNAMIC NATURE OF SALES KNOWLEDGE

These problems are further complicated by the rate of change that sales teams are encountering today. If sales operated in a static world, you could form a task force, collect all the sales insights and best practices, get these into the hands of your salespeople, and claim "Mission Accomplished!" But this is a far cry from today's reality.

The ecosystems you sell into are constantly undergoing rampant change—competitive announcements; ups and downs in the economy; new government regulations; changes in your own sales, marketing, or product strategies; etc.—and these can make sales knowledge ineffective overnight.

To remain competitive, sales teams need to constantly access the most current information available on products, the marketplace, successful sales tactics, product justification techniques, competitive differentiation approaches, etc. In addition, since constantly changing circumstances require that existing knowledge be updated or retired and new knowledge created, reps need to know whom to collaborate with in marketing, product development, finance, distribution, manufacturing, etc., to get the job done.

So how do you deal with both the access and currency challenges that comprise Dynamic Sales Knowledge (DSK) Management? We define this concept as ensuring that sales teams constantly have access to the right insights, to do the right things, with the right prospect, at the right stage in sales process, to close more business right now.

DYNAMIC SALES KNOWLEDGE MANAGEMENT EVOLUTION

As sales industry veterans reading this report, your reaction to DSK may be that this is far from a new idea. Successful firms have historically focused on giving their

salespeople access to the secrets of selling. One of CSO Insights' partners, remembers when he joined sales at IBM in the mid-70's, and notes that reps in his office had access from Day 1 to a voice-activated DSK system – whose name was Bill Fondern.

Bill was a 25-year veteran in sales at IBM. He was the tribal elder. For any sales situation that arose, new sales reps would automatically turn to Bill and he would impart the wisdom they needed to handle the challenge at hand. And if Bill didn't know the answer, he knew who in the 400-person regional office the sales rep could go to for help. For decades IBM leveraged "liveware" to manage DSK.

But the concept of mentoring does not easily fit into the sales effectiveness plans of most companies today. For many firms the 15-, 20-, 25-year sales veteran at their company is a thing of the past, replaced by a far less tenured sales force. Also, the rate of change across the board is far greater than years past. As a result there are no tribal elders to tap into who *know all*. Instead the answers to our sales challenges are likely distributed across the organization's ecosystem. And the answers may not yet be documented.

So while DSK is not new, the need to find innovative and relevant ways to manage insights in today's selling world is. Many of us know from personal experience that access to DSK improves our sales team's ability to sell; now we must find new effective methods for collecting, synthesizing, distributing, and updating sales intelligence.

HASN'T TECHNOLOGY SOLVED THE DSK CHALLENGE?

Many companies have looked to technology to help with DSK management. And some companies may already think they have the systems in place to deal with their sales knowledge management (SKM) needs. While CSOs at these companies are partially right, they may not be completely correct.

Traditionally SKM has focused upon information that salespeople need to sell effectively today; this information resides in sources both inside and outside the company. Externally, many companies subscribe to information services from firms like OneSource, Dun & Bradstreet, Harte-Hanks, Hoovers, InfoUSA, etc. These services provide reps with information about the companies they sell to, contacts within their prospect firms, etc. And more companies are implementing systems from solution providers like TrueAdvantage, and Generate, which offer solutions that search the web for key information and news updates that reps need.

Often as part of their core CRM system, companies have provided sales reps access to sales data most commonly stored in internal documents such as product specifications, success stories, price lists, presentations, proposal templates, etc. While all of these are necessary components of a comprehensive SKM strategy, they do not cover the full scope of information that sales teams need. This fact can be easily demonstrated.

Today, when a sales rep returns to the office from a sales call, they more often than not are holding a piece of paper. We wish this paper were an order, but usually it is not. What they have is a list of questions, objections, issues, etc., that they have to address to move the deal forward.

Now, if you want to see if you have truly met the full SKM needs of your salespeople, watch what happens when the sales rep gets back to the desk. Do they immediately sign in to one of the information systems they have access to in order to get the knowledge they need to respond to the items on their list? Very often they do not. Instead they pick up the phone and start calling around the company (marketing, support, finance, distribution, engineering, etc.) looking once again to liveware for their answers. Another alternative is to send out a “Hail-Mary” email. Either action is a clear sign that their DSK needs are not yet being met by technology.

The reason technology hasn’t solved the challenge is that traditional approaches, including portals, have focused on documented knowledge. And although this is important, it’s not enough. Only about 20% of all knowledge is ever documented—just think about how much you know that you’ve never written down. Plus, sales teams are constantly faced with new challenges, issues, and circumstances that require new or enhanced knowledge.

But the trend is changing. In the past couple of years a new generation of SKM tools has entered the CRM marketplace; these tools are designed to deal directly with the DSK needs of sales teams. These systems provide a software platform (either on-premise or on-demand) that allows companies to collaborate, create, collect, and share DSK, as well as track its effectiveness. This tracking contributes to improving not only the performance of sales reps, but, as you will see, the productivity of all those functional areas that support them.

DSK SYSTEMS IN ACTION

To understand the power of DSK, consider the following scenario. A rep gets a lead from marketing: the CFO of a company in his territory is interested in learning more about the financial management software the vendor sells. The rep has an initial meeting with the CFO, validates her needs, and gets the prospect’s commitment to a follow-on meeting for the rep to present to the full project team. The rep gets a list of the criteria the team will be using to make a selection, some of the key questions they have about these types of solutions, and a list of the other three competitive offerings they are considering.

Returning to the office, the rep signs into the DSK system and starts asking the application the questions the prospect has given him: “How do we handle multiple currencies in doing budget consolidation? Do we have any trainers who can teach in German? How does our system pass data to, and receive data from, SAP’s ERP system? Is there a customer in the oil and gas industry they can talk to?” And so on.

The DSK system first attempts to match the questions with answers it has in its knowledge base. For example, it finds that a subject matter expert (SME) has previously been asked the question about multiple currencies. It automatically displays the SME’s answer to that query, and also gives the rep the three PowerPoint slides and script the SME developed for presenting the answer to the customer.

If no answers are found, the system then queries its list of SMEs who might know the answer. It does this by analyzing the profiles the SMEs have created for themselves, which identify their expertise. Finding two people who should be able to answer the

question about offering training in the German language, it automatically forwards the question to the SME via email. When the SME responds to the email, the answer is sent to the appropriate sales rep, and the knowledge base becomes one answer smarter.

By the end of the session, the rep has company-approved answers to the key questions, and additional materials to use during the presentation to customize it to that prospect. In addition, the system can also surface key advice from other reps who have sold in similar opportunities, such as “Make sure you take the article from the Wall Street Journal that shows our high customer service ratings. Have the prospect talk to Exxon, which recently switched from one of the competitors they are considering. Use this spreadsheet to help the prospect quantify the ROI so they get a sense of urgency to move ahead with the purchase.”

THE DSK BUSINESS CASE

Hopefully you have a clearer understanding of how technology-enabled DSK can benefit you, but with so many options available to potentially increase sales rep effectiveness, where does DSK rank? We again turned to the Sales Performance Optimization study for direction. We segmented the database by firms who were exceptional at giving reps access to DSK and those who were average or poor at this. The first benchmark metric we considered is, Does DSK play a role in helping more reps make quota? Figure 2 shows the difference between the percentages of reps making quota at the exceptional DSK firms compared to firms that rated average/poor at DSK support.

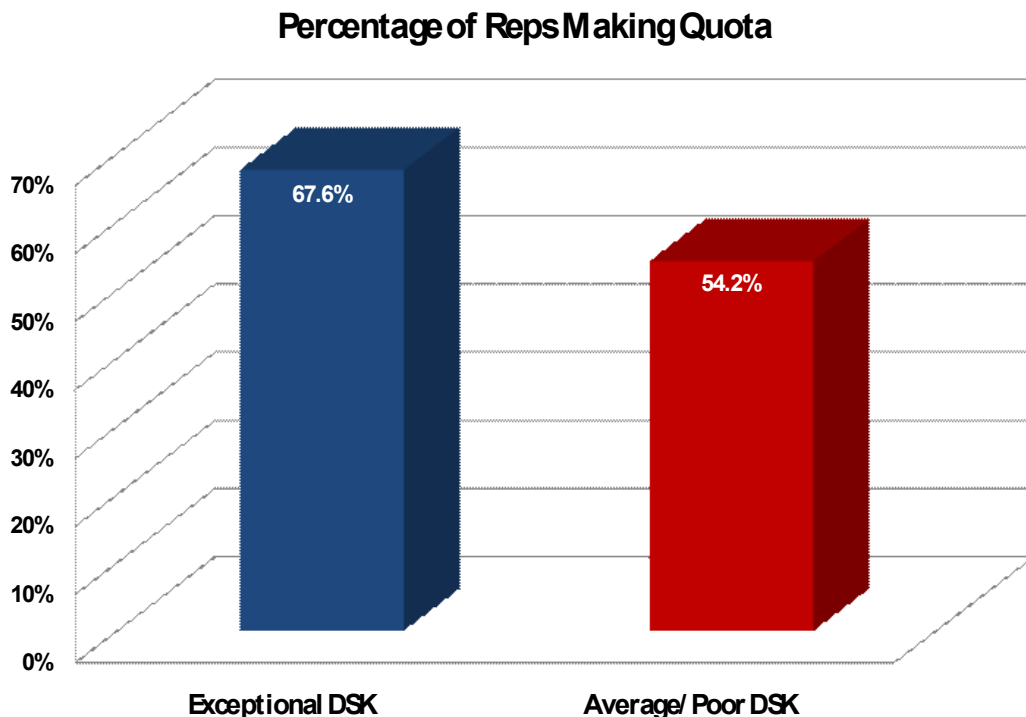


Figure 2

Any CSO would much rather have the performance numbers being achieved by the exceptional DSK group. A follow-on question arises: How is this level of sales performance being achieved? In drilling down into the specific differences between these two groups, an answer starts to emerge.

The first trend we noted was that the conversion rates during the sell cycle (leads to calls, calls to presentations, presentations to proposals, etc.) were all higher for the exceptional DSK group than the average/poor group. The net result is a marked improvement in win rates of forecast deals, as shown in Figure 3.

	Exceptional DSK	Average/Poor DSK
Wins	53.5%	47.3%
Losses	24.6%	31.4%
No Decisions	21.9%	21.3%

Figure 3

Win rates for sales teams at companies that excel at DSK are significantly higher, and the improvement is a result of the reps selling more effectively against their competitors. Not only are they winning more deals, they are also keeping more of their customers. Nearly 50% of the exceptional DSK firms report they excel in their ability to create higher customer loyalty versus 15% of the companies that are average/poor at DSK.

As we have seen elsewhere, and as you would imagine, when sales rep success increases, voluntary rep turnover (cases where a productive rep chooses to leave the company) decreases. This too is the case with exceptional DSK firms. They report a voluntary turnover rate of 11.9%, compared with 17.5% for the average/poor group. Since ramp-up time for new sales people has increased dramatically, doing a better job of retaining your best reps is key to ongoing sales success.

Another element to factor into the DSK Management value equation is improvement in the productivity of the rest of the enterprise. For example, without DSK a financial SME may have to take 50 phone calls from 50 reps to explain a new contract term or condition. With DSK, this SME would add the explanation to the DSK knowledge base once and all reps would then have access to the insight whenever they need it.

DSK BUILDING BLOCKS

The payback is impressive, but how does your company become exceptional at DSK? As you look at various solutions in the DSK management space, you will see varying approaches for dealing with this challenge. Our benchmarking of successful DSK initiatives has surfaced seven common factors:

- ❖ **Simple Access** – The system needs to be very easy to use and fit into the rep's current daily workstyle. Reps are not looking to learn yet another application; expecting them to do so will negatively impact adoption.

- ❖ **Organic Collection** – The capture of nuggets of knowledge to populate the system needs to be equally easy to use and to also fit into every contributor's workstyle. Think email-simple.
- ❖ **Robust** – Remember the scenario we presented earlier? When you begin to really understand what reps need to know to sell effectively today, what is striking is the large variety of data elements involved. The system needs to be able to handle the management of all of that structured (documents) and unstructured (insights) knowledge.
- ❖ **Timely** – If you want reps to quit calling for answers, the system needs to ensure their questions are answered in a timely manner. This includes finding the knowledge they need quickly if it is already in the system, or the system redirecting their request to the right person for a prompt response if it is not. When the response arrives, the system needs to collect it for reuse.
- ❖ **Current/Accurate** – As critical as speed of responses, validity is also key. Reps need to know the quality of the information they are leveraging. For example, is it an officially vetted answer, is it coming from an acknowledged expert, or is it a shared insight from a peer? All can be valuable knowledge, but the rep must put different filters on the knowledge received.
- ❖ **Pull/Push** – In addition to helping reps pull knowledge out of the system, a push component also needs to be included. The system you choose should start to develop an understanding of each user's needs, and push (i.e., automatically notify the appropriate reps) when new knowledge that could help them sell becomes available.
- ❖ **Collaborative** – To close most deals today, reps need to collaborate with people in other functional areas of the company. The system needs to facilitate people working together to create and organically capture new knowledge.

All these components need to form a system that also recognizes that the answers that work today might not work tomorrow. This is the *dynamic* aspect of DSK. Constant change means that new knowledge is continually required while current knowledge is at risk of going stale. The solution must support the dynamic creation of new knowledge while continuously reviewing feedback on how the knowledge presented is being used. If an insight starts to lose its effectiveness, the appropriate knowledge authors should be notified so they can add to, modify, or delete the information. This enables your reps to maintain a high level of confidence in the system—and a high level of performance in their territories.

SUMMARY

Selling today is harder than ever; due to the pace of change everywhere, it is getting harder everyday. While giving reps clear guidance on *what* to do will continue to be required for sales teams to sell effectively, supporting them with knowledge on *how* to sell must also keep pace. This is where we see a disconnect. Our benchmarking has

Dynamic Sales Knowledge Management

shown that the sales knowledge management process of many companies needs a major tuning, if not a complete overhaul.

The answers to the challenges your sales teams face probably already exist somewhere in your company. A key ingredient to optimizing the sales performance of your entire sales team is to collaborate, create, collect, share, and synthesize these insights across the company. The data show that doing so can provide a substantial ROI for sales, as well as the rest of the enterprise.

Should DSK fit into your 2008 sales effectiveness plans? Begin by assessing what would happen if your key competitor implemented an initiative like this. What impact could it have on their sales effectiveness, their ability to support customers, their financial performance? If you feel that their leverage of knowledge would put you at a disadvantage in the marketplace, then you might want to consider moving first and claiming the competitive high ground yourself.

If you would like insights into how other companies are successfully dealing with this issue, or if you are willing to share some of your experiences in this area, please contact us.

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