Buyer/Seller Behaviors: The Changing Landscape

Improving Sales Effectiveness In a Buyer's Market

CSO *INSIGHTS*
Chief Sales Officer — Measuring Effectiveness

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EXECUTIVE SUMMARY

The main hypothesis we wanted to test for this report was whether CRM is supporting the increased and varied needs of sales reps today. As one vice president said, "Everyone knows sales has changed and technology adoption is lagging, there's nothing new in that. What *would* be new is zeroing in on where the gaps are, or seem to be, and addressing these."

The issue we were pursuing with this research project was whether or not the CRM systems in use today address the changed and changing requirements of sales reps as they develop relationships and pursue opportunities in light of ever increasing buyer expectations. 160 firms with annual revenues of $250M or more responded to this survey. 85% of these have implemented a CRM system; two-thirds have had their system in place for three years or longer.

The number one business objective for sales for the past several years has been increasing revenues; yet, this is reported as a CRM benefit by less than 15% of the companies we surveyed.

It's well known that buyers have taken on a greater role in educating themselves about possible solutions to their various needs; they have in turn relied less on a reps' product knowledge and have instead increased their demand for reps understanding the buyer's industry, their organization, and their business challenges.

When scoring their CRM system in terms of supporting these critical selling behaviors, today's CRM systems come up short. For example, 90% of managers surveyed rate ensuring that reps have identified all the key stakeholders to contact relative to an opportunity as Very Important or Mission Critical. Yet, the majority of firms (54%) rate their current CRM system as only Somewhat Useful or of Minimum/No Value in assisting in this critical task.

In the following pages, we zero in on specific changes that have occurred, areas where CRM is falling short, and areas to consider as you arm your sales force going forward.

For every action, there is an equal and opposite reaction.

Newton's Third Law of Physics

INTRODUCTION

When Sir Isaac Newton made his physical observations and theorized about what they meant, he was looking at a perfect system. That is, the reaction of one body's impact on another was immediate. There has been endless debate about the mechanics of the marketplace but, in general, things conform to these same rules though less perfectly—less immediately. Case in point: buying behaviors have changed dramatically in the past decade, and selling behaviors have had to morph to accommodate/respond to these changes.

The business imperative to do more with less, to increase productivity, to remain competitive has provided the impetus for both buyers and sellers to change. Technology, especially the Internet, has powered much of this paradigm shift, enabling buyers to do more research, become better informed, network with other buyers, and more. In an equal and opposite reaction, sales has had to adapt, often adopting technology to keep up.

It has been said that the balance of power has shifted from seller to buyer. Previously, sellers had a monopoly on product information, specifications, and pricing. "A sales rep's most powerful weapon is product knowledge," is a maxim from an earlier time. Today, buyers access product information, technical specifications, customer ratings (and rants!), and product reviews all online—*before ever speaking to a sales rep.*

As a result of this extensive and independent research, the threshold for initial discussions with buyers is now significantly higher. In an equal and reciprocal way, buyers expect that reps calling upon them have similarly done their homework and are prepared to speak to business issues, challenges within the buyer's industry, and demonstrate fluency in describing how other customers have leveraged the seller's solution/application to address a pressing business need.

Over the past five years, firms have reported that buyers' expectations have increased or increased significantly every year. In assessing other changes during this time—the introduction of new products, complexity of these products, entry into new/emerging markets *and* competitive activity—have also increased.

Technology has offered a ready answer, but as you will see in the pages that follow, classic CRM alone has not kept pace. The CRM mantra the past twenty years has been "people, process, technology." With higher/broader and more immediate buyer expectations, the Olympics' "Citius, Altius, Fortius" (faster, higher, stronger) may more aptly apply. And, like the Olympics, the level of competition continues to ratchet up each dimension.

Technology is taking several forms, as desktops morph to tablets and smart phones, online collaboration including completely immersive meetings (e.g., Cisco TelePresence, Polycom Halo, etc.) down to Twitter tweets and, in between, applications multiplying faster than imaginable. These new applications and formats, in turn, translate into greater mobility, agility, and the ability to meet buyer expectations of speedier and more insightful answers from sellers with whom they interact.

There comes a point where the question is not simply, "how does a rep keep up?" but shifts to a more inclusive question of, "how do we best address this buyer's needs in this situation?" The short answer is: there is no short answer. There remains the need to identify key players/stakeholders, assess their needs and biases, and provide timely/relevant insights and a compelling ROI. In many—maybe even most—cases this means harnessing the collective genius of your organization. Reps collaborating with their managers, other reps (for best practices), technical experts, and other internal resources are becoming common. Tying into back office systems and out to partners are also increasingly part of the winning formula—and co-creating with the buyer, as well.

All of this describes how the action/reaction of the buy-sell exchange has evolved over the past two decades. While significant evolution has also occurred in CRM technology, our most recent survey suggests the need for more comprehensive and all-inclusive systems remains.

THE CURRENT STATE OF CRM UTILIZATION

CSO Insights has been researching and reporting on these changes in sales and CRM applications for the past seventeen years. This year, however, they did a deeper dive in surveying CRM utilization in an effort to determine how well the technology is adapting to new market realities and/or how well sales is adopting today's solutions.

Sales' reaction has been to adapt and work to keep up with the changes on the buying side of the equation. In the past, some companies launched CRM and other technology initiatives without clear management vision or commitment; many of these projects foundered due to fuzzy objectives—a lack of clear problem definitions to be solved. Again looking to technology to bridge the gap, many companies are openly wondering whether social networking plays a role in sales, while others have launched full scale customer experience programs and have installed a Chief Customer Listening Officer.

This report looks at Enterprise-class companies with annual revenues in excess of $250M. Within this community, CRM is nearly an article of faith: 85% have implemented a CRM system and more than one-half (57%) of these companies have had these systems in place for three years or longer. But as the nature of sales reps' selling environment changes, are these systems keeping up? This is the question we want to answer in a quantitative way.

CRM solution providers have shaped much of the conversation and expectations around their applications. Promises of increased sales rep productivity, enhanced communication and coordination, and more accurate and timely reporting were just the beginning of all that was possible. In fact, many of these outcomes have been realized; sales rep quotas are up, as is the percentage of reps meeting quota. More data is available for management review and planning. Customers are being contacted and communicated with in new and innovative ways. The chart below shows the benefits reported from adopting CRM.

Larger Enterprises: Benefits Resulting from CRM Usage

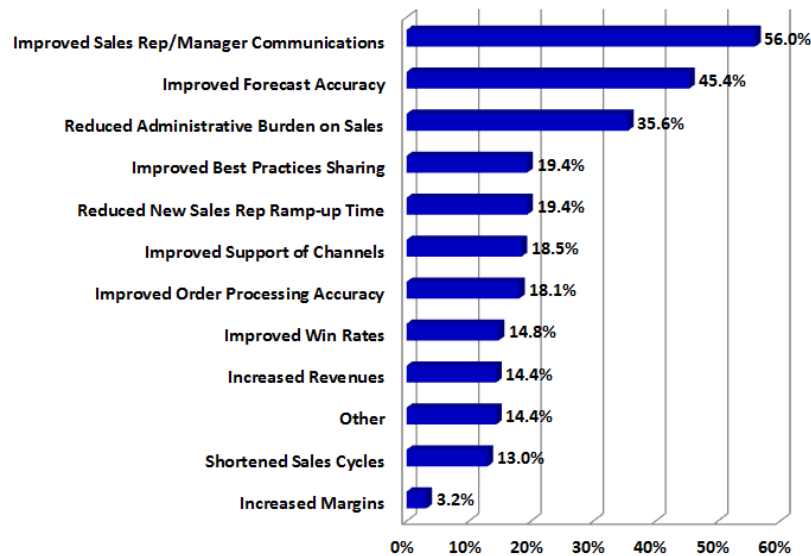| Benefit	Percentage
Improved Sales Rep/Manager Communications	56.0%
Improved Forecast Accuracy	45.4%
Reduced Administrative Burden on Sales	35.6%
Improved Best Practices Sharing	19.4%
Reduced New Sales Rep Ramp-up Time	19.4%
Improved Support of Channels	18.5%
Improved Order Processing Accuracy	18.1%
Improved Win Rates	14.8%
Increased Revenues	14.4%
Other	14.4%
Shortened Sales Cycles	13.0%
Increased Margins	3.2%

Figure 1: Despite being the top objective, increasing revenues is not perceived as a benefit of implementing CRM in over 85% of companies.

Are the benefits seen above in line with expectations? And are these aligned with business objectives and sales rep routine requirements today?

IS CRM INCREASING SALES EFFECTIVENESS?

Clearly, improved communications between reps and managers is being achieved, although much of this may simply be reporting on activities and opportunities. This may all add to convenience and, to some extent, efficiency, but do these address the new, changed selling activities of sellers today and translate into increased sales effectiveness?

The data suggest that the answers to these questions are disappointing. The number one business objective for sales for the past several years has been increasing revenues, yet this is reported as a CRM benefit by less than 15% of the companies surveyed.

Usage remains a challenge, with just 26% of firms reporting >90% of sales reps having the CRM application built into their daily workflow. Of equal concern, when rating their CRM system's ability/usefulness in supporting today's selling requirements, the evaluations are even more damning.

As noted earlier, buyers have taken on a greater role in educating themselves about possible solutions to their various needs; they have, in turn, relied less on a rep's product knowledge and have instead increased their demand for reps understanding the buyer's industry, their organization, and their business challenges. In response, we repeatedly hear of sales forces shifting from pitching products to delivering solutions.

Yet, when scoring their CRM system in terms of supporting these critical selling behaviors, today's CRM systems come up short. For example, 90% of managers surveyed rate

ensuring that reps have identified all the key stakeholders to contact relative to an opportunity as Very Important or Mission Critical. Yet, the majority of firms (54%) rate their current CRM system as only Somewhat Useful or of Minimum/No Value in assisting in this critical task, as shown below.
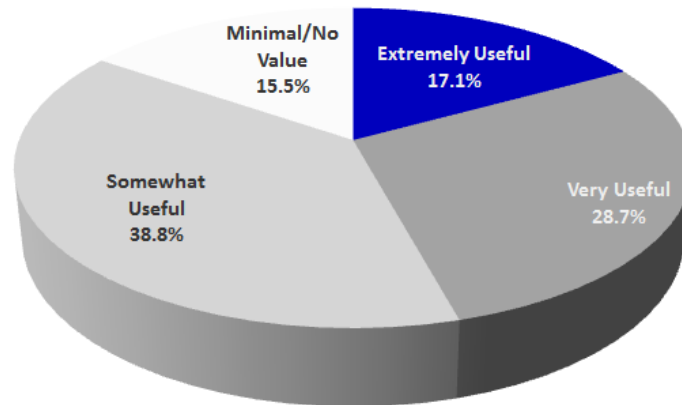

Figure 2: Though identifying key stakeholders is critically important in complex sales situations, the majority (54%) of companies question the usefulness of their CRM system in doing so.

In response, several point solutions have come onto the market to augment traditional CRM systems. Companies like InsideView, LinkedIn, OneSource, ZoomInfo, etc., offer access to literally millions of contacts providing background on individuals, their employment histories, interests, and more. Similarly, other solution providers such as Savo Group, Qvidian, and BTS provide and organize content that is relevant by industry and/or role (e.g., CEO, CFO, head of Manufacturing, etc.). These added services point to the fact that CRM has become a big tent into which a number of components and functional areas now fit.

A big tent, perhaps, but one that is largely standing in a field separate (i.e., siloed) from other operational systems/personnel. CRM is seen as a sales tool in much the same way the general ledger is seen as an accounting/finance tool. And yet, each can contain information useful to the other, hence the argument for more holistic or full-suite solutions. Far from being solely a sales application, functional areas like marketing, customer service, professional services, and others need access to the information being captured, stored, and used as a basis for elevating and expanding customer relationships.

These additional services are key, since 87% of sales managers rate understanding the customer's marketplace as Very Important or Mission Critical, but 63% of the firms surveyed rate their current CRM system as Somewhat Useful or of Minimum/No Value in assisting in gaining such an understanding. (See Figure 3)

Later in this report, we will address this further. For the moment, we want to confine our focus to sales' and sales management's evolving needs.
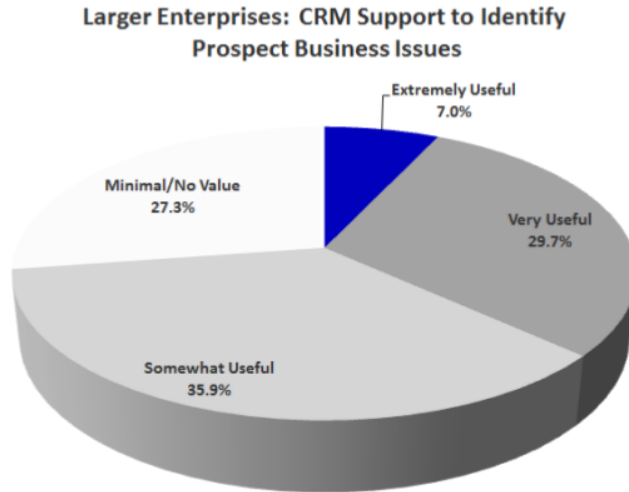
Larger Enterprises: CRM Support to Identify Prospect Business Issues

Figure 3: Current CRM systems are even less useful in helping sales reps identify prospects' business issues.

CRM NEEDS TO STEP UP CAPABILITIES

In this changed and changing environment, what do sales reps and their managers need from their CRM system? In an increasingly connected and collaborative world, being able to access knowledge and identify and collaborate with subject matter experts (SMEs) to advance each sale is vital.

In order to gather the information reps need to effectively sell, study results found 90% of sales reps have to access two to three additional sites beyond their CRM system.

Regarding collaboration, 87% of the firms participating in this study stated that reps needed the help of three or more additional people to help sell to an account. So, how useful are current CRM systems in accessing knowledge and collaborating? (See Figure 4)

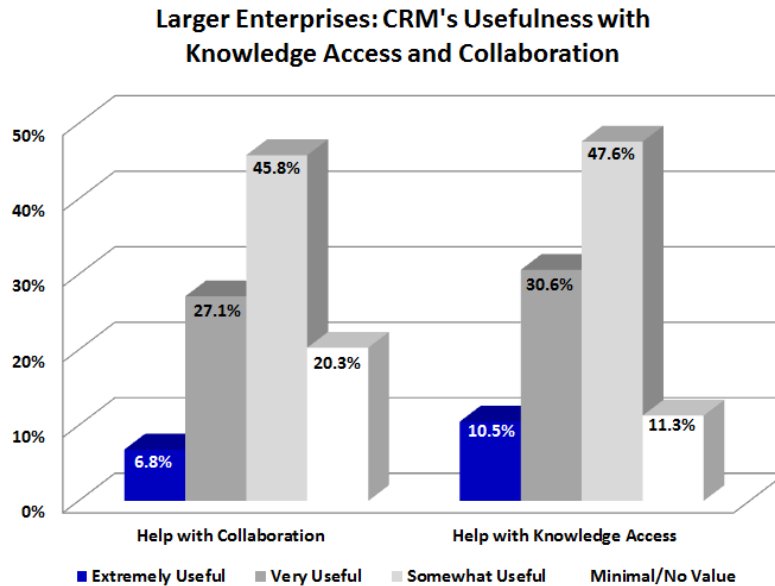**Larger Enterprises: CRM's Usefulness with Knowledge Access and Collaboration**

Figure 4: Few sales organizations rate CRM as a significant aid in helping manage the access sales knowledge or support sales collaboration during the sales process.

Business Intelligence (BI) is another area rising in prominence in terms of arming reps and sales managers with the metrics they need. Analytics to help managers proactively identify reps that need additional mentoring/coaching, to spot deals stuck in the pipeline and assess the overall health (i.e., value, volume, velocity) of their sales funnel, to be keyed into (via dashboards and alerts) rep performance vis a vis key performance indicators (KPIs) without having to go searching—these and other performance metrics are essential to operating at higher levels of process implementation.

Two simple examples: at the beginning of the quarter, a region has $60M of opportunities in the pipeline spread across six months. Near the end of the quarter, $4M of business closed and there is still $60M in the pipeline. Is this a good thing or a bad thing? To answer this question a manager needs to know *what's changed?* If $10M in forecast (late stage) business fell out, replaced by another $14M in new (early stage) opportunities, then the overall quality of the pipeline has diminished. But how can you tell if you're just looking at overall volume, rather than detailed analytics?

But why confine BI to simply sales issues any more than CRM should be confined? Sales operations is forever trying to roll up a decent (i.e., useful, accurate) sales forecast. A second challenge is reconciling what was forecast with what was actually sold. Something to note: only 1 in 8 firms report what actually closed matched what was originally forecast >75% of the time. The only way for the CRM system to "know" what actually closed is for the sales rep to go back after the deal closes and adjust/correct final deal details.

And yet the *company* knows what was sold and delivered; that information is recorded in the shipping manifest and, of course, in the compensation system, since the rep was paid on what closed. Reconciliation of forecasts with actual deals sold could be done automatically if the systems were tied together and could communicate with one another.

So you save some sales rep's or sales ops person's time? So what? Actually having a closed loop system to reconcile all closed/forecast deals would reveal which reps are more consistent—consistent not simply in terms of *forecasting revenue* (substituting Deal C's $500K at the last minute for the earlier Deal A's $150K and B's $350K meets revenue but not forecast) but in terms of *forecasting business* (i.e., Deals A & B actually closed).

Such a closed loop system is the basis for continually improving forecasting, leading to increasingly reliable projections, which yield multiple business benefits: reduced buffer inventory, reduced overtime and expedited shipments, increased margins resulting from reduced rework, better resource allocation, higher shareholder value, etc.

Said another way, lack of access to these capabilities translates into a competitive disadvantage to reps and sub-optimal insights to managers. And this is just one example of what is possible when CRM is no longer an isolated sales/marketing application, but instead becomes part of a collaborative and integrated business application.

CRM is really no different than any other software application. Most users of such fixtures as Microsoft Word, Excel, or PowerPoint only use a small fraction of these programs' capabilities. Similarly, most CRM applications are only modestly customized and are often rolled out with little training—and even less ongoing reinforcement.

As a result, CRM can sometimes be limited to rudimentary contact management, opportunity management, territory management, email, and scheduling. You may prepare

documents, manage spreadsheets, and give presentations well enough, but is this same limited level of proficiency with and leveraging of your CRM system acceptable?

For those who sell for a living, we submit the answer is "No." If your competitors are making the most of CRM and related technologies, they will continue to distance themselves from your company if you don't keep up.

Reporting has been a perennial weak link in CRM, and for many companies remains so, because data quality is low, and managers get buried in minutiae. We noted the key role analytics can play in improving this situation and allowing managers to get ahead of the coaching power curve.

Integrating workflows into your CRM system can help increase efficiency and quality in executing sales processes. And tying these into back office systems and other functional areas can help bring users' reality closer in line with those ever-rising expectations.

Or it may not. You may find that your CRM system has run out of gas or is not compatible with some of these newer demands. If so, you may be one of the growing number of companies (27%) that is considering replacing their current CRM system within a year.

CONCLUSION

We've confirmed the vast majority of enterprise-class companies have implemented CRM, but user adoption along with fully utilizing their CRM application's capabilities is yet another issue. If user adoption is lower than expected, could it be because the application your firm selected is less in tune with the demands of today's sales tasks?

Do you have Sales 2.0 sales reps and a CRM 1.0 system? Have other changes in the buy-sell equation outstripped your CRM system's capabilities such that it is really just a Customer *Revenue* (opportunity) Management system, rather than a robust Customer *Relationship* (collaboration) Management system?

The main hypothesis we wanted to test with this survey was whether CRM is supporting the increased and varied needs of sales reps today. As one vice president said, "Everyone knows sales has changed and technology adoption is lagging, there's nothing new in that." What *would* be new is zeroing in on where the gaps are, or seem to be, and addressing these in your company.

There are several places to look but a good first step would be to download the survey instrument and simply see what your own answers would be and how many questions you feel you have solid answers for. There's no charge, and you may gain insights into where a deeper dive is warranted.

Or you may wish to embark upon your own investigation; however you begin, the point is that the times surely have changed. Again, this isn't news, but what is news is the extent to which buyer's behaviors and expectations have impacted sellers. Today's buyers expect agile sales reps who can connect with them when and how they want—to show up with knowledge about the buyer's business and offer insights and solutions which are truly impactful. Increasingly, doing these things argues against the lone wolf and favors the collaborative rep drawing upon all the resources that can be brought to bear on the issue at hand.

If you think, "CRM, yeah we've got that," think again. What CRM meant ten or even five years ago is far removed from what a majority of sales managers and reps are finding they need to react and respond to today's buyers.

Sir Isaac was looking at a perfect and closed system in the physical world. A cue ball hits a billiard ball and they impact one another in equal, opposite, and immediate reactions. In the business world there are disproportionate, indirect and lagging—or over—reactions. A deal is lost and the post-mortem concludes the unsuccessful team did not adequately prepare for the final presentation. Quick! Sales training and presentation skills training for all!

Similarly, when CRM replaced sales force automation (SFA) in the early '90s, thousands of initiatives were launched to "get CRM!" These often represented financial investments but lacked clear vision and/or management commitment to reinforce. Buyer behaviors have evolved, as have corresponding selling tactics, but these, too, have seen well timed reactions (email, cell phones, etc.) and those for which the jury is still out (Twitter, social media, etc.). The key is to neither overreact nor be so slow to pick up on current trends that the wave has already passed you by.

CRM systems have been broadly implemented over the past twenty years. These systems have contributed to higher sales rep productivity, but now seem to be lagging in productive usefulness as sales continues to morph in an increasingly collaborative and connected business world. Functionality that large majorities (80%+) feel are critical are also reported to be only marginally available in their current systems and, as a result, their impact is muted.

Finally, Sir Isaac was not only looking at a perfect/closed system but also a simple system; billiard balls react in predictable ways—human buyers and markets do not. If you have not done so recently, it's time to critically assess your current sales go-to-market strategy with an eye to the capabilities of your current technology platforms. You'll want to determine whether your system—underpinning your entire strategy—is fully supporting (with collaboration, BI, mobility, etc.) your sales and your entire organization's success in these rapidly changing times.

Questions or comments on this analysis can be directed to:

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About CSO Insights

CSO Insights benchmarks the challenges faced by today's sales and marketing organizations, tracking trends in the use of people, process, technology and knowledge to improve sales effectiveness. For 17 years, CSO Insights' surveys of over 12,000 sales effectiveness initiatives have been the standard for tracking the evolution of how the role of sales is changing, revealing the challenges that are impacting sales performance, and showing how companies are addressing these issues.

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