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Ten Things Product Managers Should Know About Sales

This article discusses ten things that Product Managers need to know about sales. PMs routinely support the sales process but many time lack enough knowledge to do this. This article is the first of two on the subject of sales. This article discusses the sales process and the role of the sales rep. The next article will detail ways for PMs to better support sales cycles.

"To be successful, product managers need to be intimately familiar with how their products are sold. This is why we encourage our PM's to go out to the field with our sales reps, and train them to be able to backfill an SE on a last-minute basis."

*Tien Tzuo, VP Product Marketing
SalesForce.com*

What is a Sales Cycle?

To better support the sales force, PMs need a good understanding of the sales cycle. The following is a basic description of the stages in a sales cycle:

1. Prospecting - This is the process where prospective customers are identified. This can be done with market research, mailings, during tradeshows, via the website etc.
2. Qualification - This is where it is decided whether a sales opportunity exists with a specific prospect. To be qualified, several questions need to be answered such as:
 - a. Is there a basic fit between the prospect's needs and the product offering?
 - b. Is the prospect looking to purchase a solution within a relevant time frame?
 - c. Is the person who showed interest in the product really looking for a solution and does he have a budget and is authorized to make a purchase?Based on the answers to these questions, the sales cycle proceeds, shifts focus within the prospect's organization or the rep moves on.
3. Discovery – The sales rep collects information about the prospect:
 - a. The prospect's pain. The pain is what will drive the prospect to buy.
 - b. The political structure of the customer's organization – who decides, who is buying, who has budget, what is the buying process, what are these people's agendas etc.
4. Solution – The sales rep shows the prospect how the product will solve the prospect's pain. This is done with a demo, a pilot and/or a joint visit to a reference customer etc.
5. Implementation - Execution of the sale agreements and hand off of the solution to the client.
6. Service, support and upsale. These actions are not necessarily managed by the sales rep but they are critical to customer's satisfaction and willingness to move to the next stage.
7. References and referrals. Sometimes, these can be more important than the revenue itself. During this stage, the rep gets referrals to other prospects and obtains the customer's approval to be a reference.



Tip

The sales cycle is not complete until the customer goes through all seven stages.

What is a Complex Sale?

Most enterprise B2B systems sales are known as "complex" sales. Complex sales are characterized by:

1. There are multiple people involved in the buying process. Some call this "buying by committee". Selling to multiple people, each with their own agenda can be very difficult.
2. The purchase is part of budgets set aside for this purpose. Approval of the purchase by a committee or a "higher authority" is usually a pre-requisite to placing an order.
3. There is a lengthy period of time from the initial 'interest' until a decision to purchase is made.

It's not uncommon for a complex sale to take 9-18 months.



Case in Point

A fault management company discovered a "camelback" buying cycle involving a big time investment in initial stages, followed by a huge lull waiting for budget approval, followed by a final time surge as the contract details were finalized.

Who's your Champion?

One of the most important tasks for the sales rep is to find out who will be championing the project, who will influence the buying decision and who will be making the final decision. These functions are not necessarily carried out by the same person.

- The champion is the person that is aware of the pain and believes in the product. The champion will shepherd the sales person through the political structure of the company and the purchasing process. The more political strength the champion has, the easier it will be to sell.
- The decision maker is the person who is authorized to make the purchasing decision. This person must have a discernable pain that they want to resolve.
- The user is the person who will be using the product and if he is not the buyer, then they usually can influence her.
- The purchaser works for the purchasing department and acts as a gatekeeper protecting the company's interests by verifying that the price and terms are reasonable. The purchaser's approach has a big impact on the sales process. Purchasers can be facilitators when they feel positively about the process and outright obstructive if they don't.

To close a sale, the sales rep has to engage with all of these stakeholders and have a solution that takes their concerns into account.



Food for thought

As a PM, you are probably excited about your product. Does your prospect's decision maker have a pain to justify buying your product?

Sales Reps Need Good Personal Skills

Complex sales involve multiple stakeholders in the buying organization. These usually include the champion, the decision maker and someone from purchasing. Sometimes senior management is involved as well. Each of these stakeholders has different and sometimes conflicting agenda. It's the sales rep's job to identify the decision making process and who are the players involved in it, how to influence the decision process towards a decision and satisfy the needs of each of those involved. This requires great personal skills. It's not about knowing the features.

"The real job of sales is to get involved in the buyer's processes to help them come to an informed decision."

*Don France, Principal
SalesNavigation*

It's All About Relationships

Customers buy from people they trust. The larger the risk involved in the purchase, the more trust that needs to be between the prospect and the sales rep. The larger the risk, the more it's about trust and credibility than features.

Sales reps need to know the product only as well as is required to gain the prospect's trust. Sales reps can get away with a lack of detailed product knowledge AND meet quota.

An exception to this rule may be technical sales where domain expertise (regarding the technology) is critical to the success of the sale because this expertise is needed to instill trust with the prospect.



Tip

Accept that knowledge of your product's features is not always critical to the success of your sales reps.

The Customer Is Less Interested In Your Product Than You Think

Customers are interested in what your product does FOR them. They don't care too much how it works as long as the benefit to them is clear and that the product doesn't cross any red lines such as the opening of firewall ports and other security problems. Make sure that your general approach, sales materials and training are all focused on what benefits the product brings the customer. The product's features are the "how" benefits are achieved, not objectives in their own right. This is why problem-oriented positioning is so important...



Food for thought

Many PMs spend a lot of their time on “how it works” vs. “how it helps the customer”. Where do you spend most of your time?

Sales Reps Don't Have Vision, They Have Comp Plans

Compensation plans are what drives sales rep's behavior. The comp plan is the company's way of telling reps “this is what we want you to do”. Sales reps will sell according to what will maximize their compensation. It's a mistake to rely on other ways to try to incentivise them to sell such as flashy new sales materials unless the compensation plan is synchronized with your objectives.



Tip

Typically the best performing sales reps should be making the highest salaries in the company. This is both customary and necessary.

The Sale Isn't Over Until the Fat Lady Signs, and Then Some...

“Product managers must understand that the REAL decision is made not when the prospect says he wants something, specifically a change to the software, but when they sign on the dotted line.”

*Don France, Principal
Sales Navigation*

The only thing that counts for Product Management is the customer's signature on the bottom line. Sales reps may come to you requesting changes to the product in order to close a deal. There are two issues here:

1. Be very, very cautious about expending resources before the customer signs the contract. Regardless of how important the customer is and the decision to commit resources to address its needs, should the deal close, no resources should be expended on the product before the customer signs the contract. A sales rep's promise that the customer is “just about to sign” or that this is “a closed deal” should leave you unfazed. Many things can and do go wrong at the last minute. A sales rep's word is not money in the bank.
2. If your company is a software vendor, it's a mistake to customize the product for a specific customer. The product needs to address a market segment, not a specific customer's needs. Adding features that will help you in the market segment that the customer belongs to is one thing, customizing it for them is another. Custom work can be done as long as it's done outside the R&D organization, as part of Professional Services. By using an API or product-specific development tools, this can be done without changing the core product. Of course, the customer should pay for any work done by the Professional Services group.

" If your company is a software company, it should NEVER build custom code for a particular deal. Yet many companies do this because they lack maturity and discipline."

*Steve Johnson
Pragmatic Marketing*

For the company, the sale isn't over until the customer is implemented and referencable. It's not about getting money in the short-term but long term market share. A deal that doesn't build market share is a waste of company resources.


The Win Loss Analysis

Win Loss analysis is critical to the continuing success of the company. This process is like any post-mortem. A "pathologist", a person who is a disinterested third-party, independently assesses the "patient's" treatment after it has ended. With companies, the process is the responsibility of the Marketing department and PMs should be involved in it if not manage it themselves. The purpose of the win loss analysis is to understand what happened in the sales cycle and how to increase the chances of winning the next deal.

You should be looking out for things to improve that are within your domain such as:

1. Messaging that was not well understood by the prospect.
2. Missing product functionality.
3. A pricing model that might be impeding sales.
4. Sales tools that are not having their desired impact.
5. Changes to the competitors positioning and product.

All the sales cycles need to be analyzed. Sales reps tend to be reluctant to report a loss especially if it occurred in the beginning of the cycle. An extra effort needs to be made to identify prospects that were lost at the beginning stages of the cycle.

	<p>Tips</p> <ul style="list-style-type: none">• Don't forget the "Win" part in the Win loss analysis. Learning from the account wins is just as important as the learning from the losses.• Make it clear to the sales force what will be done with the results of the analysis. If you can point to a change in product, pricing etc. as the result of a previous survey, the sales team will be more motivated to help you.
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What it Costs to Sell

It costs a lot to sell enterprise products. Marketing programs for generating leads are very expensive. Generating a lead can cost anywhere from \$20 to \$100 for webcasts and mailings and up to thousands of dollars per lead at tradeshow. After leads are collected, they have to be qualified. Then there is the time spent by the rep speaking with the prospect, traveling to meet and then entertain them etc. A sales call typically costs \$2000-5000! Current research shows that it costs roughly \$2000 per day to send a B2B rep into the field. Take an SE? Add \$2000. Take a product manager? Add another \$2000. Then of course there is the rep's compensation. The bottom line is that fully ramped sales reps can cost a company \$200,000 - \$250,000 a year and more.

Summary

To be as effective as possible, Product Managers need to understand the sales process, what part the sales reps play in it and how they can affect this process. The next article of this series, will detail ways to better support the sales cycle.

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