CHAPTER 11

Sales Cycle Management

It's time to sell

Salespeople don't sell all the time because they have to do many other things to support their selling efforts. True selling skills are reserved for a time frame that is special—one that *encapsulates* the customer's buying process. This period in time is called the **sales cycle**. The sales cycle plays a central role in describing the **sales opportunity**. In fact, this chapter could easily have been called "Sales Opportunity Management," but for reasons that will become clearer in later chapters, we prefer to use the term "Sales Cycle Management."

In the hierarchy of the core competencies, the sales opportunity is linked directly to a contact, and s*ales automation done right* is very specific about this. A customer contact (a person) *owns* a sales opportunity with its associated sales cycle. Some might argue that the sales opportunity comes from a committee, a company, an account, or a group of contacts, but in nearly all cases, there will be a central figure that spearheads the effort to buy. It is up to the salesperson to identify that individual as the owner of the sales opportunity.

Associating an opportunity with a single contact makes it much easier to navigate through a large list of opportunities. Often, other contacts will affect or influence the buying decision, and the salesperson must include them in sales strategies. But the individual who is logged as the owner of the opportunity will usually be the customer who has the most to gain from the purchase, or who is a principle advocate of the need to buy.

The Sales Cycle

The sales cycle is so closely associated with the sales opportunity that both terms need to be discussed together. A sales opportunity is aptly named because it is a chance for the salesperson to show their stuff and go win a sale. An alternative word for opportunity is "break," as in, "Give me a break." A salesperson might say, "I've had a two month spell with nothing happening—something has to *break* soon," meaning, "I need someone (a customer) to give me an opportunity to *sell*."

> *Sales opportunity*: A well-defined situation in which the salesperson is given a chance to sell their product or service against an alternative competitive solution.

This element of competition is important—selling always involves competition. A sale involves two parties; one tries to *influence* the other in making a specific choice from a number of options (minimum two). There are "competing" alternatives—the customer makes a choice, and one possible response is to buy nothing at all. Competition offers the customer the widest view of available options, and also offers a prospect of negotiating the best value.

> *The sales cycle*: Measured in units of time (days, weeks, months, years), it is the lifespan of the sales opportunity. It also represents the *only* available time to get the sales job done.

The sales cycle has a *start* and an *end*. Once the start date is identified, the length of the sales cycle can be established by estimating when the customer will make a final decision on what to buy—then the sales process has to be made to fit. This is why the sales cycle is so important, and why the salesperson should always be conscious of how much time is left within the sales cycle to complete the sale.

Fortunately, sales automation can help by keeping a list of open opportunities along with their *current* sales cycles. We say current, because a sales cycle can quickly and unexpectedly take on a life of its own and compress or expand, becoming shorter or longer. Because the date the sale started is fixed, the only way for the sales cycle to change is if the projected end date moves closer or further away.

It is the sales opportunity that represents business value to the salesperson. An opportunity is characterized in a number of important ways, some of which are: the monetary value of the deal, the ease with which the deal can be won, and the point in the future that it can be won. The sales cycle is the arena in which competitive selling skills occur to make the sale happen for one salesperson over another. Managing the sales cycle involves the appropriate use of true selling skills—*which* skills to use and *when* to use them. The salesperson that gets this right has the best chance of winning the sale. The logical flow of the sales process within the sales cycle leads to a better understanding of the value of one sales opportunity over another, and helps the salesperson manage their resources to best benefit the overall sales effort.

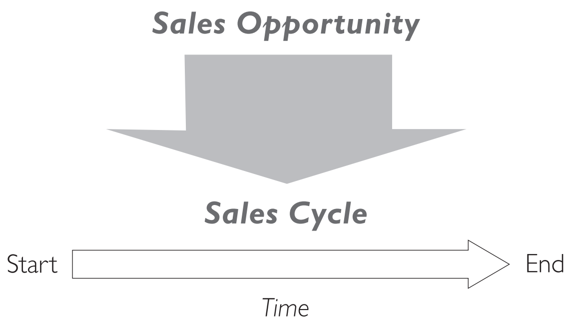

Figure 11-1: A sales opportunity has an associated sales cycle

Two Sales Cycles?

When a customer decides to buy something, they follow a *process* to ensure that the final purchase is the right one. All options are researched and an appropriate period of negotiation is set aside to make sure that the best deal is struck with the winning supplier. This *buying* process takes time, and the amount of time taken is the sales cycle. As soon as the customer brings in potential suppliers for consultation, the sales cycle has begun—this is the customer's sales cycle. The sales cycle *as seen by the customer* exactly mirrors the buying process.

> *The customer's sales cycle*: The time that elapses between the customer initiating the buying process to making the final decision to purchase.

But for the salesperson, the start of the sales cycle is literally the day that they *find* the sales opportunity. If this is the day that a purchasing agent calls the office to say a competitive proposal is needed for a customer's requisition, it is too late—the sales cycle, as far as the customer is aware, started a long time ago. The competitor has been working the sale for a while, and you knew nothing about it. Now, it's uphill all the way; cross your fingers and hope that something can be salvaged at the last minute.

> *The actual sales cycle*: The time that elapses between the salesperson *discovering* the sales opportunity and the customer making the final decision to purchase.

The actual sales cycle is the only one that the salesperson needs to worry about. Those smart (or lucky) enough to be working with the customer from the start of the buying process have an actual sales cycle that is equal to the customer's sales cycle. This is a situation that all salespeople should strive to achieve. Later, other vendors might stumble on the situation and get a chance to participate, but they have some time to make up. Their actual sales cycle is *less* than the customer's sales cycle. Figure 11-2 shows the two sales cycles.

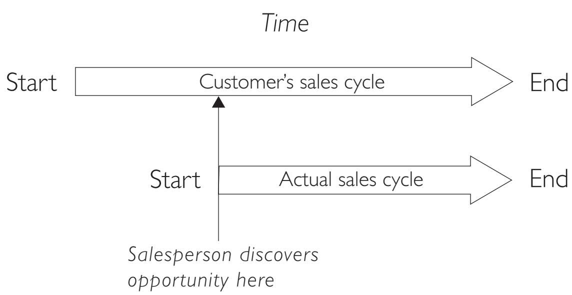

Figure 11-2: The sales cycle as seen by the customer and the salesperson

Since the actual sales cycle begins only when the salesperson becomes *aware* of the customer's intention to buy, it is almost always shorter than the customer's sales cycle, and in many cases too short. If the customer waited two months before contacting the salesperson about a product with a six-month sales cycle, the "actual" sales cycle will be six months, whereas the customer's sales cycle would be eight months. A shortened sales cycle means that there is less time to sell, and makes the sale much more difficult. This is why continual interactions with the potential customer base are necessary to discover new opportunities *early* in the customer's sales cycle.

Sales Cycle Management

One of the most important issues about managing the sales cycle is recognizing that a sales opportunity exists and the sales cycle has started. Salespeople must be continuously on the lookout for new opportunities during their regular conversations with customers or potential customers. Once the opportunity is identified, it should be recorded, preferably in the sales automation system and not just in the salesperson's head. This way, it won't be forgotten.

Sales cycles vary from days to years, depending on the complexity of what is being sold.

Proposition
The essence of Sales Cycle Management is *time*.

An integral part of recording an opportunity is to enter the date that the sale is *expected* to conclude (the date the opportunity is logged is taken to be the start date). With these two dates, the computer calculates the duration of the sales cycle in units of time. Sometimes the date of conclusion of the sale is referred to as the *close date*.

As each opportunity gets recorded, a list of *potential* business is built up. When the opportunity is won or lost, the record is closed (but still saved in the Customer Knowledge Store), and removed from the list. A description of each opportunity should include basic information such as customer name, account, product, and price, but most importantly, an estimation of the date that the sales cycle will *end*.

As mentioned earlier, it's possible, even likely, that the close date will be revised a number of times. So not only must the details of the opportunity be logged initially, they must be *updated* as the sales cycle assumes its normal flow. A good sales automation system can monitor the sales cycle on a daily basis and keep track of what should be happening at that point, but this only works if the salesperson provides up-to-date information on when the sale is expected to end.

Keeping an eye on the time left to sell is important, but so is *timing* of events within the sales cycle. In the sales cycle, the salesperson interacts with the customer through meetings, phone calls, proposals, e-mail and a variety of other ways. These *interactions* together form the process for executing strategies and tactics that the sales team thinks have the best chance to secure the sale. The substance of the interactions is important, but so too is their timing. When do they happen in the sales cycle and how do they happen in relationship to one another? Successful selling depends on mastering specific skills and knowing how and when to use them at different times within the sales cycle. Using the wrong skill at the wrong time can cause a setback in the sale. Planning customer interactions would not be too bad if there were just one sales opportunity, but that is never the case. A busy salesperson could be working on scores of opportunities at any one time. These sales cycles will be running on totally different time schedules. Keeping track of what to do and when to do it is very difficult. Sales automation can make the job much easier, as the computer has no problems at all in keeping an eye on time and determining when things need to get done.

Predicting the Future

Pinning down the start of the sales cycle is a singular event—it happens once, and that's it. However, the predicted end-date of the sale will more than likely change many times in the sales cycle. There are lots of reasons for this, but the principle one is that customers invariably take longer than they think to make decisions. Expectations set down early in the sales cycle are often proven wrong. This means that salespeople have to be on their toes to watch for signs that the projected purchase date has been moved, either forward or back. Managing the sales cycle means staying on top of the "best guess" of when it will end. It is the only parameter that tells the salesperson (and the computer) how much time there is left to sell.

Predicting when the customer will make a final decision can be straightforward in some cases, but difficult in others. It may be necessary to look months, or even years into the future. If the customer is rushed to meet a deadline for the purchase, they may be prepared to share that information with the salesperson. If there is no urgency on the part of the customer to make a decision, the sales cycle can drag on. If the sales cycle is long, perhaps a year or more, it's very difficult to forecast within a few months when the purchase date will be, especially in the early stages. Obviously, the job gets easier closer to the end, when most of the work has been done in the evaluation and the customer can go ahead and make a decision.

But no matter where we are in the sales cycle, the beginning, toward the end, or somewhere in the middle, it is extremely important for the salesperson to be cognizant of when the sale will *end*, and to update that information as best they can, whenever it changes. All too often this is forgotten, and there is danger of losing track of how business is progressing and when it is going to happen. This problem is compounded when many opportunities are being worked at one time.

Predicting close dates is important because all salespeople are required to forecast. Forecasting is one of the sales team's most important and fundamental responsibilities. There is always pressure on business, from enterprise level down, to predict performance into the future, quarter-by-quarter and year-by-year. The top-line driver to business performance is revenue, which is derived directly from the sales team's bookings. There are all sorts of ways that sales managers grapple with forecasting. Historical results, economic climates and seasonal considerations are a few factors that influence forecasting, but when it comes down to it, going to the salespeople and asking them what they are going to book next month or next quarter is the best way to do it. There's no option for the salesperson other than to open up the list of opportunities and review each sales cycle to judge when it will close, and this becomes the basis for the forecast.

But, salespeople should have their own personal reasons for knowing the end of the sales cycle. Without having a good idea of how much time there is left in the sales cycle, it turns out that it is very difficult to manage the list of current opportunities. The challenge becomes tougher as the list swells—so tough that if the salesperson is not careful, opportunities will start to fall through the cracks. That means wasted business and lost revenue. In today's increasingly competitive business environment, salespeople have larger territories, more accounts and consequently, more opportunities to handle. The list of opportunities must be organized, characterized and managed so that the salesperson's resources are used to best effect.

Salespeople should regularly review their open opportunities and update the close date for each one. We'll see later that the smart ones review their opportunities after each important interaction with the customer. It makes most sense to log any change in the close date at this time.

Managing Many Sales Cycles

On any day, a salesperson will be working a number of sales opportunities. They have to, because they are not going to win all of them—competition is fierce. It's important to review the opportunity list regularly to make sure nothing is getting overlooked. The problem is compounded by the fact that there will usually be a large spread of sales cycle lengths within the list. Some reasons for this have been discussed already; different products will have their own sales cycles, and the average sales cycle varies anyway, because of unusual influences within the sale. There is also another factor that causes widely varying sales cycles, and that is the issue of the salesperson discovering the opportunity later in the customer's sales cycle (this effect is so important that it will be discussed in greater detail in Chapter 19).

The salesperson will be faced with managing situations with sales cycles that range from early (the sales opportunity has just been found) to late (the customer is about to buy, and the salesperson needs to close), and inevitably, cases of everything in between. This is a tough proposition to manage, and the salesperson is tugged into many different directions at once. A decision has to be made on which order to work the opportunities. It's not good enough to take the common approach of simply concentrating on the opportunities that are about to end. This tactic often leads to neglect of opportunities which are early in their sales cycle, meaning not enough work will have been done to ensure that a successful closing is possible later. In fact, the entire sales cycle should be worked with the same intensity throughout. A consistent selling effort is needed all the way through the entire sales cycle, but this kind of discipline is rarely practiced by salespeople.

Fortunately, the computer can do a great job of maintaining a long list of opportunities and making sure that they are all treated with the right degree of importance. Here is an example of where *sales automation done right* can really make the salesperson's responsibilities much more painless, and this is the story that unfolds throughout the whole of Part 3.

Influencing the Length of the Sales Cycle?

There has been much written about how CRM and SFA offer the potential to shorten the sales cycle, which will theoretically lead to more sales. A shortened sales cycle implies that the customer needs less time to carry out the buying process. There's no doubt that companies who faithfully execute the principles of CRM will win respect from customers, and that will mean reduced competitive influences in the business relationship. This not only results in "easy" deals, where competition is given just a token invitation to participate, but sometimes in exclusive deals where the customer feels comfortable enough not to invite alternative proposals.

The realities of tougher economic times have made customers more tuned to the increased value that alternative bidding brings to the table, and it's difficult to remove all elements of competition entirely in dealings with the customer. However, there are some situations where the sales cycle can be shortened. A solution may be unique and stand head and shoulders above the competition, or there could be some single differentiator that cannot be matched, in which case the customer may be prepared to stop the normal procurement process and quickly make the decision to buy your product.

In most cases, it is not possible to have a significant impact on when the sales cycle will finish. The competitive sales process plays out in its own time: proposals have to be reviewed, products evaluated and careful buying procedures followed. The process takes its natural course, and salespeople can rarely hasten it up.

Sales automation done right is a little different and suggests that the salesperson should try to *lengthen* the sales cycle. We're not suggesting for one moment to try to delay the close date—rather, learn about the opportunity sooner, and lengthen the actual sales cycle. This, more than anything else, will ensure that there is plenty of time to sell, with no pressure from trying to force important sales strategies into inadequate sales cycles. If, for whatever reason, the sales cycle gets compressed, the salesperson could be faced with a stiff uphill battle. The objective must be to do all that is possible to ensure that the sales cycle has enough room in it to execute the sales process in the best way possible.

Points to Remember

1. The essence of selling includes competition, and competitive sales environments deliver sales opportunities.
2. Every sales opportunity has a measurable sales cycle.
3. Getting the sales team to recognize the start of the sales cycle as early as possible is the first important step to moving them from reactive to proactive selling.
4. Log and update! Log the opportunity and, at the same time, make the best guess at the close date. Watch out for issues in the sale that will modify the close date.
5. The only sales cycle that the salesperson should focus on is the actual sales cycle. For better or for worse, this represents the only time there is to sell.
6. It's tough to manage multiple sales cycles in different stages of development. There must be some way to place a value on the sales opportunity, one to another. This happens through a conscious analysis of the sales cycle.