

Priorities

Working the list

The previous chapter presented a way to deal with probabilities that will inject more consistency into projecting future business. The idea of *probability* is needed to create another valuable parameter of the sales opportunity, which is *priority*. Some sales methods confuse probability with priority—both words begin with “pr” and end in “y,” but that’s about where the similarity ends.

Salespeople are constantly faced with the question of how to best allocate their time. The most pressing demands on their time and skills come from the list of sales opportunities that they are currently working on. They must *work* the list. To do that effectively, the list must be prioritized, because some opportunities are more appropriate to work on than others. Consider two of the terms used to define priorities, for instance, “This one is *hot*. You’d better set up an appointment now!” or “This one is *cold*. Come back to it in a few months.” How much science is used to determine hot, cold or warm? Probably not much.

Some sales teams use probability alone to prioritize their opportunities. Salespeople are asked to sort their list by probability with the highest at the top and the lowest at the bottom. Then they are told to start at the top and work their way to the bottom. As we see later, this method is dangerous and using it can actually lead to lost sales. Something other than probability is needed to correctly define priority and it turns out this parameter is closely (but not completely) related to *time*.

The Opportunity Portfolio

We are going to call the list of opportunities the **Opportunity Portfolio**. The word *portfolio* better expresses the potential business value that lies within the opportunities that have the ability to be won or lost.

Managing the portfolio can have some real challenges, and we will go into the major reasons why. Many salespeople manage their portfolio in their heads, with varying results depending on capability and experience. The average portfolio contains between ten and one hundred opportunities so it's not too difficult to see why, at the upper end of this scale, some business could get overlooked.

Logging the opportunities into the computer is a good way to start getting the portfolio under control. The next step is using the computer to automatically *prioritize* each opportunity using a few fundamental parameters, so it can then proactively guide the salesperson as to which to work on first. This chapter shows how to do that, but first let's look at the scale of the problem we are dealing with.

Problem—Sales Cycle Spread

There is a *natural* length for the sales cycle, resulting from the fact that any product in a given market takes a certain time to sell. This time depends on the product and the market. Low cost, high turnover products take a short time to sell. Complex and expensive products take longer to sell. Institutions such as government or universities may take longer to purchase than a similar sale to private industry. But at the end of the day, the sales team will have a pretty good idea of what their *average* sales cycle should be under similar conditions.

But “average” infers that there may be exceptions, either abnormally long or abnormally short cycles. Short sales cycles are driven by urgent customer need. Long sales cycles happen when customers experience problems in the buying cycle, such as funding, or maybe their needs are not that strong. So, there are reasons why deviations exist in the time it takes to buy and sell a product.

But in Chapter II we explored how salespeople can self-inflict variations into the length of the sales cycle. The *actual* sales cycle is dependent on when the salesperson finds or recognizes the opportunity. In fact, the majority of

salespeople arrive at the opportunity after the customer's buying process has begun.

Figure 19-I is an example of what happens. Salesperson A has the longest sales cycle but still has missed fifteen percent of the available time to sell (the customer's sales cycle). Salesperson C is "in too late" and has less than half the time to sell than Salesperson A. Here are three different sales representatives in the same sales opportunity and they each have quite different sales cycle lengths to contend with. Exactly the same thing applies to the average salesperson who, in spite of best intentions, finds their opportunities at various points in the customer's buying process (the customer's sales cycle). Because this happens, there will be a spread in the sales cycles within the salesperson's Opportunity Portfolio. The better the salesperson, the more likely the spread will be narrow because they will generally discover the opportunity early. Bad salespeople will also have a narrow spread in their portfolio, but as they are always "in too late," the sales cycle will always be too short. In between sits the average salesperson with a portfolio of sales cycles that vary over a wide range. This kind of portfolio is tricky to handle. How can even the best salesperson handle the situation without a sheet of paper and a calculator—or a computer?

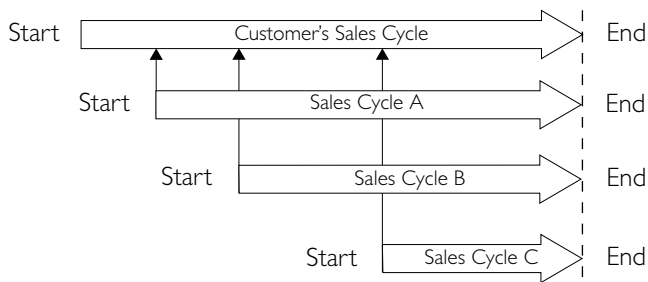


Figure 19-1: How three salespeople discover the same sales opportunity

Figure 19-2 shows actual information on the opportunity portfolio of a scientific instrument salesperson. There are one hundred open IBOs in this portfolio, where *open* means that the customer is in the buying process and has not yet made a decision. The sales cycles range from five weeks to two years—a tremendous spread—let's take a look at why.

Along the bottom axis there are twenty “bins,” each representing an increment of five weeks. The first bin represents sales cycles that are up to five weeks in duration, the second bin represents sales cycles between five and ten weeks long, and so on. Each IBO is allocated to the bin appropriate for its sales cycle. For instance, if the sales cycle is 17 weeks, it goes in the bin that represents 15-20 weeks. If the sales cycle is 78 weeks, it goes in the bin representing 75-80 weeks. There are 12 IBOs in the bin representing 15-20 weeks, and 1 IBO in the bin representing 75-80 weeks.

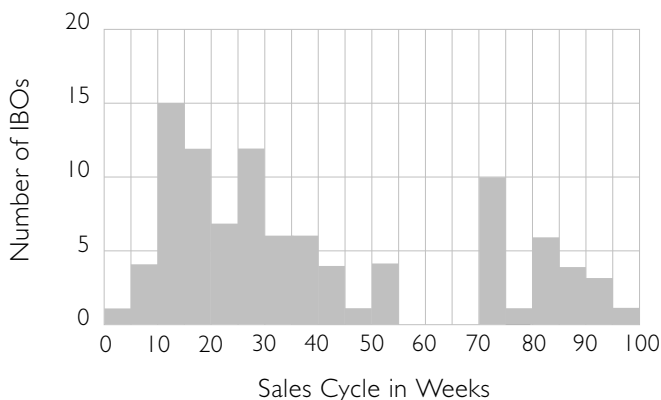


Figure 19-2: The opportunity load of a high tech salesperson

There are two distinct “clusters” centered around 25 weeks and 85 weeks. This is because the salesperson is responsible for selling two quite different types of products—“instruments” and “systems.” Instruments have an average price of around \$50,000 and are easily installed and put into operation. Systems cost typically \$150,000 and take much more discussion and negotiation with the customer before the sale is finalized. They are also more complex, need collaboration with third party suppliers, and require ongoing support and service contracts after the sale. Consequently, the sales cycle for systems is much more involved and therefore longer than that of instruments. The difference in sales challenges is reflected in the sales cycles of the two product lines. The average sales cycle for instruments is 25 weeks, and for systems it is 85 weeks.

Let’s home in on the cluster representing the average sales cycle for instruments. Even though the average sales cycle of instruments is 25 weeks, the

spread for this salesperson is from as low as 5 weeks to as high as 60 weeks. This is the effect of “late arrival” to the customer’s buying process, discussed earlier.

Proposition

There is usually a wide spread in sales cycles lengths in the salesperson’s Opportunity Portfolio because of two principal effects: product mix, and arriving to the sales cycle late.

The point of this discussion is that the average salesperson will have an Opportunity Portfolio with sales cycles that vary all over the place. The sales cycle represents the only time in which the selling process can occur. If sales cycles are vastly different, then this process of selling has to be condensed or stretched by the salesperson to make it fit. This can be very difficult *unless* opportunities are logged and regularly monitored. Then, they must be *prioritized*. Fortunately, *sales automation done right* can help, but first, the methods to characterize sales cycles must be developed.

Problem—Where to Use the Skills Next?

Another challenge to the salesperson is having to manage multiple opportunities which are at different phases in their sales cycle—some in Probe, some in Prove and some in Close. Figure I9-3 looks at a typical opportunity portfolio and maps out the sales cycles of fifteen sales opportunities over the course of a year, along with their Probe/Prove/Close skill phases.

Some sales cycles start and finish in the year (1, 2, 6, 8, 9, 10, 11, 13, 14, 15), but some are incomplete, having started in the previous year (3, 4, 5, 7, 12). One of the opportunities is ongoing from the previous year, and does not finish in this year (3). The Probe, Prove and Close Phases occupy 50%, 35% and 15% of the sales cycles, as described earlier. Three lines are drawn on the diagram: one at the end of March, another at the end of June, and the other at the end of September. Look at the first “time slice” at the end of March. The salesperson has to concentrate on probing—eight opportunities are in the Probe Phase, one is in Prove, and none are in Close. At the end of June the focus is shared between probing and proving—now, four opportunities are in the Probe Phase, five are in Prove and one is in Close. September

is the month of the Close—here there are four opportunities being closed, four are in Prove, and only one is in Probe.

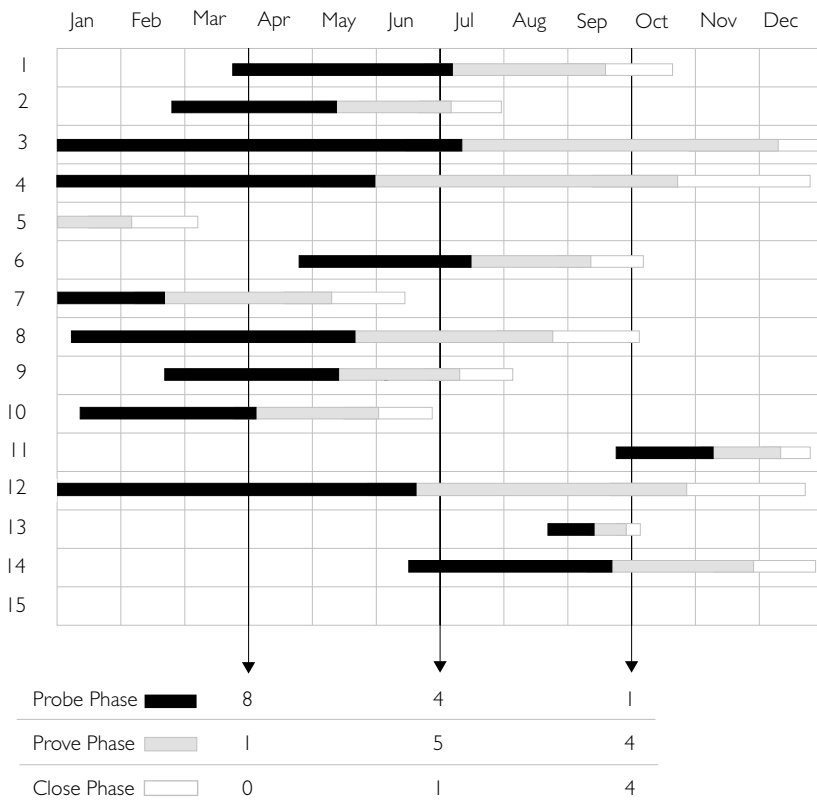


Figure 19-3: Use of the fundamental skills across the Portfolio at different times

Here, there are just fifteen opportunities. The typical number for a hard working salesperson is fifty to one-hundred! Which opportunities do they tackle first—the ones in the Probe, Prove or Close Phases? The answer is to work them *consistently* using a sensible method of prioritization. The easy solution adopted by many systems is go to the ones that are closing first, but if this happens at the expense of spending time with opportunities in the earlier stages of Probe and Prove, the penalty will come later. If you don't probe, you can't prove effectively, and if you haven't proven there will be no way to close.

Revisiting the Importance of Phases

In the previous chapters, we showed that dividing the sales cycle into three skill phases brought an easier way to handle the problematical spread. Let's pick up on this again to see how it becomes significant in establishing priorities.

What we proposed earlier was that any sales cycle, be it six weeks or six months, has three phases. In each phase, one fundamental skill of selling is used dominantly. This concept has the effect of “normalizing” time. What do we mean by that? Take the six-week sales cycle for example—its Probe Phase will be 50% of the six weeks, or three weeks. With the six-month sales cycle, the Probe Phase is three months or twelve weeks.

This line of thinking makes it easier to answer the question of “What point are we at now in the sales cycle?” Why not say “I'm two weeks into the sales cycle?” Because, this doesn't tell us much unless we know the other factor—the length of the sales cycle. Are we two weeks into a six-month sales cycle, or two weeks into a three-week sales cycle? Each has a very distinct meaning and implication. Two weeks into a six-month sales cycle means that we are in the early stage of Probe. Two weeks into a three-week sales cycle means that we are in the late stages of Prove.

Building Priority

We can now put together the factors that determine priority. One of these, *probability*, has been discussed already. Obviously the probability that a sale will happen has an influence on the resource we devote to the opportunity. But another consideration is **time**.

Probability has to be assessed regularly through the sales cycle, because it invariably changes. If an opportunity has just been found and rated as a low probability, it would go to the bottom of the list that categorized high probabilities at the top. Does it make sense to give it no attention? Of course not. It should be worked because it's just the start of the sales cycle and there is an opportunity to move the probability higher. On the other hand, the same opportunity found at the end of the cycle, and assessed to be a low probability, should be given low priority because there is little time left to turn things around.

Consider an opportunity with eighty percent probability. Does it deserve the same amount of effort one week into its six-month sales cycle as it would one week before the deal closes? No—in the first case there are over five more months left, meaning work just needs to be done to protect the sale and cover bases. In the second case, there's only one week left, and the customer has made up their mind. Maximum effort should be given to booking the sale.

These examples show that priority should be considered in the context of time, which translates into *point in the sales cycle*. The idea of skill phases gives us the way to put *time* into context with *point* in sales cycle.

Proposition

The priority that is attached to a sales opportunity is determined both from its probability and the current phase of the sales cycle.

This proposition says that we can calculate priority from the IBO Essentials. “Will it happen?” and “Will we get it?” give us probability, and “When will it happen?” determines which phase we are in. The value of the Essentials can't be overstated. Just three simple pieces of information are all that's needed to characterize the sale and prioritize it in the Opportunity Portfolio.

Points to Remember

1. Sales automation solutions can assist in prioritizing the salesperson's workload, specifically the allocation of time. To do this, there has to be a sensible prioritization of the Opportunity Portfolio.
2. If your current sales automation methodology handles priority purely by sorting your opportunity list from high probability to low probability, it's time to consider other options!
3. Low probability sales that are in early sales cycle need attention. There is a chance that, with work, they can be moved to a higher probability value.

4. Rather than talking about being six weeks into the sales cycle, get used to saying “Which skill phase am I in—Probe, Prove or Close?” This gets rid of the problem of dealing with diverse sales cycle lengths.
5. *Probability* combined with *skill phase* equals *priority*.