

BusinessWeek

Staying On Top Of Your Game

How to keep a long sales cycle from derailing your company

In 2005, sales at Sire Technologies, a 50-person Salt Lake City software company, were up, up, up: They rose 17% in the second quarter, 48% the next, and 76% the next. That sounds great, and in some ways it was. The problem was that Sire never had any idea how much money was going to come in, making planning all but impossible. Sire sells to state and local governments, and its reps must often win over large committees and employees in ten different departments before closing a sale of its software, which costs from \$20,000 to \$80,000. Once a deal is signed, money rolls in to the \$10 million company. But the wait can be a tortuous 12 to 18 months.

Matthew Bowman came on board as director of sales and marketing to help bring some much-needed predictability to Sire's sales. In January of last year, he tore into the sales process, dividing it into steps and collecting and tracking data at each stage. By analyzing the number of leads and the daily progress of each one, Bowman helped boost bookings 160% from the previous year. Revenues varied from quarter to quarter by less than 20%. "Before, some quarters were great, others were horrific," says Bowman. "Now they are more level."

For companies bedeviled by long sales cycles, the time between the first call and a signed contract can seem endless. As weeks turn into months or years, even the most optimistic CEO can start losing sleep. Businesses that sell complex technology or services, especially those with big price tags, often have it the worst. The cycle for it outsourcing services typically lasts 6 to 18 months, compared with only 30 to 90 days for off-the-shelf software, says J. Mark Davis, managing principal of Valitus Group, a Tustin (Calif.) consulting firm. Deals with government agencies and school districts are also notorious for dragging on. "If you don't make it into that year's budget, you have to wait until the next cycle," says Gene Marks, president of Marks Group, an 11-employee, \$2 million company in Bala Cynwyd, Pa., that sells software applications and services.

Frustration also torments companies selling products that aren't perceived as mission-critical. Closing a sale for Marks's premier product, a software package for it help desks that costs \$50,000 to \$150,000, can take six months to three years. "Imagine telling the cio you want him to spend \$150,000 to help the help desk to work better," says Marks. "It takes a long time."

Granted, there's only so much you can do to speed up another company's decision-making process. Big companies, especially, are unlikely to change the way they do things, even if you offer discounts. Still, a long sales cycle doesn't need to be quite so disruptive to your company. Although there is no magic bullet, there are many techniques small businesses can use to manage a long sale, says H. David Hennessey, professor of marketing at Babson College. You can trim the time it takes to get to a close by taking steps to better manage the process, including how you target customers, train reps, and collect data. And to avoid cash flow problems, it may be possible to diversify your product line and customer base. Those last two strategies are particularly important if the economy or your industry stumbles. Without a solid strategy to keep the money flowing, says Hennessey, your company "may be out of business before the next sale comes in."

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How Do You Sell?

If closing a sale typically takes your company many months, cutting a few weeks here and there can make a big difference. Begin by examining your process. "Understanding your sales systems and putting metrics around it is an essential practice," says David Fields, managing director of Ascendant Consulting, a Ridgefield (Conn.) consulting firm. Customer relationship management (CRM) software, such as act, Goldmine, or Microsoft Dynamics, can help sales managers gather and analyze customer information throughout the cycle.

At Sire, Bowman divided the process into six stages, from identifying prospects to signing a contract. He utilized Salesforce.com, an off-the-shelf CRM product, and evaluated key data at each stage. He discovered, for example, that salespeople need at least 32 leads in the works at any one time to generate a single sale. Bowman tracked each salesperson's process daily, looking for problems such as too few leads or infrequent contact with specific prospects. Then he worked with the individual reps to get things back on track. "You need to identify specific behavior that's central to making a sale and watch those behaviors like a hawk," says Bowman. Since January, 2005, each rep's bookings are up at least 120%.

Improving how you train new reps can also rev up the process. Last April, Aethon, a \$5 million, 70-employee Pittsburgh manufacturer of robotic transport equipment for hospitals, started using Landslide, a software program that helps analyze and formalize its sales process, which typically takes seven months. The program laid out the steps Aethon's salespeople should take, including which hospital employees they should contact, such as the head nurse and pharmacist, and the questions those people were likely to ask. A hospital facilities manager, for example, might want to know if the equipment will fit in the elevator. Peter Seiff, Aethon's vice-president, customer solutions, says using the program has cut the time it takes to train reps to three weeks from seven.

Sizing Up Your Prospect

Then there's the task of identifying the people at the client company who can approve a sale. Although it is too early to know for sure, Seiff suspects the new training program will further shorten Aethon's sales cycles because reps won't waste time talking to the wrong people and will be better able to answer questions.

Of course, you can't leave it all up to software. Quickly identifying the key players requires intelligent probing. "It's all about asking the right questions," says Phyllis Roteman, president of the Loyalty Group, a Sherman Oaks (Calif.) sales training consulting firm. Among the questions to ask: Who makes the buying decision? Can you describe the organizational structure and where you fit? Who else should I talk to? In cases where getting your foot in the door might take years, you may want to devote the bulk of your resources to finding key people and developing relationships with them.

Forte, a 50-employee, \$20 million Mason (Ohio) company, designs and installs supply chain distribution systems costing \$20 million to \$40 million. That's a big chunk of cash for its customers to spend. Not surprisingly, Forte's sales cycles run about two years. To move things along, the company spends about 2% to 5% of its revenue on market research and assigns 15% of its staff to targeting likely companies and individuals and developing relationships with those people. Says CEO Gene Forte: "It can take six months to two years before we even start talking to a prospective client."

Your research should also pinpoint those customers most likely to make faster decisions. "If your sales cycle averages 18 months, that means there are some companies who will buy in 6 months and others in 24," says Babson's Hennessey. "You need to find those people who are going to buy in six." Get clues about a prospect's buying patterns by determining which companies it has bought from previously. Those names also offer insights on a company's culture. If you've encountered resistance from large outfits hesitant to buy from a small one, look for businesses that have bought from small companies in the past. Businesses with a reputation for innovation also may be more receptive to entrepreneurs.

Don't forget to make the most of your existing clients. "Farming is as important as hunting," says Karen Myers, chief operating officer of Insight, a 30-employee, Manassas (Va.) seller of supply-chain software. She suggests new projects to her customers based on research she does about them and tries to brainstorm with clients about other services they might need. Recently she spent eight months tying up a sale with a manufacturer of agriculture equipment. While closing that deal, the client mentioned other projects in the works. Myers pointed out ways Insight might help. It worked: The customer signed on for an additional project. Some 10% of Insight's approximately \$5 million in revenues are from such follow-up sales.

Expect the Unexpected

No matter how carefully you plan, of course, the unexpected happens. The executive you've been courting may leave the company or change positions before you sign a deal, or the company might merge with another. Myers estimates that such events put about 10% of her company's business at risk. To protect yourself, it's important to network with as many other people within the prospect's company as possible. Talk to the procurement manager, but also to individuals within the company who would actually use your product. When a manager Marks had been cultivating for nine months left, he asked for the name of someone else he might approach. Although that person couldn't O.K. the sale, she called Marks a few months later with the name of the new manager. After two presentations, Marks signed a deal.

It's also a good idea to document all your interactions. That will make it easy for a new manager to find out what conversations you've had with the company and what decisions have been made. As Roteman says: "You have to be ready to make your case at any time."

It's only natural for your salespeople to flag a bit between wins, so consider keeping them motivated by offering partial payments along the way. "Pay at the point of persuasion, where the salesperson exerts the greatest influence over the customer's decision to buy," says Valitus Group's Davis. Or pay them at points when there's an increased chance of making a sale—for example, when a customer has winnowed the list of finalists to two or three serious contenders.

The Backup Plan

Knowing that your sales process has been fine-tuned may be small comfort during those times when the bills are coming in and the revenue is not. To ease the cash crunch, try to persuade your existing customers to pay monthly rather than a single large payment. You also have to be prepared for when sales fall through. That may be as simple as getting a line of credit from a bank—while your balance sheet's looking healthy—to tide you over. Speed up accounts receivable by offering discounts, such as reducing the bills of customers who pay quickly (larger companies may not be as amenable to this).

Roteman suggests cultivating closer relationships with your own suppliers, perhaps cutting the number of vendors you use so you can give more business to a smaller group. That may help you win added leverage if you need to ask for a longer payment period.

A more lasting solution is to diversify. In addition to Heat, the help desk software that accounts for about a quarter of Marks's revenues, his company has 15 other software programs, most of which cost \$5,000 to \$50,000 and have shorter sales cycles. Debi Lilly, president of A Perfect Event, an event planning company in Chicago, takes another route. The fund-raising events that are the mainstay of her \$4 million, 24-employee company cost clients about \$20,000 and take about a year to close. But Lilly's company also arranges dinner parties and other small events that take a month or so from start to finish. Three years ago, Lilly opened a retail business that sells invitations, gifts, and other event-related products. Lilly says the division brings in a "couple hundred thousand a year," enough to give her a cushion.

It's also worth trying to broaden your pool of customers. Smaller companies more often are willing to be flexible and, no surprise, are less bureaucratic. Last year, Jeffrey Curtis, senior vice president of sales and marketing for Lindon (Utah)-based Helius, which produces technology that sends media content to remote locations, began pursuing sales to midsize outfits instead of just the large ones that had been clients. Those big fish had a formal request for proposal process, and Curtis could do little to speed it up. "A large company is going to take its time," says Curtis. "With mid-tier companies, we can do more to affect the sales cycle." To woo new customers, Helius offers to do a small pilot at no charge, something it pitched without success to big companies. Though only six months old, the strategy seems to be working, with 5% of sales from such customers. Helius expects that number to hit 20% within a year or two. Plus, its sales cycle for small companies is about four months, less than half the average of its large-company clients. That will keep the money coming in—and Curtis sleeping soundly.

Ascendant Consulting... *The Profit Doubler™*

Overview

Ascendant Consulting, LLC assists organizations to achieve spectacular profit growth. Our clients include well-known corporate giants such as International Paper, Kodak and Lexmark, niche industry leaders such as MRI Network, Domino's Pizza, and Gojo, consumer products stalwarts such as GlaxoSmithKline, Church & Dwight, and Whirlpool, and high-growth firms such as Biometrics 2000, Symbol Technology, and United Industries.

Services

We apply a wide range of approaches and interventions based on our years of experience and broad access to subject matter experts.

One of the fundamentals of our success is our holistic, outside-in approach to business. The way we envision it is shown below:

Identify Market Opportunities—We have identified well in excess of \$1 Billion in new market opportunities for our clients. For instance, Kodak's only successful venture into a new vertical market was based on our work for them. That business area was later purchased by ITT for a substantial premium.

Optimize Customer Facing Efforts— Our clients call upon us for:

- Strategy Optimization
- Business Planning
- Message Optimization
- Channel Optimization

For instance, we wrote Schering Plough Consumer Healthcare's selling presentations for many years.

Enable the Organization for Success — Our experience is extensive in:

- Organization structure optimization
- Process Optimization
- Production Optimization

For instance, we completely reorganized Ross Products' 1000+ member retail sales force.