# CLOSE EARLY, CLOSE OFTEN.

**HOW SALES CAN USE BUSINESS INTELLIGENCE AND CORPORATE PERFORMANCE MANAGEMENT TO IMPROVE PERFORMANCE**

**COGNOS**®

**THE NEXT LEVEL OF PERFORMANCE**™

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## INTRODUCTION

The quota. The close rate. The million-dollar deal. Sales lives in a world of numbers. Every day, month, and quarter, every aspect of sales performance is tracked, measured, and reported to the highest levels of the organization. And with good reason. Nothing can happen without customers and revenue, which makes CEOs generally receptive to new ideas or technologies that can be shown to increase both. Sales usually doesn't feel the pressure to demonstrate their value to the company like some Marketing departments do, or struggle to gain the attention of senior executives, like HR. But they face a constant pressure to perform. Sales performance can always be improved—through bigger deals, more deals, deals closed sooner, in more markets, and at a lower cost.

Business intelligence (BI) helps improve Sales performance in many ways: it provides up-to-the-minute data that reps can use to respond to customer needs and buying patterns; it gives them visibility into close rates; its self-service capabilities help reps measure their performance against quotas at any time. It creates a single, shared view of performance that leads to better collaboration; it can reveal trends and opportunities for increased sales and higher margins as they happen; and it gives Sales the ability to get the information everyone needs in the right amount of detail necessary to make better decisions.

*"Cognos' drill-through functionality allowed Brayton sales staff and managers to identify new sales opportunities and analyse the profitability of existing customer relationships. For example, executives could analyse the sales of different products by region and customer, and assign sales representatives in a more effective manner."*

**Nucleus Research, 2002**

## DIFFERENT INFORMATION FOR DIFFERENT NEEDS

Sales involves many people and functions, including inside and outside sales teams, pre- and post-sales teams, direct sales, channel sales, wholesale and retail channels, sales to influencers, sales support, and administration. Each is responsible for different aspects of the overall Sales operation and may work with other groups in various combinations to close a deal. To perform well, every person needs different or overlapping information delivered in different formats at different times.

C-level executives need high-level monthly and quarterly information about the company's pipeline, margins, revenue, profitability, and cost of sales that they can use to align sales strategies with the company's strategic goals. They need clear definitions of good and poor sales performance, and overall close rates. C-level executives also need information about sales performance and market share in targeted vertical markets, strategically important horizontals, or in emerging geographic markets.

A vice president of Sales needs weekly and monthly information that can help develop new business and reveal how various sales channels are performing. She also needs to see forecasts, budget to plan, discounting trends, rep turnover, margin, cost of sales, and customer profitability. Sales managers need daily and weekly information about revenue and volume, and information that can be used to create forecasts, quotas, and compensation plans. They also need this information to help them allocate representatives, support teams, and financial resources to the areas where they will have the greatest impact. Sales reps, who often have personal or idiosyncratic ways of compiling information, need accurate information that will help them in managing their time and focusing their efforts where they will have the greatest impact, and that can reveal cross-sell and up-sell opportunities.

## BARRIERS TO GETTING THE INFORMATION

Sales has an array of technologies at its disposal. These include contact databases, lead tracking applications, customer relationship management (CRM) systems, enterprise resource planning (ERP) systems, and personal digital assistants (PDAs). Sales support and administrative teams collect important customer information in spreadsheets, accounting, and financial applications. Each of these systems contains important information about existing and potential customers; yet each one only tells part of the story. Systems may not be interoperable or communicate with each other. Sales reps may not have access to all of them. Yet integration of existing order management, billing, and financial management systems is key.[1]

In other cases, the issue is not the complexity or inaccessibility of data, but the sheer volume of data and the time it takes to compile reports that are of little use once completed.

A lack of sophisticated reporting capabilities means that reports do not contain information about trends in customer behavior and provide no drill-down capabilities that enable further analysis. Another difficulty is that sales forces are mobile, scattered across various geographic areas, and always pressed for time.

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[1] Steve Bonadio, *CRM Requirements Definition: Part 1—Decomposing the Sales Process*, META Delta, 5 November 2002.

## THREE KEY SALES CHALLENGES

Understanding the importance of Sales to any company is quite simple: without sales, a company can't stay in business. However, simply knowing that the company is closing sales or tracking overall revenue is not enough. Companies need to derive more value from their data than simply being able to ask "How much did we sell?"

### *Meeting and Exceeding Revenue Targets*

Of all the numbers a rep must deal with, the most important is revenue. And their biggest concern is how to make it go up. In this respect, there are usually more questions than answers. If revenues from a particular region are lower than expected, if revenue from a once-popular product is now flat, or if revenues from a specific channel are exceeding expectations, Sales needs to analyze the various factors that explain why. This means looking in detail at a variety of factors—the market size, the channel, the geographic region, the customer base, and the reps. It also means looking at the products themselves. It may be that new products are not catching on, that the standard product mix is losing market share to competitors, or that demand for a new product is outstripping supply. Whatever the reason, managers need the answers to make more accurate forecasts. Reps need it for a better understanding of what's helping and hindering their efforts.

### *Identifying and Leveraging Most Valuable Customers*

Identifying valuable customers and finding ways to leverage that value into new business is a key Sales activity. This can be done by creating detailed customer profiles that show how much they buy, how frequently, the total revenue they generate, how much they cost to serve, and so on. Quoting and pricing, including discounts and payment schedules, as well as financial analysis (margins, revenue, and profit, for example) are essential to ensuring that the deal actually makes sense to execute from a customer and enterprise perspective. Without this information, reps risk misallocating their time and energies cultivating a sale to a customer who is not interested in buying, who typically demands high discounts, or who may cost more to support than the deal was worth.

### *Streamlining Sales Processes and Organization*

The typical sales process is comprised of different stages. Each of these requires integration of other functions and systems if the deal is to close. A tighter integration means a more effective sales process and a lower total cost of sale. Sales needs to track the time, the resources, and tactics required to move a customer through each stage, from unqualified lead to satisfied repeat customer. This can reveal where the process is working well, where it is stalled, and where potential revenue is being lost. It also helps managers understand the relative strengths and weaknesses of each region, channel, and rep. Without this kind of information, reps risk wasting time and energy with tactics that don't work or cost too much to pursue.

Managers also need to measure the cost of their activities against the revenue they generate. For example: they need to know if the reps who usually make eight calls to a customer to close a deal generate proportionally more revenue than the reps who make only four. If a particular rep is discounting certain products more often than other reps, they need to know why and how the discounts will affect revenue.

## HOW BUSINESS INTELLIGENCE SOFTWARE HELPS
## RESOLVE THESE ISSUES

Business intelligence (BI) is software that enables organizations to understand their business performance in greater detail than that provided by ERP systems or financial spreadsheets. BI provides visibility, clarity, and insight into an organization's data assets. BI can aggregate different kinds of data—financial, demographic, sales, product, CRM, and marketing data to create a reliable and agreed-upon source of information and a commonly shared context that enables effective and collaborative decision-making. The breadth and depth of Cognos BI capabilities enable sales to go beyond simple spreadsheets to analyze data from any source and angle or to combine data in new ways and use the resulting insight to make better business decisions.

Through reports and analysis, Sales can generate and share information that lets them see trends, understand what drives changes in metrics, and see where and why they are ahead of, or behind, plan. With scorecards, Sales can track key metrics drawn from any data source or application to manage performance, link execution to strategy, and to analyze why performance is on or off track. Visualization presents performance information using intuitive symbols, graphs or gauges. Event detection keeps users abreast of changes in sales performance as they happen.

Retailers can profile customers who are most likely to buy high-margin accessories. Financial institutions can identify customers who are more likely to need a line of credit. Pharmaceutical companies can target increased education efforts at doctors who prescribe their brands at less than market rates.

Business intelligence brings two immediate benefits to Sales: it allows for critical information to be delivered to the people who need it, at precisely the right time. And it can help Sales identify trends in customer behavior, uncover new opportunities and information, and bring to light inefficiencies or redundancies at each stage in the sales cycle, all as they are happening. Instead of chasing customers who they think may be interested in buying, reps can target customers who they know are ready to buy. This saves them time and helps increase their confidence. And translates into higher close rates, higher margins, lower churn rates, more effective reps, increased customer satisfaction, and lower cost per sale.

*"Cognos gives us an integrated view of the enterprise, allowing us to target customers based on their individual needs. Without a doubt, that capability gives us a competitive edge in the market."*

**Tal Shlasky, Data Warehouse Project Manager,**
**Bank Hapoalim**

By combining disparate aspects of sales performance, BI can also enable Sales to move from a revenue-centric model to a profit-centric model. This gives them a better understanding of resources from other parts of the company that are required to close a sale or to keep existing customers satisfied. This understanding makes it easier for Sales to align their performance, priorities, and resources with corporate objectives. It helps senior executives create sales strategies that will leverage the strengths of the organization to maximum effect.

### *Gain Visibility Into Revenue*

Business intelligence puts visibility into revenue information at the tip of everyone's fingers. Detailed revenue reports can draw data from any source and be configured with the precise amount of detail to meet the requirements of each rep, manager, or team. These reports can then be automatically distributed via email as a PDF file or Web link. They can show how regions or products are performing; plan (or forecast) to actual; which regions or channels account for what proportion of sales; or which regions are losing market share. Performance that moves above or below expectations can be presented using visualizations (such as maps or gauges) or scorecards that show what's on or off track. Then users can drill down to understand why. Trends in revenue—such as an increase in demand in a strategically important region or a decrease in the number of units sold through a new channel—can be monitored automatically and users notified through an email. All of these capabilities ensure that managers and reps remain responsive to trends in customer behavior.

## COGNOS: THE WORLD LEADER IN BUSINESS INTELLIGENCE AND PERFORMANCE MANAGEMENT SOFTWARE

With more than 22,000 customers in more than 135 countries, Cognos is the world leader in business intelligence and performance management software.

Industry analysts, experts, and customers recognize Cognos leadership in business intelligence, scorecarding, and enterprise planning – the three integrated software capabilities that enable corporate performance management.

Cognos is the leading choice in major industries. Cognos customers include:

- 80 percent of the Fortune 1000.

- 9 of the top 10 banks in both the U.S. and Europe.

- 24 of the top 30 pharmaceutical companies worldwide.

- 4 of the top 5 global insurance companies.

- Major manufacturers including Welch's, Kennametal, Bridgestone, and Georgia-Pacific.

*Identify Valuable Customers and Profile Their Buying Habits*

Existing customers are Sales' most valuable assets—it is easier and less expensive to sell to an existing customer than it is to a prospect.

With BI, Sales can profile and rank their existing customers by total volume and revenue to date, purchase frequency, cost and time to close, credit history, satisfaction or return rates after each purchase, and so on. This helps Sales understand which customers are the most valuable, which will be the most profitable over time, and which demonstrate the behaviors that align most closely with the company's own strategic goals. Sales can analyze customers' buying trends and purchase frequency to identify those who are most ready to buy. This helps reps up-sell faster and more efficiently by approaching customers when they are most receptive to discounts, product upgrades, or other incentives. Reps can access their customers' most recent purchase history to avoid making sales calls to customers who have placed an order the day before. Sales can identify and increase cross-sell opportunities by comparing its entire customer base against the profile of its most valuable customers. New customers can be compared to these profiles to help Sales identify "low hanging fruit"—customers who are most likely to buy now and be valuable over time. All of these approaches help maximize "wallet share" from the company's current customers.



*Allocate Sales Resources More Effectively*

An effective sales process is one in which sales are completed quickly and at the lowest possible cost. To achieve this, Sales needs to know where to allocate human and financial resources to the regions or products where they will have the most impact, the stages at which prospects drop out of the pipeline, which sales tactics are the most effective at which point the relative strengths and weaknesses of individual reps, and so on. Business intelligence helps Sales do all of this. Managers can perform multidimensional analyses of data to evaluate their reps' performance by region, by volume, by the amount of new versus repeat customers they bring in, or by their effectiveness at moving a prospect along in the sales process. This may reveal that certain reps are best suited to account management ("farming") while others excel in a business development ("hunting") role. Reps can be placed at the stages, in the regions, or with the products where

they are the most effective. This ensures that prospects move through the pipeline as efficiently and as quickly as possible.

BI can also help Sales better understand their channel performance—managers can evaluate and rank resellers by volume, by close rate, or by deal size to focus on the most profitable or strategically important channels. Cross-functional capabilities provide visibility into other important customer information (such as returns, shipping, or billing) that can be analyzed to streamline the order fulfillment process and increase customer satisfaction.

1. Who are the top 10 revenue-generating customers?

2. Which customer segments have experienced the largest revenue growth from the past year?

3. What product is the best-seller in each region?

4. What is the profile of my best customer? How much of the pipeline matches that profile?

5. What's the average deal size for each sales rep?

6. Which region delivers the most revenue, and how did this region perform compared to last year?

7. What is my performance as a percentage of plan?

8. Which products deliver the highest margin and what volumes have we moved this period?

9. Does this product bundle encourage more sales at a higher price?

10. Which customers present up-sell or cross-sell opportunities?

## CREATING A HIGH-PERFORMANCE ENTERPRISE: CPM

Business intelligence is an essential component in building a high-performance enterprise – one in which every employee at every level is focused on achieving the company's strategic goals. Companies can build a performance culture through corporate performance management (CPM) – a practice that involves aligning tactics with strategy at every level of the organization, and then using integrated planning, scorecarding, and business intelligence software to monitor and report on performance in a collaborative and closed-loop system.

CPM also helps companies leverage their substantial investments in IT and their vast amounts of corporate data into better decision-making and greater competitive advantage. It provides companies with a single version of the truth around which to drive, monitor, and understand their performance. It gives them a clear sightline into what's affecting performance in any area. And it enables them to react quickly to changing conditions or to take advantage of new opportunities.

Through CPM, companies can resolve performance issues and improve performance within a department or business unit, or deploy it across the entire organization. They can improve financial outcomes by using rolling forecasts that focus on key drivers; they can increase accountability for performance; and they can see and understand their performance in greater detail. This happens by combining three integrated software capabilities: enterprise planning, scorecarding, and business intelligence.

### Enterprise Planning

Cognos Enterprise Planning is an integrated solution for planning, budgeting, forecasting, modeling, consolidation, and financial reporting. It helps you articulate what you want to achieve – and how you will achieve it – using a hierarchy of plans, measures, and reports that flow from broad strategic objectives to tactical plans across departments, divisions, and locations. It relies on the input and commitment of hundreds or thousands of people who must execute against changing performance goals.

*Key BI Benefits for Sales Include:*
- Higher close rate
- Higher margin
- Increased revenue
- Lower cost of sale
- More accurate forecasts
- Increased customer satisfaction

*Scorecarding*

Cognos scorecards give everyone a precise understanding of where they stand in relation to strategic goals. Personal scorecards reveal how each employee's decisions affect overall corporate performance. Executive scorecards reveal whether or not the company is on-track to meet key objectives in earnings and revenue. Green light indicators show where performance is on track; red lights reveal where success is at risk. Cause-and-effect diagrams show how performance in one area affects outcomes in another. And strategy maps let people follow the corporate strategy from the boardroom to the shop floor.

*Business Intelligence*

Business intelligence delivers the information people need to make the best business decisions. Cognos business intelligence transforms vast stores of operational data into useful information and delivers it at the right time, using the terms and formats that employees can understand. It also gives them the power to analyze data on their own with simple mouse clicks, then share their findings with colleagues to improve collaboration.

*"The first time our sales people saw a customized report that was generated on the spot, they were speechless. Within days they were downloading data to their electronic organizers and manipulating it to get a better sense of their customers' needs and buying patterns."*

Marsha Williams,
Vice President of Information Technology,
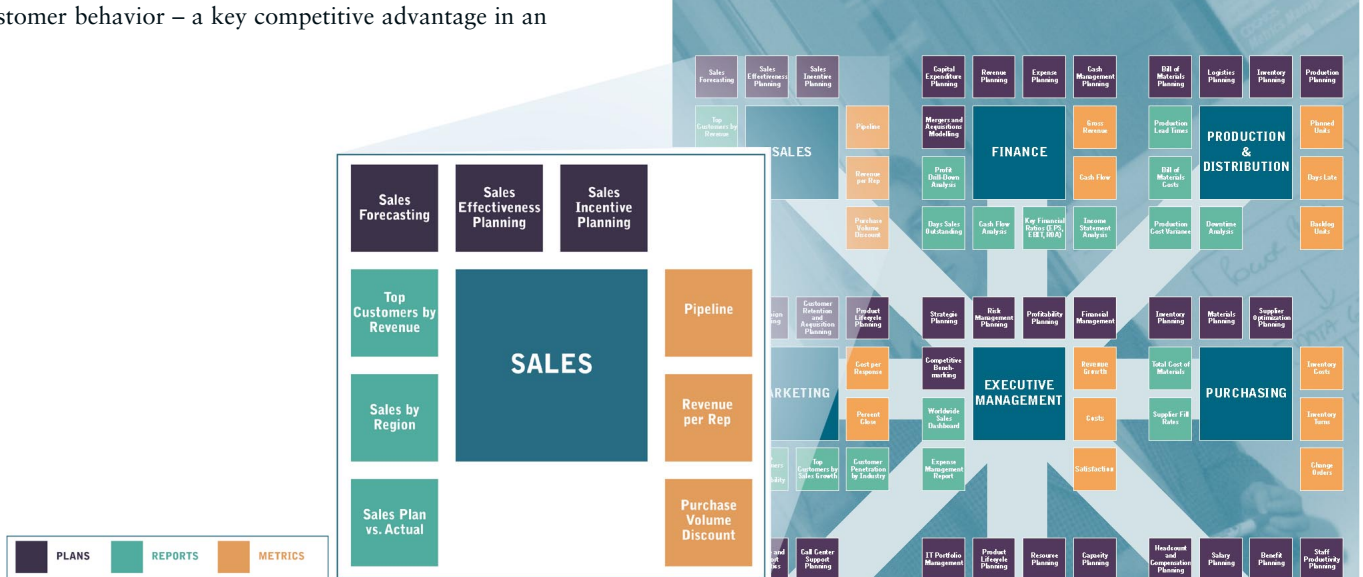COBE Cardiovascular Inc

## HOW CPM CAN HELP SALES

CPM can improve sales performance in key ways:

- creating a commonly shared perspective on performance and customers across departments, product lines, or geographic locations;

- linking forward-looking, or "leading" metrics with current sales performance;

- understanding the impact of current sales performance on future results;

- evalauating customers by sales volume, revenue, profitability, and cost; and

- connecting pipeline targets with current performance.

CPM also helps Sales increase its responsiveness to customer behavior – a key competitive advantage in an environment as fluid and pressure-packed as Sales. Consider the following scenario: checking the scorecard for his region, a sales manager in the Midwestern U.S. discovers that revenue per rep – a key performance indicator– is currently meeting targets but is on a downward trend. Moving to a report, he discovers that the trend affects reps in Chicago, St. Louis and Cincinnati. From here, the manager can analyze the data to find that the common element in each city – for example, it may be that reps in these cities have lower levels of product training; it may be that new competition is forcing reps to discount more heavily than in other areas. He can also discover how long the trend has been happening, and how much of an impact it will have on performance if it continues.



Using integrated plans, reports, and metrics gives sales organizations a wider and deeper understanding of their performance.

"*This has improved accuracy. Everyone is working from the same numbers, driving confidence and increased productivity. It has been a good morale booster, too, because we are more responsive to the salespeople. Receiving near real-time answers to their questions increases their ability to work their territories with confidence. We are giving people the support they need.*"

Keith Lewis, Vice President of Business Development, Advantis

Acting on this insight, the manager consults his sales effectiveness and sales incentive plans to explore different scenarios to determine the right course of action; for example, increasing training in those cities, hiring more reps, or bringing in reps from other cities to counter the competition. Reallocating or adding resources means changing the plan and communicating the changes, which the manager can do easily.

## INDUSTRY-SPECIFIC SOLUTIONS FROM COGNOS

*Industry: Pharmaceutical*

**Value delivered:** *Split-second access to customer, market, and operational trends from a single source*

A large, diversified chemical and pharmaceutical company deployed Cognos enterprise business intelligence to integrate its vast stores of operational and relational data into a unified, Web-based information center. The company uses the broad array of Cognos BI capabilities—reporting, analysis, ad hoc query, and scorecarding. Managers and sales representatives receive highly tailored, up-to-the-minute reports. They can conduct detailed analysis in seconds, allowing them to deliver the right sales messages to drive sales results. All this is done without the need for IT intervention.

*Industry: Financial Services*

**Value delivered:** *Self-service access to customer relationship information across multiple databases*

This customer used Cognos to integrate customer data residing in several sources into a single source of information. Employees now use Cognos reporting, analysis, and event detection to better understand credit and risk management and to identify emerging opportunities to increase customer profitability. These capabilities are deployed through a Cognos extranet that increases employee self-service and efficiency.

## SUMMARY

Sales teams are in continual need of information about their customers' behavior to remain responsive and to take advantage of opportunities. Business intelligence can help them overcome many of the barriers they face By extending business intelligence with other CPM software capabilities, sales can gain a more detailed and integrated understanding of their customers. This helps them close more deals sooner, more often, for more revenue, and at a reduced cost.

## ABOUT COGNOS

Only Cognos delivers solutions to drive an organization's performance to the next level, by enabling them to drive, monitor, and understand their business performance. Cognos enables corporate performance management (CPM) with software capabilities for planning, scorecarding, and business intelligence. Cognos CPM solutions are the key to aligning strategy and actions across the enterprise and outperforming the competition. Cognos serves more than 22,000 customers in over 135 countries. Cognos solutions and services are also available from more than 3,000 worldwide partners and resellers. For more information, visit **www.cognos.com**.

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