Delivering the reports, plans, & metrics Sales needs

How IT can be the sales MVP

Cognos
software

Contents

Abstract

Identifying the right customers for Sales professionals to invest time with, and the ability to close deals efficiently, are critical factors driving your company's success. Both depend on a timely, two-way flow of information. Accurate and speedy information can help improve sales results and reduce selling costs.

Overview

IT can be one of the most valuable members of the Sales team by providing timely intelligence in areas such as tactical effectiveness and customer profiles. With IT, Sales can scorecard, plan, and understand more about the client, and anticipate opportunities. Sales plays for any edge it can get; your IT department and the information it delivers can be that edge.

Business problems

A sales force with the right information, at the right time, driven by the right incentives, is formidable. Unfortunately, many Sales departments do not optimize time and speed of execution due to three barriers.

- **You don't set sales targets and allocate effort based on maximizing overall contribution.** Many companies focus on short-term revenue. So Sales does not gain a perspective on long-term customer contributions. As a result, it doesn't measure cross-sell and up-sell revenue paths or the estimated lifetime value of a customer.

- **There is no two-way clearinghouse for the right information at the right time.** Companies need customer insight into what works, what doesn't, and what is most important. Without this information, Sales reps are at a disadvantage in trying to build reliable customer relationships and loyalty.

- **You don't measure the underlying drivers of sales effectiveness.** Your goal is to increase sales productivity and adjust tactics when something doesn't work. If you don't set expectations and monitor the underlying drivers of sales effectiveness, you will likely suffer both higher selling costs and missed sales targets.

IT professionals, especially those functions focused on reporting and business intelligence, can help companies address these barriers. Performance management success is more likely when IT and business are partners on identifying, delivering, and using information. With clearly identified barriers, both IT and business can work towards the solution, or particular information sweetspots.

Business drivers

For Sales, these five information sweetspots can help Sales target the right customers as well as react, adjust, reduce costs, and close deals:

- **Sales results sweetspot** – What is driving sales performance?

- **Customer/product profitability sweetspot** – What is driving contribution performance?

- **Sales tactics sweetspot** – What is driving sales effectiveness?

- **Sales pipeline sweetspot** – What is driving the sales pipeline?

- **Sales plan variance sweetspot** – What is driving the sales plan?

Understanding these sweetspots can help IT deliver the right information for Sales. This reduces the need for "guess and check" creation of multiple reports, and increases user adoption with this company-important constituency — the people who generate your revenue.

Information sweetspots for better performance

Performance management makes a simple promise: rather than sifting through all the data an IT organization may produce, if you pay attention to certain sweetspots, you will make better decisions, create better goals, and set better plans about issues that truly drive your company. Effective performance management is a partnership between decision-makers and the people who provide the information that drives better decisions.

For sales professionals, the five basic sweetspots noted in the summary and explained below can make a big difference to the success of your operations.

The order of these decision areas reflects a logical flow of analysis and action. They start with understanding where Sales is achieving its results, first in terms of overall sales performance and then in terms of net contribution. This is followed by drilling deeper into how Sales is using its time and to what effect. Finally, the insights gained are applied to revising the planning and forecasting process.

Sales Results: What is driving sales performance?

Sales Results is the foundation of Sales management, providing a consistent overview of actual sales results across five basic components of the business – product, customer, territory, channel, time. Sales results let you recognize broader performance patterns to see if strategies and management objectives are on track and help you understand why results diverge from expectations.

Customer/Product Profitability: What is driving contribution performance?

The profitability of the customer relationship and product opportunity needs to be understood to prioritize the value of any sales effort. Should certain customers/products be prioritized over other? Smart targeting of effort is key.

Sales Tactics: What is driving sales effectiveness?

Sales Tactics evaluates the detail of the sales process and determines which activities and mechanics are most effective. What resources, tools, mechanics and activities are used and needed to achieve specific targets within given channels and key accounts? What are the drivers of success and failure?

Sales Pipeline: What is driving sales pipeline?

Sales Pipeline is about defining and monitoring the phases of the sales funnel and represents an opportunity to better forecast the company's future revenue, and potentially to change it. Derived metrics are also used to follow and manage business trends, an early warning system of future opportunities, growth, and problem areas.

Sales Plan Variance: What is driving the sales plan?

Sales Plan Variance is about managing the planning and budgeting process most effectively. Ideally it combines a top down/bottom up and short/long term planning process for better management control and to manage change. When the entire business is engaged in monitoring under/over performance, frontline levels of the organization can quickly answer questions regarding the 'where and why' of existing revenue targets.

Sweetspot 1: Sales Results

Sales Results is one of the most important information sweetspots for better performance management. It provides a consistent overview of actual revenue across the components of the business—product, customer, territory, channel, and time.

Sales Results is concerned with both short and long term. Beyond immediate operational analysis—such as a sudden drop in sales—this decision area lets you see broader performance patterns to determine if management objectives are on track. With consistent information flow over time, you can make more strategic comparisons and adjustments.

With the **Sales Results** decision area or sweetspot, you can set planning goals and scorecarding metrics for these elements:

• New customer sales (measured in dollars/currency)

• Sales growth (measured in currency and percent)

• Sales order (measured in numbers of units and currency)

Most importantly, you can analyze these goals and metrics by a number of dimensions to find the hidden gems in the data that drive performance management. In IT terms, you can deliver multidimensional analysis reporting capacity for business users to look at information from a variety of vantage points to get more from your data. You can look at Sales results by:

• Industry

• Customer location

• Time (year, quarter, month, week)

• Market segment (macro & micro)

• Brand and product line

• Sales territory and sales channel

Using the Sales Results decision area

You set targets based on your goals and metrics in **Sales Results**. You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to see what affects performance.

- **New customer sales ($):** If sales are flat in a premium customer segment, are resource investments needed to revive it?

- **Sales growth (% and $):** Are sales trending up in certain territories? Is this consistent across products, channels, sales reps, and customers?

- **Sales order (# of units and $):** Are we maximizing revenue per unit in some sales territories over others?
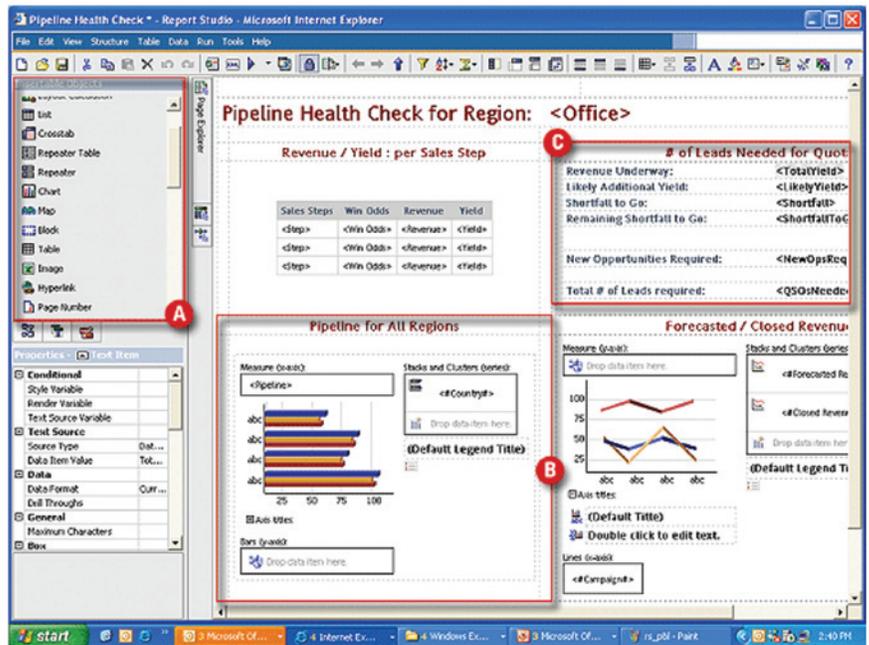
Sales information sweetspots depend on data coming together from multiple places, and enabling flexibility for users to work with the software.

A Users don't rely on IT, and have a number of "drag and drop" elements provided by IT that they can pull into a report.

B Business users have the flexibility to change the look and feel of reports, such as resizing report elements.

C Behind the scenes, and invisible to business users, IT can present and/or combine data from heterogeneous sources to deliver the information Sales requires. In this report, "Revenue Underway data is stored in a Sales database, while "Likely Additional Yield" is drawn from historical market information, and "Number of Leads Needed" is drawn from an automated marketing server.

Sweetspot 2: Customer/Product Profitability

Understanding **Customer/Product Profitability** is vital to your business. You need to know which customers and products are making the largest contributions to the bottom line is critical for better performance management.

By applying expense and allocation formulas, you can determine the net value of each product group or customer segment. Armed with this information, the sales force will better understand their profit priorities and know where to direct their activities to bring in the highest returns.

With the **Customer/Product Profitability** decision area, you can set planning goals and scorecarding metrics for these elements:

• Average customer profit, lifetime profit, and net profit (Measured by currency)

• Net sales (Measured by currency)

• Gross profit (Measured by currency and percentage)

• Customer acquisition and retention cost (Measured by currency)

• Sales revenue (Measured by currency)

• Units sold (Measured by number).

You can also analyze these goals and metrics by a number of dimensions such as:

• Industry

• Customer location

• Time (year, quarter, month, week)

• Market segment (macro & micro)

• Brand and Product line

• Sales territory and Sales channel

Understanding customer lifetime profitability is vital to a business. It focuses the organization on the value of the long-term customer. Customer/product profitability is a powerful tool that is used at senior levels of marketing and corporate strategy.

Using the Customer/Product Profitability decision area

You set targets based on your goals and metrics in **Customer/Product Profitability**. You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to find the factors driving performance.

- **Average customer profit ($):** What is the average value of this customer segment in terms of company profit?

- **Net sales ($):** What is the sales revenue for this product group after discounts and standard costs?

- **Customer acquisition and retention cost ($):** What is the average cost of acquiring a new customer versus up-selling to an existing customer?

IT can deliver metrics that tell Sales managers how key indicators are performing and trending. With IBM Cognos BI, business users can set thresholds and monitor performance on their own. This frees up IT resources and puts information in the hand of decision makers.

Sweetspot 3: Sales Tactics

Sales Tactics focus on which sales activities and mechanics are most effective. The key is to understand what resources, activities, and tools are needed to achieve targets for specific channels and accounts. This decision area focuses on two viewpoints:

The what: Information such as time spent on research and cold calls, number of prospects available, and proportion of direct to indirect sales.

The how: Understanding how the cost and time spent on activities like pricing, promotions, and free samples will drive sales.

Sales Tactics help you optimize time and resources. Your frontline Sales reps must be able to access this information to direct their efforts and learn from others.

With the **Sales Tactics** decision area, you can set planning goals and scorecarding metrics for elements such as:

• Average selling price (measured in dollars/currency)

• Direct cost (measured in dollars/currency)

• Discount (measured in percentage)

• Sales calls and Sales rep days (measured by number)

• Sales orders (measured in dollars/currency)

• Units quoted (measured by number)

You can analyze these goals and metrics by a number of dimensions, such as:

• Industry

• Customer location

• Time (year, quarter, month, week)

• Market segment (macro & micro)

• Brand and Product line

• Sales territory and Sales channel

• Priority rating

Using the Sales Tactics decision area

You set targets based on your goals and metrics in **Sales Tactics**. You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to find these performance factors.

- **Direct cost ($):** What is the cost of catalog production and distribution versus sales revenue?

- **Discount (%):** What is the impact of discounts on revenue in a specific region? Are sales up or down?

- **Sales calls (#):** How much time is spent with existing customers versus new customers? How many cold and warm calls do we make?
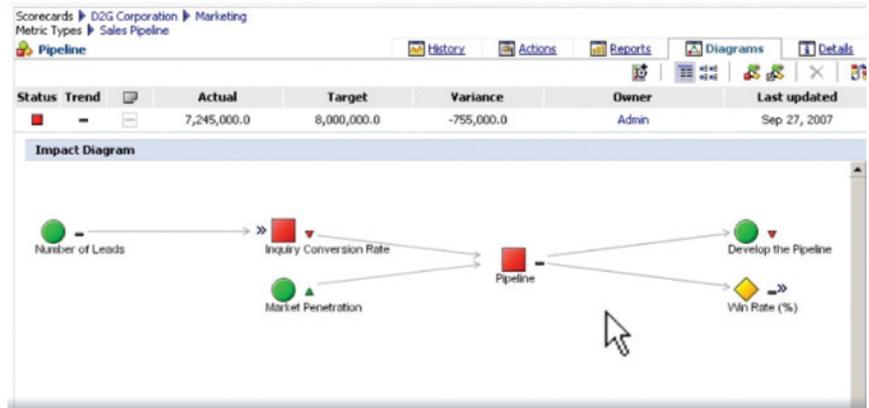
Business users can view Sales information sweetspots and see underlying cause and effect. Warning results in the "Pipeline" sweetspot is caused by under-target results in your "Inquiry Conversion Rate" which relates to your Sales Tactics sweetspot.

Sweetspot 4: Sales Pipeline

The **Sales Pipeline** is a critical early warning system for future opportunities and growth, as well as problem areas. By defining pipeline metrics, you can monitor and manage business trends and make positive functional changes where needed.

The **Sales Pipeline** should also tie into production and purchasing plans. This way, operations can more effectively manage its processes, make proactive changes to production schedules, and limit reactive purchases due to short-term shortages.

With the **Sales Pipeline** decision area, you can set planning goals and scorecarding metrics for elements such as:

- Pipeline ratio (measured in percentage)

- Pipeline revenue (measured in dollars/currency)

- Sales orders and conversions (measured in number and percentage)

- Cancelled order count (measured by number)

- Active and inactive customers (measured by number)

- Inquiries (measured in dollars/currency and number)

- New customers and lost business (measured by number and percentage)

Analyze these goals and metrics by dimensions that include:

- Industry

- Billing customer

- Time (year, quarter, month, week)

- Market segment (macro & micro)

- Brand and product line

- Sales territory and sales channel

Using the Sales Pipeline decision area

You set targets based on your goals and metrics in **Sales Pipeline**. You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to find the hidden gems.

- **Pipeline revenue ($):** Are we maximizing revenue in some sales territories over others?

- **Inquiries ($ and #):** Why do only 10 percent of customer visits lead to inquiries? What would it take to increase this ratio to 20 percent?

- **Lost business count (#):** Why are some orders lost?

IT can deliver historical perspective to business users to examine trends and put results in a time context. In this report, you can see that your have been fairly successful at hitting targets to date, but have fallen off in the most recent quarter. With IBM Cognos 8 BI software, you can drill into "Reports" to get more detail on any of these results to understand the "why" behind the metrics.

Sweetspot 5: Sales Plan Variance

Sales Planning is a control mechanism, tied to the corporate budget and planning process. But it is also a way to manage change and understand the ebb and flow of your business. By monitoring performance, frontline levels of the organization can better address the where and why of existing or missed revenue targets and correct any gaps.

The best sales plans work from the bottom up. Every department provides feedback on revenue objectives, markets, customers, channels, and products. This process may need adjustments to fit with top-down corporate objectives. But fundamentally, it allows departments to own their numbers.

With the **Sales Plan Variance** decision area, you can set planning goals and scorecarding metrics for elements such as:

- Sales order (measured in dollars/currency)

- Sales plan (measured in dollars/currency and percentage)

- Sales growth rate (measured in percentage)

- Units ordered and sold (measured by number)

Analyze these goals and metrics by dimensions or contexts that include:

- Plan/actual/forecast

- Time (year, quarter, month, week)

- Market segment (macro & micro)

- Brand and product line

- Sales territory and sales channel

Using the Sales Plan Variance decision area

You set targets based on your goals and metrics in **Sales Plan Variance**. You monitor your success by looking at how you measure up against your targets. Further, you dive into your results to find the factors behind your performance.

- **Sales order ($):** Do our revenue targets mean we will generate enough activity for a given customer segment?

- **Sales plan ($ and %):** Is our actual overall income in line with projected income? What can be done to close the gap between planned and actual?

- **Sales growth rate (%):** What is our long -term, year-by-year strategy for increasing sales growth in a given region?
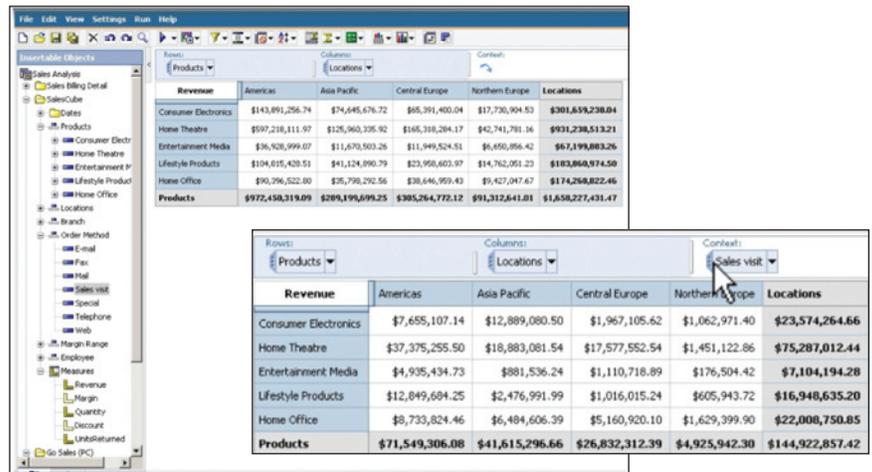
A key concept of information sweetspots is the ability to analyze date from a variety of perspectives or dimensions. In this multidimensional analysis report, business users can look at sales information from a variety of perspectives. Users can control their view and essentially create their own reports without relying on IT for every need.

From looking at a revenue report from all channels, if you set the context as "Sales visit", business users can filter the report to show only revenue generated by the direct sales channel.

The solution

Performance management software and solutions

Good decisions are the building blocks of great business performance. The IBM Cognos® performance management system integrates software, services, best-practices, and partners. The result – a common understanding and accountable actions based on answers to your performance management questions:

- **How are we doing?**
  Measuring and monitoring performance with scorecards and dashboards tracks your key metrics.

- **Why?**
  Reporting and analysis let you see data, gain context, understand trends, and spot anomalies.

- **What should we be doing?**
  Planning, budgets, and forecasts let you set and share a reliable view of the future.

Measuring and monitoring software: scorecards, dashboards and financial consolidation
Scorecards, Dashboards and Financial Consolidation software help companies answer a fundamental performance management question, "How are we doing?"

Scorecards
Scorecards distill information into a small number of metrics and targets.

- **Deliver at-a-glance information** – Stop sifting through a stack of reports to find what's right…or wrong. Scorecards show you immediately how the company performs against targets you set.

- **Communicate strategy and targets** – Metrics show everyone what's important, what's expected, and how you're doing.

- **Increase accountability** – Let people see the strategy, understand their part in making the strategy succeed, and give them metrics to measure their success.

- **Connect departments** – Scorecard metrics, like your strategy, are interdependent. See how your red metric affects others.

Dashboards
Dashboards translate complex information into high-impact presentations using gauges, maps, charts, and other graphical elements.

- **See changes** – Gain a dynamic view of business conditions with timely, refreshed data.

- **Intuitive** – Provide an at-a-glance understanding of information for faster action.

- **Understand what's behind the picture** – Drill through graphs for more detail.

- **Align decision-makers** – Unite data from different departments for the complete picture.

Financial consolidation
Consolidate multiple diverse ledgers into a single, common chart-of-accounts structure. Reduce your consolidation, close, and reporting cycles by days or even weeks.

- **Integrate financial data** – Add pre-built rules and calculations to populate plans or scorecards.

- **Manage complex business models** – Multinationals can evaluate financial results across countries, currencies, and legal entities.

- **Gain alignment** – Improve planning and forecasting with a single version of financial facts.

- **Improve ease-of-use** – Access information through a familiar Microsoft® Excel® interface for easy data collection or distribution.

Reporting and analysis software
Business Intelligence
Reporting and analysis software helps answer the "Why" behind your performance.
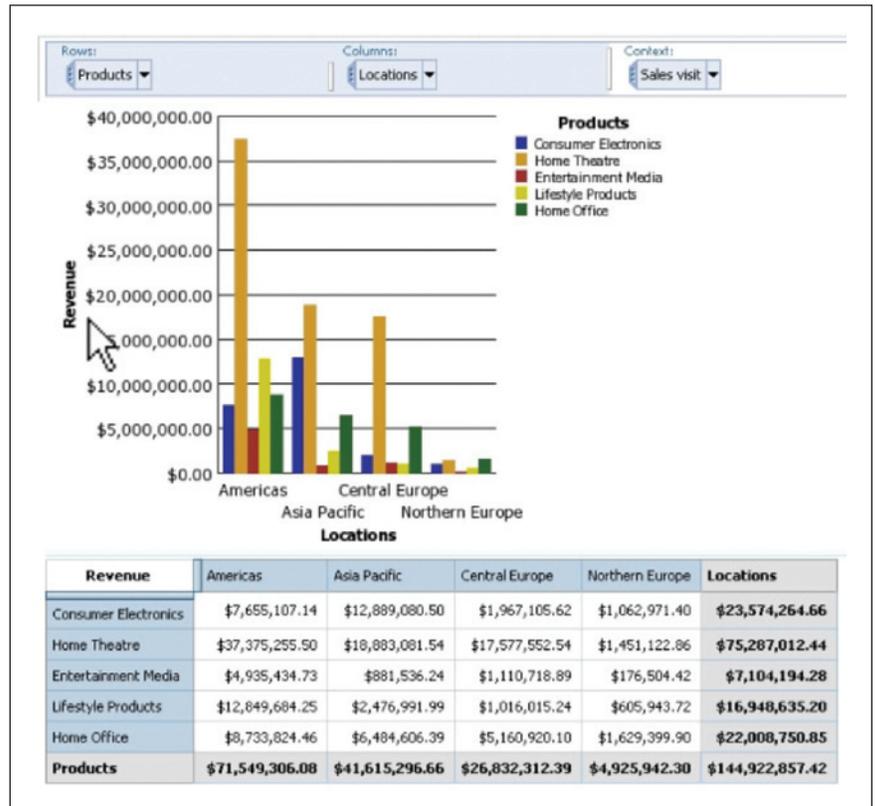
Reporting

IBM Cognos reporting lets you author and distribute every report type: high-volume production reports, individual ad hoc queries, widely distributed business reports, centrally authored reports with self-service customization, and more. Draw on any data source. Rely on a single metadata layer. The result: higher user adoption, better decisions across the organization, and the ability to respond to threats and opportunities.

- **Gain alignment with a single, reliable version of the truth** – Common data definitions means you spend less time debating the numbers and more time deciding what to do.

- **Connect with all data sources** – Don't limit yourself with proprietary reporting packages that only do part of the job. Author reports across multiple data sources. Get a head start on integrated performance management.

- **Make the right decisions…faster** – Timely reports and self-service reporting give you the information you need, when you need it.

- **Meet the information needs of all users** – Deliver information over the Web, on mobile devices, through common interfaces like Microsoft Office. Give people information the way they want to see it.

Analysis

IBM Cognos analysis lets users explore information from a variety of dimensions, under their control. How do results change over time? In different regions? By product?

- **Get the answers and detail you need** – See information by department, by region, by product, and more. Drill down from a summary to transaction-level detail.

- **Find trends** – See changes year over year, month to month, or any other way you want the data modeled.

- **Model your business in a multidimensional way** – See how data points connect and compare with each other.

- **Complex analysis simplified** – All users, whatever their business or technical level, can view relationships in your data and change displays with ease.

Revenue	Americas	Asia Pacific	Central Europe	Northern Europe	**Locations**
Consumer Electronics	$7,655,107.14	$12,889,080.50	$1,967,105.62	$1,062,971.40	**$23,574,264.66**
Home Theatre	$37,375,255.50	$18,883,081.54	$17,577,552.54	$1,451,122.86	**$75,287,012.44**
Entertainment Media	$4,935,434.73	$881,536.24	$1,110,718.89	$176,504.42	**$7,104,194.28**
Lifestyle Products	$12,849,684.25	$2,476,991.99	$1,016,015.24	$605,943.72	**$16,948,635.20**
Home Office	$8,733,824.46	$6,484,606.39	$5,160,920.10	$1,629,399.90	**$22,008,750.85**
Products	**$71,549,306.08**	**$41,615,296.66**	**$26,832,312.39**	**$4,925,942.30**	**$144,922,857.42**

Business users can also graph Sales results to put them in context. This graph shows the dominance of "Home Theatre" sales in the direct sales channel.

Planning software: planning, budgeting, and forecasting

Planning software helps you answer a fundamental performance management question, "What should we be doing?"

Planning, budgeting, and forecasting

Translate your strategies and objectives into plans, budgets, and forecasts. Build dynamic, interconnected models for better visibility and control over your performance.

- **Define your goals** – Develop your clear-cut strategy and allocate the resources to achieve it.

- **Model "what-if"** – Go from "what-is" to evaluate new scenarios.

- **Connect Finance with other departments** – Coordinate operational and financial plans for better reliability. Link your financial projections with the sales, headcount, expense and capital expenditure plans that underpin them.

- **Communicate plans enterprise-wide** – Provide real-time feedback for your planning process, across departments, functions, and geographies.

- **Adjust targets, plans, and resource allocations**– As condition change, adapt driver-based plans and rolling forecasts. Don't limit yourself with annual budgets that are out of date as soon as they're completed.

IBM Cognos series of performance management software

IBM offers:

- **IBM Cognos 8 Business Intelligence:** the complete range of BI capabilities on a single, service-oriented architecture (SOA). Author, share, and use reports that draw on data across all enterprise sources for better business decisions.

- **IBM Cognos 8 Planning:** a finance-managed solution that provides real-time visibility into resource requirements and future business results.

- **IBM Cognos 8 Controller:** providing Finance organizations with unmatched capabilities for managing the close, consolidation, and reporting process.

- **IBM Cognos Now!:** a family of operational business intelligence and performance management solutions available as appliances or hosted software-as-a-service (SaaS) models.

- **IBM Cognos TM1:** providing a real-time approach to consolidating, viewing, and editing enormous volumes of multidimensional data.
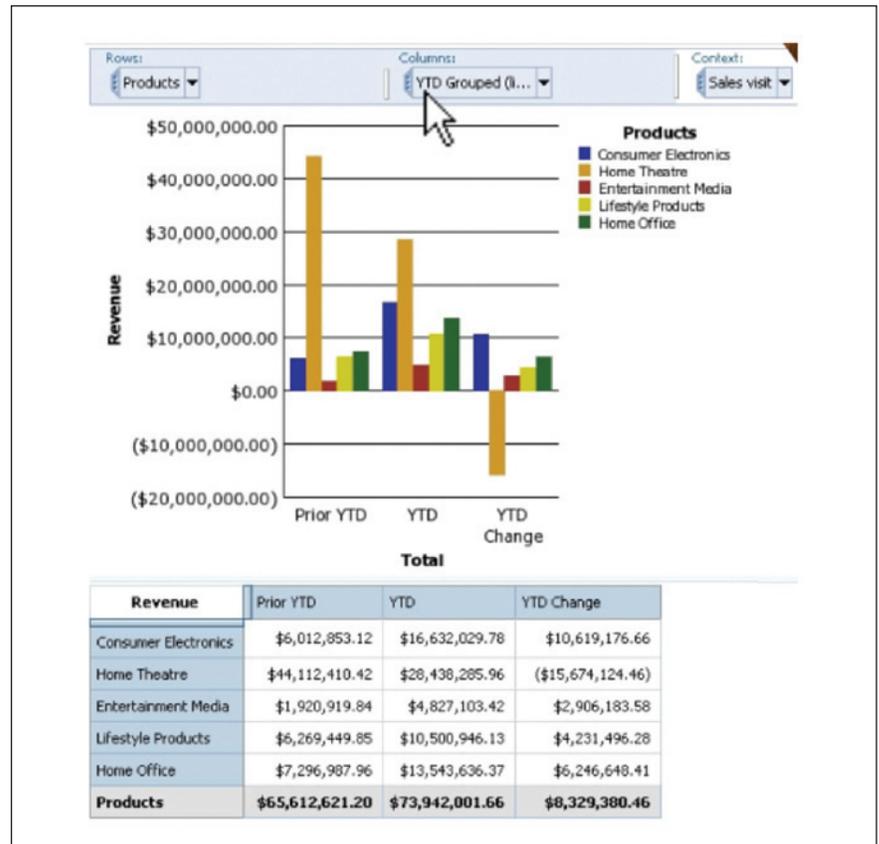
As further demonstration of the power of adding context in your information sweetspots, this report takes a "year-to-date" view of the direct sales revenue.

IBM rounds out these major software offerings with:

- **IBM Cognos 8 Go!:** Software extending the value of IBM Cognos products by helping users view and consume content using familiar applications or on mobile devices, search engines, MS Office applications, or a Web browser.

- **IBM Cognos Professional Services, Education, & Support:** Get your users up and running more quickly and increase the return on your software investment by taking advantage of IBM Cognos Professional Services, Education and Support.

- **IBM Cognos Innovation Center for Performance Management:** IBM Cognos customers and partners join fellow technology experts, finance professionals and industry thought leaders on proven techniques, technologies and best practices in performance management.

Delivering performance management to Sales – An example

The following is an example of using integrated performance management software and understanding Sales information sweetspots and business needs.

IT creates a dashboard with a scorecard for the top sales exec detailing the five sweetspots. Each regional manager accesses their own territory, aligning their region to the company's topline goals. With a performance scorecard or dashboard that connects to the underlying data, these managers can drill into the numbers to determine the why behind the results and understand what is happening in their region in more detail. If the answer is not readily accessible through drill-down, IT has given them the ability to structure an ad-hoc query to answer a deeper question.

Individual sales team members access detailed information about their particular accounts, made available on mobile devices given the fact they're often on the road. For IT, extending drillable reports on mobile devices does not mean duplicating report building efforts. IBM Cognos reports can translate to the mobile interface. Sales team members can check into account status as they plan their customer visits.

Either as part of the IT team, or as a Sales power user, a BI professional user delivers self-service reports to the business users. They can create prompted reports for other users to relieve the backlog of multiple report request for frontline IT. They can "author once/publish anywhere" to meet the needs of the multiple users -for the dashboard, for basic reports or even for information on the mobile device.

Other departments, such as Operations and Production draw vital information from the Sales pipeline and pipeline variance reports. Based on this information, Managers in both departments can adjust their plans up or down based on anticipated sales volumes to ensure they have the capacity available to deal with demand, while at the same time ensuring inventory levels are kept high enough, but not carry more than necessary.

Conclusion

This consistent view across the organization, with a common platform for performance management, can be easily administered by IT with system administration capabilities to ensure no downtime. Not only is data defined consistently, but more importantly, business use is defined before reports, metrics, or plans are created. This increases user uptake, and that, in the end, is often how companies measure IT success.
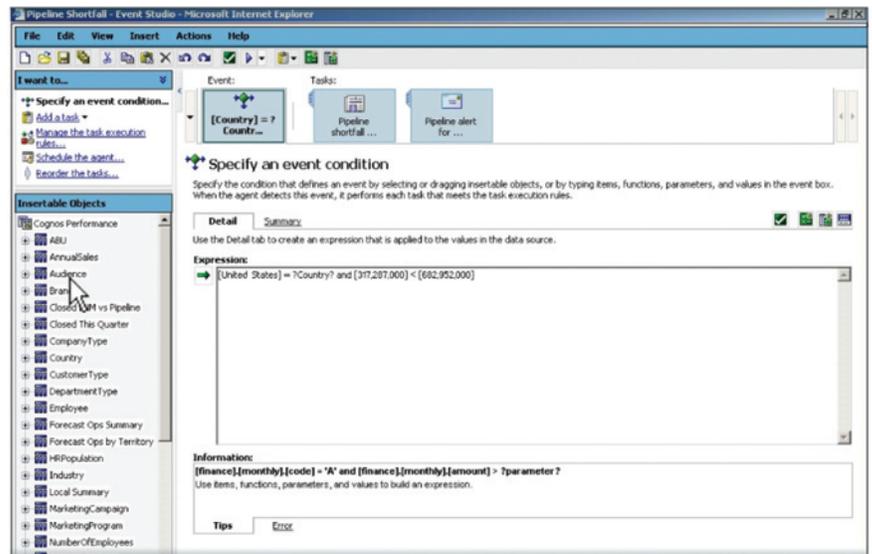
Given the importance of information sweetspots, IBM Cognos 8 BI gives you the ability to set up automatic alerts and notifications so important information reaches out to the appropriate person to act.

About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

For further information or to reach a representative: www.ibm.com/cognos

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To request a call or to ask a question, go to www.ibm.com/cognos/contactus. An IBM Cognos representative will respond to your enquiry within two business days.

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