The Power of Sales Analytics

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Foreword

By Neil Rackham
Author of *SPIN Selling*

The Corporate Executive Board reports that 50 percent of all companies that have sales operations functions set them up within the last three years. Sales operations, and the analytic approach that goes with it, has become the newest sales "must have": a contender for the next big thing to follow after mobile customer relationship management (CRM). Yet the idea of sales operations, and the analytics that underpin it, isn't new. I first came across the concept at Xerox during the 1970s, when sales operations was the newly created group responsible for sales planning, compensation, forecasting, and territory design. J. Patrick Kelly, who ran sales operations at the time for Xerox, memorably described it as "all the nasty number things that you don't want to do but need to do to make a great sales force." When pressed further, he would explain, "It's about discipline: using numbers to keep sales on track." For the time, that wasn't a bad starting definition for *sales analytics*.

We can see that as early as the mid-1970s, leading sales forces like Xerox's were finding the traditional undisciplined, seat-of-the-pants sales approach used by most companies to be inefficient, wasteful, and unsustainable in the long run. But Kelly's vision of a disciplined sales force that, in his words, "used numbers to make its numbers" was many years ahead of its time. Why has it taken nearly 40 years for sales analytics to become widely accepted as an essential sales management tool? A primary reason is that in the early days, nobody knew what data to analyze. My own research in the 1970s provides a good example of the problem. We wanted to measure the skills most linked to sales success. Our purpose was to analyze the behaviors used by successful salespeople during sales calls and to use that information to train and coach the rest of the sales force. We needed to decide which behaviors to analyze. Hundreds of observable things happen in the average B2B sales call. We ended up measuring more than a hundred different possible behaviors before we found the half dozen trainable behaviors that we were looking for. Until we had built a valid success model, we didn't know what data we should be collecting for analysis. Initially, this work was just as wasteful and expensive as the seat-of-the-pants approach that we wanted to replace.

Models and Frameworks: The Cornerstone of Analytics

Analytics, whether in sales or in other areas of the business, are only useful if they make some activity, process, or decision more efficient or more effective. When the measurement theorist Daniel L. Stufflebeam wrote that "the purpose of evaluation is not to prove but to improve," he might just as well have been writing about sales analytics. To translate data into meaningful prescriptions for improvement requires not only the data itself, but also models and frameworks to give the data meaning and to guide decisions. This may sound very theoretical, but let me give you a practical example; it's a good one because the authors of this book made their reputation from it.

How do you decide how big a sales force should be? Traditionally, this has been a complicated exercise in guesswork. Into the mix went such factors as whether the market was expanding, the future product stream, the state of the economy, the available budgets, and—possibly above all these—the political clout of sales within the company. The whole process was so complex and arcane that I shuddered inside whenever a client asked me whether their sales force was the right size. It was pure guesswork; a variation on the classic and unanswerable question, "How long is a piece of string?" Then in the mid-1980s, I heard of a small consulting company, ZS Associates, founded by two professors from Northwestern University's Kellogg School of Management, that had come up with a method for sizing sales forces. I remember thinking at the time how very specialized and limited a market that was for a consulting company. Their approach to sizing rested on a rational analytic model. They had brought the same analytic, data-based thinking to size that my research team had brought to selling skills.

Beyond Sales Force Size

If ZS Associates had stopped there, they would have remained a small niche player with an important but limited offering. Fortunately for the sales world, they didn't stop there. Realizing that their special competence was the analytic method, they began to apply rigorous data-driven thinking to other sales problems. By the year 2000, they had applied analytics to develop models and frameworks in such areas as sales territory design, recruitment, quota setting, and compensation. In the process, they had grown to over 400 people, making ZS Associates one of the biggest sales consulting firms in the world at that time.

In 2001, Andris A. Zoltners and Prabhakant Sinha published *The Complete Guide to Accelerating Sales Force Performance*, which describes many of the analytic tools and frameworks that they have developed. I have a confession to make. I bought their book as soon as it was published, but I didn't read it for several months. I think that the word *complete* put me off. I didn't believe that any book about sales could live up to such a title. Left to myself, I might never have opened the book. It didn't sell particularly well and had disappointingly few reviews. Then one day, I was having coffee with the preeminent marketing thinker Philip Kotler, and he asked me what I thought of the book. He was astonished that I hadn't read it and brushed aside my feeble excuse that it was waiting on my shelf. "Read it," he said. "It's important." When Phil Kotler says that something is important, for me there's no higher endorsement. So the next day I read the book and was stunned that I had left such an important work unopened for months.

Questionable Best Practices

To understand why the frameworks and models in the *Complete Guide* had such a deep impact on me, you must go back to the prevailing best practices for sales data at the time the book was published. Companies were spending hundreds of millions annually on cumbersome CRM systems that were generally failing to live up to the vendors' promises. The cause of analytics was being seriously damaged by the enormous effort of CRM data collection set against its meager returns. Depending on whose survey you choose to believe, between 50 and 70 percent of CRM implementations in 2000 were judged by their unhappy customers as a failure. Sales managers were learning the hard way that data have no value unless they can be used to improve sales. Worse, the cynicism of most salespeople toward CRM meant that much of the potential for CRM analytics was being sabotaged by inaccurate, incomplete, or deliberately falsified information that salespeople had entered into the system. Electronic lies are no better than manual lies; they just arrive quicker. As one vice president of a New York bank told me, "Now that we've installed the new CRM system, we can make the wrong decisions faster than ever before." In this climate, many senior managers were justifiably cynical about whether analytics could deliver results.

Another difficult issue was the pervasive use of analytic models and frameworks that were disturbingly naive. Even today, many companies rely on simplistic activity models that use calls per day as a key metric in the B2B sale. Although the underlying assumption that "more calls equals more sales" has long been discredited, activity measurement is still alive and well.

So when I read the *Complete Guide*, I was delighted to see sophisticated, performance-related analytics. I wasn't the only one. The approach that ZS Associates had developed clearly resonated with leading companies everywhere. Propelled by a series of important books, such as *The Complete Guide to Sales Force Incentive Compensation* and *Building a Winning Sales Force*, ZS has gone from strength to strength. Today, ZS Associates has more than 2,500 employees worldwide, making it not only the preeminent authority on sales analytics, but also the world's largest sales consultancy by a whole order of magnitude.

About This Book

The Power of Sales Analytics is no ordinary sales book. It represents the culmination of many years of intense and thoughtful effort by many talented people, some of whom have contributed authoritative chapters here. It is a survey of the cutting edge of sales analytics and the state-of-the-art in sophisticated sales management. Many readers will find this book complex, and for that I make no apology and neither should the authors. It was Michael Kami who first said, "For every complex problem, there is a simple answer—and it is *wrong*!" Sales has grown up and has progressed far beyond the seat-of-the-pants "silver bullet" days. Simple answers just don't cut it anymore. If you want to be a player in the exciting future world of sales, you will need to master the frameworks, models, and methods in this book. Armed with these tools, you can make great strides forward in terms of sales effectiveness; without them, you'll fall ever further behind.

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