Strategic Sales Planning Of The Complex Sale In Latin America

Nico Schinagl Waller, (E-mail: v_mail@avantel.net), Universidad Anáhuac del Sur, Mexico

Abstract

Due to the broad offering and the tendency of customers to view IT and Telecom solutions as a commodity, the complex sales environment in Latin America is facing an increasing degree of uncertainty, reflected in a poor sales planning and forecasting effort that is having a significant impact in the profitability of most companies in these verticals.

The presentation of this ongoing case is the attempt to empower the sales managers and executives, the largest profession in the world, with a solid and practical strategic sales methodology to allow them to better plan their sales effort in their assigned territories, customer listing or specific vertical.

The obvious result expected from this methodology and research is to provide a sales planning model that ensures a higher certainty of the sales forecast, as well as have impact on such sales success metrics as average close rate, average closing cycle and the overall ROMI (return on marketing investment) of the company's sales effort.

The case can be viewed in three parts or components: and initial extensive exploratory research to determine the exact current nature and situation of the complex sales in Latin America, second, the development of the appropriate sales methodology, and the implementation and evaluation of the sales planning model in the field.

Introduction

Although sales as a subject of research can be considered a topic of poor and short academic pedigree, the explosion of sales methodology, especially in the mid-eighties, has produced a vast array of option. But from an almost comical concept of the 1950's of the "power closes" the sales role has evolved to view its responsibilities not only as the external consultant of the customer, but also the internal strategist of the company.

Complex sales, normally also defined as business to business sales (B2B), are particularly in the sense that they involve multiple decision makers inside of an organization who view the solution or product from multiples points of view. This complexity (and therefore its name) accounts for the exceeding closing cycles experienced (in average between six to nine month), that are normally justified by the average six-figure sales each business represents.

Due to this nature, many consultative sales methodologies have been applied to this field of sales, including conceptual selling, strategic selling and solution selling, that try to avoid a product-driven sale, and instead try to guide the sales managers and sales executives in their face-to-face (F2F) meetings with prospects and customers, to help their contacts visualize how the product or service can assist in accomplishing a goal or objective, solve a problem or provide a solution.

But sadly, most of the vast volumes of books written on the subject, only concentrate on this F2F interaction, or in the sales process of the long complex sales, leaving the sales managers and sales executives with few or zero sales planning methodologies for their overall sales effort.

Applying an exploratory study to 384 sales managers and sales executives of the region (172 from the Fixed Telecom Vertical, 146 from the Mobil Telecom Vertical and 66 from TV Broadcasting Vertical), which together represent over $ 1.4 billion dollars of annual sales, the identified problems were:

- 97% of the sales managers and executives admitted that they were assigned the expected sales performance (forecast) by their regional HQ or the commercial VP, with little or no input from their side.
- Meanwhile, 86% of the sample also replied that they were not given an explanation for the growth target imposed, much less a guide or assistance of how to achieve this target.
- When asked their key concern or main worry, the sales managers and executives did not mention competition, lack of sales time or other options, but 60% admitted that the uncertainty in sales and thus the difficulty in planning were their main headaches.
- Other interesting results from the study, was that 45% of the sales executives are currently assigned to a sales territory, while 38% have a customer listing to work on, and only 17% are assigned a specific vertical o market segment as their sales territory.

Methodology

In essence, the proposed sales methodology for planning (denominated PEEV) takes a different strategic look at the sources of sales, than the traditional points of view. When asked which are the sources of sales, many companies still reply in the manner they segment the market, whether it is by product or service line, their internal Business Unit organization, or the stages of their product lifecycle.

While many of these companies still are trying to implement such old techniques, such as territory or time management practices to handle the array of multiple sales opportunities in the assigned sales territory or vertical, the focus of the PEEV methodology is more in alignment with the importance of the revenue source in the big picture of the entire sales forecast.

Instead of viewing the sales sources as a multiple variety of possibilities, the PEEV methodology clusters the revenue stream into four specific groups:

- Acquisition or Conversion: refers to the prospects that have been led through the sales process and converted for the first time into customer, signifying new income for the company.
- Retention: refers to the average income that period by period, year after year, is achieved with certain established customers.
- Penetration: refers to the up-sell and cross-sell successes to grow and expand the established customer base.
- Attrition or Churn Rate: refers to the negative impact on the sales forecast of fleeing / defecting existing customers.

As a result, the sales managers and executives now have the ability, once they have been assigned their sales forecast, not only to strategically plan their sales effort to guarantee the accomplishment of that forecast, but also implement and allocated their sales efforts into more productive venues. (See Table 1).

PEEV Methodology Explained:

As illustrated in the above example, the PEEV methodology forces to sales manager or executive to initialize his planning, taking into account the existing sales factors, whether it is recurring guaranteed income or the existing sales pipelines, to later on identify the resulting discrepancy needed to be filled.

Table 1
PEEV Methodology, Created By Nico Schinagl, January 2005

Sales Target

Minus	Advanced Closed Sales before – during the Period
Minus	Recurring Revenue Flow included in the Sales Forecast
Minus	Adjusted Sales Pipeline of Existing Penetration Opportunities
Minus	Adjusted Sales Pipeline of Existing Conversion Opportunities
Results	Initial Discrepancy
Minus	Required Penetration Effort with existing product offering
Minus	Required Penetration Effort with new product offering
Results	Discrepancy 2
Minus	Required Conversion Effort with existing product offering
Minus	Required Conversion Effort with new product offering
Minus	Required Re-Conversion Effort
Results	Discrepancy 3 equals zero

Furthermore, it allows the sales staff in a gradual manner, from least difficult sales to the challenging conversion strategies, to slowly focus their sales effort in the specific clusters of revenue streams, resulting in a focus and strategic approach of their sales effort to guarantee the fulfillment of the sales forecast. Each of the components of the PEEV methodology signifies the following activity:

- Sales Target: is the assigned sales forecast expected from the sales manager or executive. Since the model is of a strategic nature, a target for a whole fiscal period of one year should be used, but can be used by the sales manager or executive at the beginning of the fiscal period or during it.
- Advanced Closed Sales: refers to the listing of closed sales achieved the previous period, but in which the revenue flow will have an impact during the period under analysis.
- Recurring Revenue Flow: refers to the recurring income generated by existing customers in the form of monthly rents, maintenance contracts, etc… If this revenue is included in the sales results of the manager or executive, it needs to be accounted for.
- Existing Penetration: refers to validated opportunities in the sales pipeline with existing customers. The sum of the monetary value of each opportunity results in the total sales pipeline value, which needs to be adjusted to the historical average close rate (since there is established credibility with the customers, a close rate of 70% can be used).
- Existing Conversion: refers to validated opportunities in the sales pipeline with new prospects. The sum of the monetary value of each opportunity results in the total sales pipeline value, which needs to be adjusted to the historical close rate (since there is no credibility with the prospects, a close rate of 30% can be used).
- Initial Discrepancy: is the remaining sales number required from the manager or executive to achieve his sales target.
- Required Penetration: whether it is via existing products or new products, using the close rate and close cycle, the sales manager or executive can determine the total sales pipeline value of new opportunities with existing customers required to achieve his sales target.
- Discrepancy 2: refers to the remaining sales number required, after evaluating the potential new penetration opportunities, from the manager or executive to achieve his sales target.
- Required Conversion: whether is via existing products or new products, suing the close rate and close cycle, the sales manager or executive can determine the total sales pipeline value of new opportunities with new prospects required to achieve his sales target.
- Required Re-conversion: refers to an exercise to identify customers lost during the previous period, evaluating the reason for attrition, and determine if re-conversion strategies can be applied to salvage these customers.
- Discrepancy 3: should thus result in zero, since the sales effort has been established, with the appropriate buffers in the sales pipelines, to achieve the expected sales performance during the fiscal period.

The sales success metrics to be measured and evaluated to determine the impact of the methodology are:

- Percentage improvement of the sales results vs. the sales forecast, to measure the improvement of the overall sales organization.
- Percentage improvement of the overall ROMI of the sales effort and the sales investment required to measure the impact on the optimal use of sales and financial resources.
- Overall percentage improvement of the average sales cycle of the sales organization.
- Overall percentage improvement of the average close rate of the sales organization.
- Percentage decrease of the attrition or churn rate experienced.
- Percentage of re-converted customers.
- Overall growth rate achieved during the period.

Development

The first task in the study was to determine the limits and goals of the research. Since the goal is to target only the complex sales segment of the businesses, the selection criteria's for the study were established to be the following. (See Table 2).

Table 2:
Sales managers and executives selection criteria, Created by Nico Schinagl
December 2004

Concept:	Included:	Excluded:
Region	Region of Latin America and Mexico	Region of Central America and the Caribbean
Verticals	ICT Markets (Information, Communications & Technology)	All B2C verticals (Business to Consumer) Sales to government or via channel
Invoicing Per sales executive	Yearly sales of a minimum of US$ 250,000 dollars	Bellow the indicated target
Status	Currently active in the a complex sales environment	Inactive since 2004

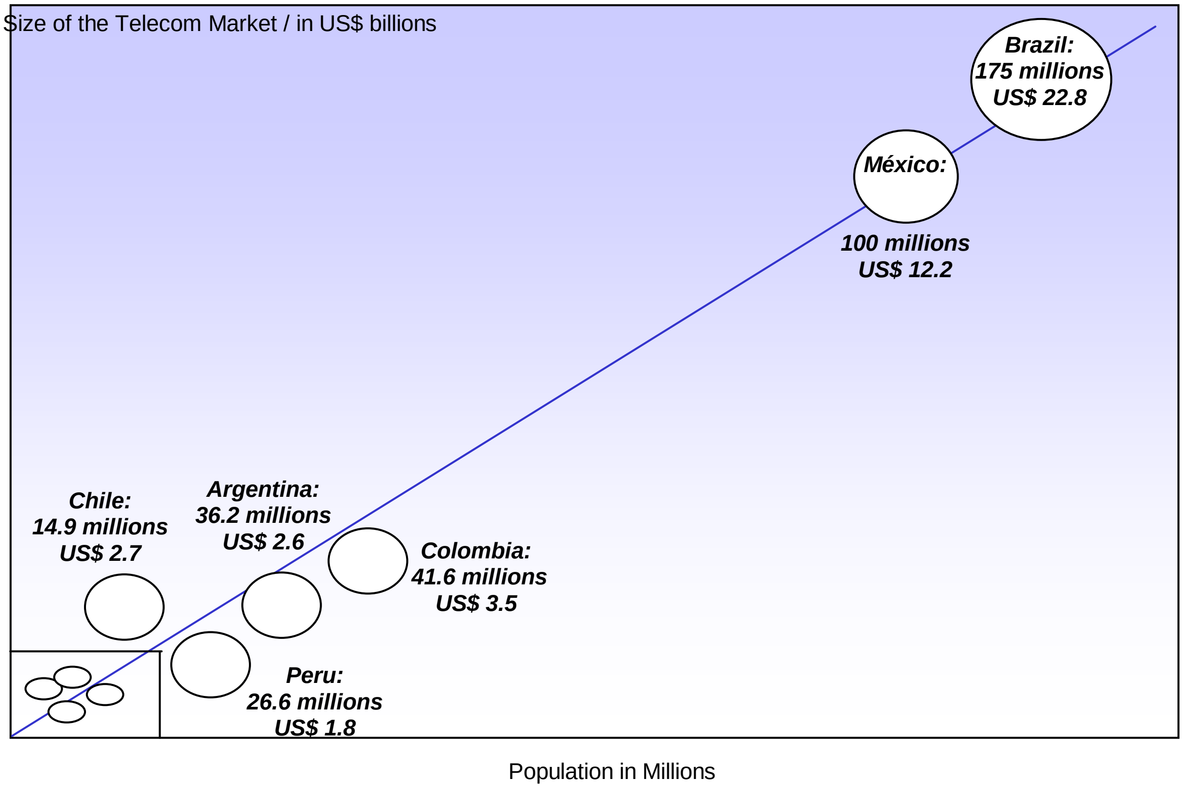
The second task involved the determinations of the sample were the PEEV methodology could be applied and evaluated. As such, key industry players had to be involved in each of the verticals to give the study the appropriate relevance and impact desired. (Note: for the presentation of this paper, only the fixed telecom vertical will be presented).

Thus, an initial estimate of industry size per countries selected in the region had to be researched to establish a secondary selection criteria from the ones mentioned in Table 2. As such, results for the Telecom industry is shown in Graph 1 as follows. One should note that Venezuela, due to its current political situation, and thus force mayor factors, has been eliminated of the study. Also countries such as Bolivia, Ecuador, Paraguay and Uruguay, due their small significance in terms of the telecom market, will also be excluded to give the study a higher degree of relevance.

The result, first reflected the leading economies of the region, Brazil and Mexico, which often are considered by global companies to represent over 50% of their revenue flow for the whole Latin America region, and second the lagging economies and as such a high degree of irrelevance of several Latin American countries.

Also, compared to European countries with similar populations, is it quite obvious that the region as a whole as significant growth potential in the telecom vertical.

Graph 1:
Created by Nico Schinagl
With information provided by Telmex Corporation March 2004



After this pre-screening it was vital to elaborate a clear listing of the industry players and their current market share position, so as to include in the study the most significant and relevant sales forces. A detailed search and study resulted in the summary presented in Table 3.

As noted, only few companies have a real regional presence in the main markets, mostly the Spanish telecom corporation of *Telefonica*, and now with the recent acquisitions of *Telmex* of the AT&T companies, as well as *ChileSat* and *Embratel*, the Mexican Telecom group spearheaded by Mr. Carlos Slim.

Most local market are dominated by some key player, for example Peru where *Telefonica* has an 86% market share, or Mexico where *Telmex* also still holds an 84% of the overall market, while only a few have several participants with medium to small market share points, such as in the case of Colombia.

As with the expansion of the *Telmex* network, many experts have predicted further acquisitions by the top three competitors of market share, or a frantic price war that will push the smaller competitors out of the market.

Table 3:
Created by Nico Schinagl
With information provided by Telmex Corporation March 2004

	Argentina	Brasil	Chile	Colombia	Perú
Telefónica	50%	36%	46%	9%	86%
Telecom	36%	11%		5%	
CTBC Telecom		4%			
Sercomtel telecom		1%			
GVT		3%			
Impsat	3%			22%	1%
Comsat	1%			3%	
Techtel	2%				
Embratel		10%			
Telemar		23%			
ETB				11%	
EPM				3%	
ENTEL			41%		
EMTELCO				10%	
VTR			5%		
Chilesat			2%		
Bellsouth			1%		1%
Teleductos			1%		
Americatel					4%
Internexa				8%	
Equant				5%	
Others	8%	11%	4%	24%	8%

As such, for any study to have the impact and relevance desired, the choices were simple: either *Telefonica* or *Telmex* had to adapt the methodology (the option of both applying the methodology was eliminated due to the non-compete and confidentiality agreements normally postulated in sales or marketing consulting contracts).

After an initial approach and an extensive sales process with both candidates, a consulting agreement was achieved with *Telmex*, which included two parts. The first target would be the new acquisition of the company in Latin America, giving them a unified sales methodology, a better understanding in the use of the sales pipeline, and finally implementing the PEEV methodology for the sales managers and executives whose sales numbers were in alignment with the limits of the research. The second target involved the division of key accounts, in which, after a long restructuring effort, all sales executives would partake in the study due to their high yearly sales volume. (Details see Table 4)

Table 4:
Created by Nico Schinagl
August 2004

Country	Annual Sales / in US$ millions Phase 1	Number of Sales Executives
Argentina	$26.04	29
Brasil	$53.29	120
Chile	$24.33	43
Colombia	$26.00	38
Perú	$42.20	53
TOTAL Phase 1	**$171.86**	**283**
	Phase 2	
Mexico Division of Key Accounts	$1,200.00	400
TOTAL Phase 2	**$1,200.00**	**400**

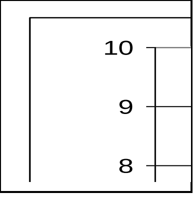
Expected Results

The first indication of success has been without a doubt the embrace of the sales profession in Latin America, well those so far trained in the methodology, of the PEEV model, which in almost all cases has given them a clear understanding of the sales effort required to achieve their goals.

As such, the resulting survey has so far shown the following comments and results:

- 82% of the sales managers and executives trained in the methodology see the model as a fresh, practical and strategic planning tool for their sales effort.
- Over 75% of the sales personal surveyed admitted to uncover during the workshop hidden or ignored sales opportunities in their sales territory, customer listing or specialized vertical.
- 77% stated, that during the workshop they were able to identify the sales effort required to achieve their sales goal and focus their attention and time to the specific opportunities to achieve the desired result.
- More than half of the sales personal interviewed admitted that the methodology allowed them to gain clear visibility in one or many of the following:
  - Identify the strategic customers in their territory and design retention base strategies to ensure lower attrition rates.
  - Cleary qualify the total sale pipeline value required in conversion and penetration to achieve their sales target.
  - Obtain a complete picture of the penetration potential of their existing customer base.
  - Determine the focus of their selling time and implementing monthly goals to ensure positive year-end results.

Of course, the success, so far only quantified via surveys and opinions of individual or groups of sales executives, must be further studied to show in detail the impact on the sales organization or company as a whole.



After deployment, a time period of two sales trimesters will be allowed to pass before evaluating the determined sales success metrics in each of the sales forces. The data for the analysis will be provided directly by the customer, via its sales automation tool or sales reporting system. Compared to the historical sales behavior of the organization, a comparative table will be constructed to measure the impact on the sales success metrics of the organization or sales division as a whole. A sample of the analysis is shown bellow:

	Historical Data			**Impact PEEV**
Certainly of Sales Forecast (Sales results vs. Forecast)	Period 1	Period 2	Period 3	Period 4/5
	Measured in percentage variation.			
ROMI	Period 1	Period 2	Period 3	Period 4/5
	Measured as a return on marketing investment			
Average Closing Cycle	Period 1	Period 2	Period 3	Period 4/5
	Measured in days			
Average Close Rate	Period 1	Period 2	Period 3	Period 4/5
	Measured in percentage of closes vs. sales pipeline contents.			

Brief Conclusion

As shown in this presentation, this illustrates and on-going case of deployment with solid feedback and evaluation of the success metrics probably until mid 2006. But it clearly shows that the academic society, although often foreign to the sales activities of the business community, can explore and give powerful tools to this vital and key business activity.

Compared to other administrative functions, sales has been almost forgotten, depending more on advice from sales professional who have great experience but little academic background, instead of true, academically proven methods to optimize their sales effort.

As such, this paper should be viewed as an open invitation to the academic society to focus their attention on this vital activity, and allow the sales community to forgo home-grown solutions and avoid the uncertainty in their sales environment, with tools and methodologies that stand even the most scrutinizing academic rigors.