

Key Background and Findings of the Industrial Performance Group's Study of North American Salespeople, "What Consumes Your Time?"

- **Customers are the source of all revenue.** But in the day-to-day operations and finances of running a business, companies can lose sight of this basic truth.
- **In the business-to-business world, the customer's main contact is the salesperson.** Salespeople spend more time with the customer than anyone.
- **But the average salesperson spends only 38 percent of his or her time selling — based on our survey of 1,502 salespeople, in 17 industries in North American manufacturing and distribution.**
- **Salespeople spend 23 percent of their time — nearly three months out of every year — dealing with problems and mistakes, searching for information and expediting orders.**

Much of this could be prevented. Companies have outsourced and restructured customer service and other functions to reduce costs. But when customers don't get what they need, they turn to their main point of contact: the salesperson. This uses up valuable time for salespeople.

- **This has a real impact on revenue, operating expenses and earnings.**
- **But management generally cannot see this impact, due to the limitations of traditional financial statements.**
- **With more time to sell, salespeople could bring in more revenue from new and existing customers.**
- **Freeing up a sales force's time is more cost-effective than hiring more salespeople — especially when qualified people are hard to find.**
- **It's easier than companies realize to start removing the barriers that hold their salespeople back.** Companies can start small. Inexpensive steps can bring high returns.



What The Study Tells Us

Introduction

While companies can't control commodity prices or foreign competition, they can certainly control how well they use their salespeople. And they should — salespeople bring in revenue and spend more time with the customer than anyone.

But companies are hurting revenue and profits by holding their salespeople back. When salespeople have less time to find more business, that additional business never materializes. Companies never see the additional cash salespeople could be bringing in.

Salespeople are waging an uphill battle, fighting time constraints created by the very companies whose products they are trying to sell.

Their time is simply being eaten up. They're working longer and harder just to keep their heads above water and hold onto the customers they have. To use a sports analogy, they spend too much time playing "defense" and not enough time playing "offense."

Freeing up a sales force's time is a cost-effective way to grow revenue and profits.

You won't clearly see this issue on traditional financial statements, because standard financial reporting doesn't tell the whole story. There is no line item on the income statement for "the cost of having your salespeople deal with problems and mistakes."

This is why management has generally not seen the impact of this problem.

But the impact is there. When salespeople have less time to sell, it hurts all of these numbers:

- **Revenue growth** – With less time to sell, salespeople bring in less revenue than their potential. This limits overall sales volume.
- **Sales, general and administrative expenses** – When the salesperson — a highly-paid resource — has to keep addressing problems that could be prevented, it becomes more expensive to meet customer needs and retain customers.
- **Earnings** – When companies limit revenues and increase the cost of servicing the customer, earnings are lower than they could be.

To grow revenue, giving salespeople more time to sell can be a more cost-effective strategy than acquiring other companies or other cash-intensive ideas. It's also potentially easier and less costly than hiring more salespeople — especially when skilled people are in short supply.

Simply put: When salespeople spend time with customers, they need to spend that time profitably.

“Cost cutting” can hurt profits in unintended ways.

Companies have devoted a great deal of effort and creativity to cutting costs. But when these cuts impact the customer, these “cost reductions” can hurt profitability.

For example, companies have installed elaborate voice mail systems and Web sites. Some companies have done this, in part, to reduce the cost of servicing the customer.

This works well when voice mail and Web sites help companies profitably deliver value to the customer. But when these tools don’t quickly give customers the answers they need, they call their key point of contact: the salesperson.

Is this a “low-cost” way of handling problems? Not when salespeople are generally a higher-paid resource than other staffers who may have helped the customers before.

Even more importantly, salespeople are not acquiring additional revenue when they’re bogged down dealing with problems and mistakes caused elsewhere in the company.

Yet many companies cannot see the cause, effect and consequences of these actions. They’ve created workarounds to deal with various problems and mistakes, and these workarounds have become a deep part of their “genetic code.”

Spending time with the customer does not always mean creating value for the customer.

When salespeople race to deal with mistakes, their employers often see it as essential “customer service.” Management leaves it to salespeople to deal with problems and mistakes after they occur, rather than working to prevent the problems from happening in the first place. Salespeople are called upon to come to the rescue again and again.

It’s true that all that heroic firefighting can build bonds with customers — at least temporarily. When problems are rare and the salesperson saves the day, the relieved customers can become more loyal.

And even when there are lots of problems, a salesperson can develop a solid reputation for “coming through” during multiple crises. The salesperson and customer might even become like “old war buddies” who have been through thick and thin together.

But what happens when the customer gets tired of all the problems and the crisis management that follows?

And more importantly, what happens when a competitor comes along who gets things right the first time, without any hassles?

Being a hero is great — as long as salespeople are helping to address the **customer’s** challenges, not solving problems and mistakes caused by the companies whose products they’re trying to sell.

Management can profit by learning more through their salespeople.

Management also needs to capitalize on valuable feedback from the sales force.

This feedback is essential. Salespeople spend more time with customers than anyone.

If a company wants to see where they're missing the mark on delivering value to their customers, they should simply look at how salespeople are spending their time. If something is going wrong, salespeople are probably spending a lot of time making it right.

It's hard to predict how changes in company processes or restructuring will impact customers. Again, management needs to check with the salespeople. If something is hurting customers — and therefore, revenue and profitability — the salespeople will know.

The problem is not that salespeople lack motivation or financial incentives.

Better “time management” training is not the answer. Salespeople work hard — the issue is not that they're wasting time.

Financial incentives aren't the solution, either. The old tactics for motivating salespeople won't solve this problem. The real issue is that there simply aren't enough hours in the day.

Instead, management needs to remove the barriers that hold salespeople back.

It's easier than companies realize to get started.

Companies can get started by finding small ways to free up the sales force's time — without spending large amounts of money to do so.

For example, a common complaint from salespeople is that they receive too many e-mails and requests for information from headquarters. Companies can free up their time by appointing a “gatekeeper” to review all notices and requests for information that go to the sales force. Be sure that salespeople only get essential e-mails.

Another example: Salespeople are often required to fill out lengthy reports, but much of this information is never used. And now that companies are busily implementing sales force automation systems, this problem has gone high-tech.

Why use up valuable time collecting information that won't be used? Companies should review the processes they are automating and only ask salespeople for essential information.

Small gains add up.

Small gains can add up to a big impact. Consider, for example, a company with 25 salespeople working, on average, 50 hours a week. If you could free up just two hours a week per salesperson, the company could gain 50 hours of selling time each week. That's the equivalent of adding one additional salesperson for little or no cost.

Now free up two hours a week for 250 salespeople, and you've freed up 500 hours. That's like adding 10 more salespeople, at little or no cost.

See this impact for your own company by trying our Sales Performance Calculator at www.indusperfgrp.com/calculator

For more details on practical steps companies can take, see our free companion report

“**The 5 Common Barriers to Peak Sales Performance**” visit www.indusperfgrp.com

For additional information on this study or other questions:

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The Average Salesperson

National Average

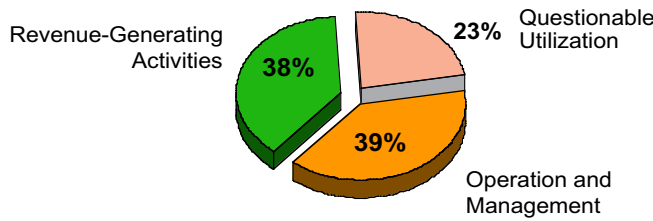


Figure 1

Our survey of 1,502 salespeople in 17 industries found that the average salesperson spends his or her time in the following ways:

- 38% on revenue-generating activities
- 39% on the day-to-day operation and management of a territory
- 23% on “questionable utilization” — activities the company could potentially prevent or handle in other ways

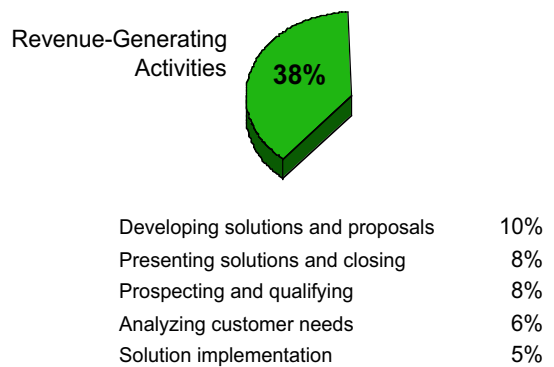
This basic pattern appeared early in the study, and it stayed constant as hundreds more salespeople from various industries responded. As we shared our preliminary findings with different audiences, salespeople also offered numerous stories and other feedback that supported these findings.

National Average

We also looked at the priority salespeople give to specific activities within each category.

In the revenue-generating category, average salespeople spend most of their time developing solutions and proposals.

They spend just 8% of their total time prospecting and qualifying leads. They spend even less time (6%) analyzing customer needs.



Note: Total varies due to decimal rounding

Figure 2

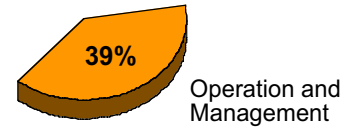
The Average Salesperson

Among operation and management activities, salespeople predictably spend most of their time traveling.

All these operation and management activities are essential, but companies can certainly gain efficiencies here.

E-mail is a well-known culprit. As discussed earlier in this report, companies can take steps to reduce time-consuming e-mail for the sales force.

National Average



Travel	15%
Responding to email and text messages	10%
General sales administration	7%
Filling out reports	4%
Receiving product and skills training	2%

Note: Total varies due to decimal rounding

Figure 3

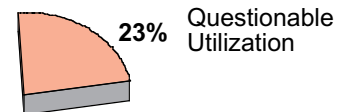
In the category of “questionable utilization,” salespeople spend most of their time “dealing with problems and mistakes.” Next came “looking for and sifting through information,” followed by “expediting orders.”

In total, the average salesperson spends 23% of his or her time on activities that companies may be able to prevent.

Here are typical problems salespeople deal with:

- Quotes, purchase orders and invoices that do not reconcile
- Delivery problems:
 - Early, late or missed deliveries without notification
 - “Short ships” – deliveries in quantities less than what was ordered
 - Picking errors
 - Shipments and paperwork that don’t match
 - Damaged goods

National Average



Dealing with problems and mistakes	11%
Looking for and sifting through information	7%
Expediting orders	5%

Figure 4

Peak Sales Performers

Peak Sales Performers

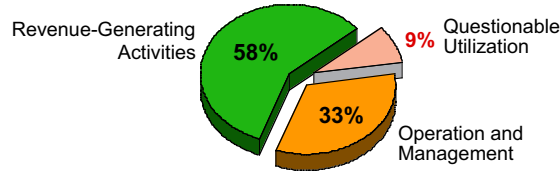


Figure 5

We also developed a profile of the peak performers in our survey. Roughly 5% of our respondents fit this category.

By comparing the average salesperson to these peak performers, we can gain additional insight into how salespeople use their time.

Here's how our 82 peak performers spend their time, on average:

- 58% on revenue-generating activities — 20 percentage points higher than the average
- 33% on operation and management activities
- 9% “questionable utilization” — far less than the average of 23%

In the revenue-generating category, peak performers shine. They spend most of their time prospecting and qualifying — twice as much time as average salespeople.

They also spend twice as much time analyzing customer needs. Analyzing customer needs is essential for developing and keeping profitable customers.

Some sales research states that peak performers spend as much as 40 percent of their time prospecting and qualifying new customers. Our findings indicate that this may be unrealistically high.

However, one thing seems clear: companies could gain significant revenue if their average salespeople could spend even 16 percent of their time prospecting and qualifying new customers.

Peak Sales Performers

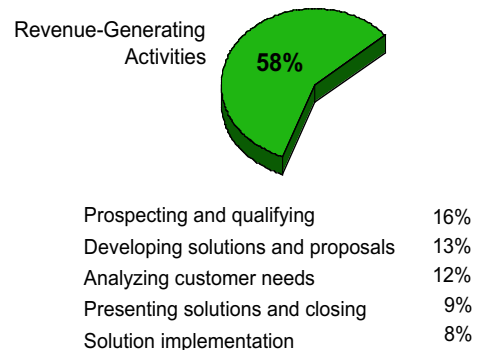


Figure 6

Peak Sales Performers

Peak performers tend to be a little more efficient in operation and management activities. They spend 33% of their time in this category, compared to the average of 39%. They spend less time on activities like e-mail, general administration and filling out reports.

But salespeople do not always personally control this time. Many of these activities are required by the companies they work for, so this is not necessarily a “time management” issue for the individual salesperson.

The good news, as we discussed in the first section of this report, is that companies can create efficiencies in these areas.

Compared to the average of 23%, peak performers spend just 9% of their time dealing with problems and mistakes, searching for information or expediting orders.

Here also, individual salespeople do not always control the time spent in these areas. Salespeople know that when problems happen, they need to be dealt with. When there are more problems, salespeople spend more time making things right.

Management plays an important role in reducing the number of these problems.

The real “peak performers” here may be the companies themselves. These companies appear to be causing fewer disruptions for customers, which gives salespeople more time to build revenue.

Peak Sales Performers

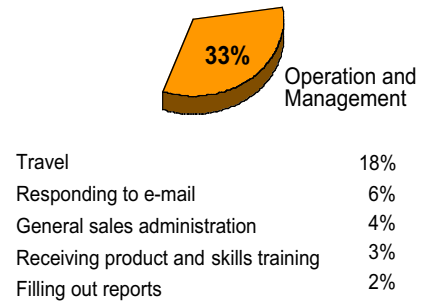


Figure 7

Peak Sales Performers

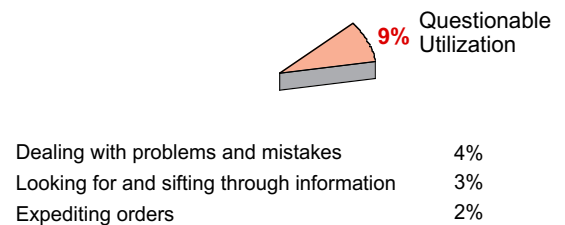


Figure 8



How The Study Was Conducted

Background on the study

For 14 years, the Industrial Performance Group has researched sales/distribution channels. We're dedicated to enabling manufacturers and distributors to increase sales, improve profitability and build customer loyalty by better managing the relationships, processes and practices in the channel.

Two milestones in our earlier research were the "Report Card on Manufacturer-Distributor Relationships" and the follow-up "Report Card Update." This research showed that 82% of manufacturers and 92% of distributors believed problems in their working relationships hurt sales and profits. Meanwhile, only 17% of distributors said they had clearly defined goals and plans with manufacturers.

Additional research showed that the top two drivers of unnecessary costs in the sales/distribution channel were (1) fixing mistakes and (2) expediting orders.

Manufacturers and distributors knew they had problems with their working relationships. They also knew that fixing these problems could improve revenue and profits. But most companies underestimated the true economic cost of these problems and mistakes. Some argued that this was just "the way things were" and that these problems could not be fixed.

Commonly-used financial reporting tools — the balance sheet and income statement — did not directly show the actual cash impact of these common problems and mistakes. And very few companies applied activity-based cost systems to their sales and marketing efforts to track actual costs of these processes.

Most manufacturers and distributors did not take action and continued with business as usual.

In the years that followed, manufacturers and distributors saw sales and marketing costs go up, and for many, sales volume flattened and thin margins became even thinner.

Assumptions

It seemed evident that these common problems and mistakes would be most apparent when they impacted the customer.

It also seemed evident that salespeople, who want to keep the valuable customers they worked hard to acquire, will do everything possible to be sure these problems and mistakes don't drive customers away.

We decided to test these assumptions by conducting a survey of how salespeople spend their time.

A new look at sales performance

Looking at how salespeople spend their time is a good way to help determine the true impact of problems and mistakes. But it is not how companies usually measure sales performance.

Instead, companies usually look at basic sales productivity. They calculate the revenue a salesperson brings in and compare it to the cost of supporting the salesperson.

While this is a workable measurement of basic sales force productivity, it does not factor in the salesperson's true potential. By comparing average salespeople to peak performers, we can start to calculate the additional revenue salespeople can gain when they have more time to prospect and sell.

Preliminary research and survey design

Before we began our survey, we asked 82 salespeople a series of open-ended questions to identify the activities that consume their time. We identified 13 common types of sales force activities.

Preliminary survey review

We then asked a select group of sales managers and salespeople to review the survey and offer their comments. 23 people responded, and we used this feedback to fine-tune our survey design.

In the final survey, we included a text box where participants could type in any activity and time amount not included in the survey. Respondents did not report any additional activity areas. They mostly used this text box to provide examples, stories and further details on the 13 common activity areas.

How we conducted the survey

The survey was officially posted on the Industrial Performance Group Web site on July 15, 2005.

We requested survey participation via the Industrial Performance Group's Channel Focus newsletter and other publications.

We also worked with various trade associations and trade publications, which used print and electronic communications to encourage their members and readers to participate.

During the 14-month period from July 15, 2005, to September 30, 2006, 1,502 salespeople, representing 17 different industries, responded to the survey.

Breakdown of respondents

Respondents came from the following general groups:

- 668 distributor-employed salespeople
- 834 manufacturer-employed salespeople and independent sales representatives

Respondents came from the following 17 industries:

Boiler manufacturing

Construction equipment

Construction supplies

Document management

Electrical products

Food service equipment

Health care products

Industrial filtration

Industrial maintenance repair and operation (MROP)

Industrial piping

Janitorial and sanitary supplies

Machine tools

Petroleum equipment

Plastics

Plumbing and heating

Truck equipment

Wire and cable



For more information

For more details on the barriers we identified based on this research,
see our free companion report “**The 5 Common Barriers to Peak Sales Performance**”

visit www.indusperfgrp.com

or call 800.867.2778

E-mail us at info@indusperfgrp.com