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The Science of Selling

We are focusing on cultural and structural change because our business is growing and changing all the time, and the economy has forced some changes and we're expecting more in the future. Our business used to be a low-level sale, and we had a "one sales style fits all" philosophy. Over time, though, there emerged many different customer types, who wanted to interact with us in different ways. As a result, we've had to change the way managers recruit and design their team, all based upon a better understanding of the work that needs to be done.

—Shane McCarrey, Manager of Human Relations and Development, ABS Global

This book is about the application of science to the business of selling. There are many other books about selling that have "science" in their titles. However, in every case that we've examined, the science was simply that: part of the title. The term was tacked onto the title in order to give those books some borrowed credibility, even though they were full of the same "how I sold a million-dollar deal in a day" anecdotes that are, unfortunately, common to the genre.

By "science," we mean real science that is based on gathering observable, empirical, and measurable evidence and

analyzing that evidence according to specific, generally accepted principles of reasoning and logic. We mean real science that follows the scientific method, consisting of the collection of data through experimentation, and the formulation and testing of hypotheses. In this book we are emphatically *not* going to discuss pseudosciences that require a huge dollop of faith in order to be believed.

This book is also a manifesto for the scientific approach to selling. It contains numerous case studies of how that scientific approach has helped companies and shows *exactly* how the application of *real* science improves everything in the sales environment—from management to coaching to training to creating long-term sustainable sales results. It also describes how the further application of new areas of scientific inquiry, like neuroscience and cognitive science, will further change the business of selling.

The Changing Nature of Selling

This scientific revolution in sales and sales process is taking place in the midst of the most extensive transformation of the role of sales managers, teams, and individuals in the history of business. For decades, the role of sales rep remained static. Sales reps provided information to customers and wrote up orders, greasing the wheels of commerce with a hefty dollop of schmooze.

That began to change around 2002, as the Internet (following the dot-com era of experimentation) started to become an integral part of the business landscape. A series of new technologies, ranging from e-mail to automated supply chains to cloud computing to smartphones to web conferencing to search engines to social media, were thrust into the workplace. While some of these technologies existed previously, the Internet freed their disruptive potential, which has rippled through every aspect of the modern corporation.

Nowhere has the transformation been more significant than in the way that companies buy and sell from each other, and sell to consumers. So much has changed, in fact, that it's probably impossible to enumerate everything that's different from just 10 years ago. However, we believe that the following trends represent the highlights of this massive set of changes:

Trend 1: Buyers Have More Information. Today's buyers already have more information at their fingertips online than was imaginable even 10 years ago. In a matter of seconds, prospects can discover a wealth of information about a company, its competition, and its industry. Buyers aren't limited to hard data and can also gather soft data from friends, colleagues, and strangers (e.g., anonymous reviews) on social media sites. In other words, buyers have the potential to be better educated and theoretically to make better decisions.

Trend 2: Selling Is More Demanding. As more people have used the Internet as their first stop and social media simultaneously, the sales roles are evolving to match, if only because there is less tolerance for old-school selling and tactics. To be successful, today's sales professionals must possess all the core sales skills of a top consultant, the intelligence to assimilate information rapidly, the behavioral fit to excel under pressure, the stamina to draw upon the resilience needed in this field, and the wisdom to facilitate the sales process rather than sell in the old sense of "doing something to" the prospect.

Trend 3: Buyers Are More Risk-Averse. As the economy has become more unpredictable, customers have become understandably more conservative about spending money, instituting new controls and review processes that make it more difficult for spending to take place. When customers "hunker down" in this manner, the new reviewers

are frequently drawn from the ranks of top management, thereby transferring authority away from the operational staff (with whom a sales professional is most likely to be familiar) and putting it into the hands of a more remote group of executives. Such stakeholders are inherently more difficult to contact, are more likely to have gatekeepers that deflect sales professionals, and are more likely to look askance at sales professionals.

Trend 4: Selling Is Becoming More Professional. The number of business schools offering courses in sales is rapidly increasing and sales professionals are more likely to get MBAs or other kinds of business training than in the past. While most sales positions today do not require a degree or some form of professional certification, there is certainly a trend toward the kind of specialization that, in other jobs (like the practice of medicine in the early twentieth century), has led toward the creation of a professional class.

Trend 5: Inside Sales Teams Are Growing. While the “road warrior” remains a cultural stereotype both inside and outside the business world, there has been a continuous shift from outside sales to inside sales in terms of how companies deploy their sales resources. According to a recent survey conducted by Dr. James Oldroyd (formerly of MIT and now at the Korean business school SKK GSB), corporate hiring of outside sales reps over the past few years has leveled off at a .5 percent annual growth, while hiring of inside sales reps is growing at a lively 7.5 percent annual clip.

Trend 6: Sales and Marketing Are Merging. The long-term battle between sales and marketing is drawing to a close because technology is cutting off the root of the conflict, which has always been differences of opinion over what constitutes a good lead. Lead generation tools from websites to search engines (combined with a wealth of information on the Web) make it possible to track the effectiveness of

marketing's contribution through the sales cycle. Sales and marketing teams are forced to work together to make the numbers go up without recourse to fingerpointing.

Trend 7: Selling Is Becoming More Global. Sales teams must now balance cultural and regional realities from social norms to language. Working with a global team of colleagues and a global client increases the complexity and the challenge of group decision making on both sides. Sales professionals must now have knowledge and experience in “world selling,” not simply those practices that work in their own geographical region. This drives a higher reliance on sophisticated selling techniques, rather than traditional tactics that worked when selling was a more localized activity.

Trend 8: Increased Use of Social Media. Social media provides a rep with access to a breadth of knowledge about key decision makers. A rep can use social media to find a senior decision maker's name, gather professional and personal data, check other business contacts to track current connections, and then put all the pieces together to formulate a strategic approach to penetrating and developing the account. Sales managers utilize social media sites to find new sales reps, both those actively job hunting and those merely contemplating a move.

Trend 9: Sales Teams Are Pioneering New Technology. In decades past, sales teams were somewhat of a technological backwater. Today, they're usually the first group to embrace new technology. For example, Customer Relationship Management (CRM) was the killer application that made the cloud computing concept more than just an academic theory. Sales reps have also been the earliest adopters of smartphones and tablet computers and, in their search for more convenient ways to connect, have led the growth in web conferencing and social media.

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In other words, just about everything in the world of selling is changing. Unfortunately, many sales managers often find it difficult or impossible to keep atop of these changes and to use them to their advantage.

Instead, they continue to cling to hiring practices, sales processes, and compensation plans that actively discourage top sales professionals from ever achieving their potential in today's more complex selling environment.

The Crisis in Sales Management

The world economy, of course, has been extremely challenging since 2008, experiencing one of the worst recessions of modern times, followed by years of weak growth and scant demand for goods and services. Not surprisingly, many sales teams are struggling.

For example, the market research firm CSO Insights recently surveyed over 2,800 companies worldwide to assess their current level of sales performance, the challenges facing sales teams today, and how companies were effectively dealing with those issues. The survey discovered that in 2009 the percentage of reps making quota stood a measly 51.8 percent, down from 58.8 percent in the previous year. In other words, nearly half of all sales reps were failing, even though sales management was presumably adjusting their quotas in order to match their expected selling potential.

Since the overall business environment and economy is not going to change, the onus is upon sales management and sales teams to adapt to these new and challenging conditions. Unfortunately the delta between where most sales organizations are today and where they need to be in the future is enormous and growing.

When surveyed, sales managers are not at all sanguine about their ability to effectively field sales teams. Most sales managers estimate that only 40 percent to 60 percent of their

current sales professionals are prepared to execute even the basic trusted advisor sales strategies, according to Todd Harris, a PhD who works for the leadership development and sales effectiveness firm PI Worldwide.

There's also growing evidence that the old 80/20 rule (80 percent of your revenue comes from 20 percent of the sales staff) is becoming even more dichotomous. Sales guru Mike Bosworth, for example, regularly cites research showing that, on average, almost 87 percent of most companies' revenue comes from the top 13 percent of a company's sales performers.

What's developing is what might be called a "million-dollar gap" between the best and the rest, with many organizations struggling to find emerging sales leaders, even while trying to get the most out of the personnel that they already have. While most sales managers understand the value of sharing best practices, they often have only a vague idea of why one sales professional can successfully sell five times as much as the person in the next office, using the same sales process and sales tools to sell the exact same product.

Part of the problem is the ad-hoc procedures that most firms use to hire their sales professionals. According to CSO Insights, only four in ten firms systematically assess the basic competency of their sales candidates. Almost half of the firms surveyed felt that their ability to "hire the right sales professionals" needed improvement, but only a measly 11 percent were planning to alter their hiring process.

Slapdash hiring creates unstable organizations that are constantly losing talent before their promise can be fulfilled. Astoundingly, annual sales representative turnover rates average approximately 30 percent, which means that one out of three sales professionals is likely to leave the typical organization every year. Since that's the average, many sales organizations suffer from attrition rates that are far higher.

This high rate of turnover creates a constant need for replacement personnel. Most companies report that it takes six

months or longer to ramp up a new sales representative to full productivity. That figure is just for the average sales professional; fully replacing a top sales professional could easily take longer, if such replacement is even possible. The situation with sales management is even worse. According to *SellingPower* magazine, the average tenure for a CSO or VP of Sales is now less than two years, barely long enough for the new executive to learn the ropes and begin to have an impact.

This constant personnel churn costs money—right at a time when companies are, due to the economy, most concerned about savings. General estimates vary but the rule of thumb is that turnover costs typically run anywhere between one and a half to two and a half times a person's base salary. Part of that is direct costs (such as the cost of recruitment), but in the case of sales professionals can include additional costs, such as loss of customers, loss of contact information, and loss of credibility in customer accounts.

Difficult economic times are challenging for sales managers. Opportunities become scarce as prospects stop spending. Increased competition for a shrinking base of customers makes revenue harder to generate and it becomes more difficult to keep reps engaged and motivated. This can make it difficult to keep top sales employees, who are likely to look for employment in companies and industries where sales have become less scarce.

Conversely, an improving economy can also create retention problems. Employees become less concerned with job security and more concerned with advancing their careers, even if that means finding employment elsewhere. Indeed, according to a recent survey conducted by the accounting firm Deloitte LLP, fully one-third of employed Americans plan to look for a new job as the economy improves.

Regardless of economic conditions, sales professionals are especially likely to leave, according to Dave Stein, CEO of ES Research, a firm that measures and analyzes sales training.

“Eight to ten years ago, if a salesperson worked at several companies for less than three or four years, they’d be considered unreliable,” he explains. “Today, especially in fast-moving markets, salespeople are expected to have experience in multiple firms, selling to multiple industries.”

To make matters worse, the employees most likely to leave are the younger workers who have the potential to be future leaders, according to a recent survey conducted by the Opinion Research Corporation. While so-called “baby boomers” (aged 45–65) may have aspired to achieve upward mobility by spending their working years being promoted up the corporate ladder at a single employer, Gen X (aged 30–45) and Gen Y (aged 18–29) members expect to change employers far more frequently.

Higher turnover rates are bad news for sales managers. Experts believe that the total cost of replacing an employee is somewhere around 150 percent of that employee’s annual compensation. However, the figure is much higher for sales professionals because their departure may mean the loss of key customers, creating millions of dollars of lost revenue.

Ironically, it’s often the coping mechanisms that firms put in place during a downturn that cause sales employees to leave once the economy picks up.

For example, as companies become more concerned with cash flow, sales teams suffer tighter travel budgets, slower payment of expenses and commissions, and less spending on sales training. While these actions may be necessary, they tend to alienate sales professionals, who begin feeling that the firm does not truly support their efforts.

Because of this, sales professionals often emerge from a recession feeling resentment toward their firm and its management. According to the Deloitte survey, almost half of those planning to leave their current job cite a loss of trust in their manager or employer as the primary reason they intended to look for new employment.

This is no secret in the boardroom. Once again, according to the Deloitte survey, fully two-thirds of Fortune 1000 executives understand that a lack of trust and confidence in management can contribute to an increase in job mobility.

In fact, there are probably sales organizations that lose nine out of ten new hires within the first two years, and that figure is just for the average sales professional; fully replacing a top sales professional could easily take longer, if such replacement is even possible. Needless to say, high turnover rates create a constant need for replacement personnel. And that's a big deal when it comes to making sales, because most companies report that it takes six months or longer to ramp up a new sales representative to full productivity.

To make matters worse, the tools that most sales managers have at their disposal are so old and clunky. Sales managers are trying to cope with this roller-coaster of challenges by clinging to sales concepts that are literally decades old. For example, it's possible (easy, in fact) to purchase courses in today's sales training markets that are virtually identical to those presented to the sales teams who were mandated to hawk the Ford Edsel.

While some of that quaint stuff may (possibly) be useful today, it was (and is) entirely based in equal parts upon anecdotes, assumptions, guesswork, and chutzpah, rather than science.

Nowhere is this outmoded thinking more obvious than in the hiring process. There are many executives who believe that they're making a wise hiring decision for a sales job if the candidates are able to make a "good sales pitch" for hiring them. While the ability to present is obviously important, today's sales environments (as described earlier) require far more than a carnival barker's patter.

Many sales managers have also failed in the area of technology. According to a 2001 study by the market research firm the Gartner Group, as many as 50 percent of CRM installations

were considered failures—by the people who must use them on a day-to-day basis.

While success rates for CRM are somewhat higher today, failed technology projects inside sales departments are far from unusual, according to CRM consultant Barton Goldenberg of ISMguide.com. “Many companies fail to connect their CRM purchases to the needs of the sales force,” he explains. “Sales professionals try, and then reject the system or see it as a nuisance. This ends up wasting money on hardware, software, and training that could be better spent elsewhere.”

Sales technology can also cause problems when it bolsters sales behaviors that do not need improvement. For example, a sales professional who is good at presentations but weak in closing is likely to become even less productive when given a tool that improves the quality of his presentations.

That new technology inevitably encourages that professional to continue to focus on presentations, when in fact the real challenge, for that particular sales professional, is setting up the conditions for closing the sale and then asking for the business.

Another area where sales management has struggled is sales training, both internal and external. In the United States alone, companies that sell business-to-business spend between \$4 and \$7 billion on sales training, according to Dave Stein, CEO of ES Research, a company that studies the sales training market. And yet, much (and even most) of the huge expense is wasted.

The sad truth is that many sales training programs are simply repackaged motivational programs, and even sales training programs that are skills-based run the risk of emphasizing or reinforcing behaviors that are not strategic. For example, suppose an individual sales professional is already a good “closer,” but has trouble developing long-term customer relationships. In this case, a course on “how to close” will have only a minimal impact on that person’s overall value to the company.

Worst case, it may cause that individual to further neglect elements of the sales process that are required in order to achieve a strategic goal, such as the formation of a stable and loyal customer base.

If there's a failure to correctly diagnose exactly what's not working in the sales process, both at an organizational level and an individual level, sales technology and sales training are only going to make a bad situation worse. Without precise knowledge of exactly where a team or an individual is failing, then throwing technology and training into the mix is a little like a doctor giving a sick patient a random collection of drugs. While a particular drug might work, the patient might get sicker (or even die) due to the side effects.

Sales process is also a source of lost opportunity. In our experience, a surprising number of companies lack even a basic sales process. Instead, they rely upon organizational lore, with individuals passing along "we've always done it this way" information that may encourage sales behaviors that have been creating diminishing returns for years.

Other sales organizations have a sales process in place, but are full of individuals who either don't know how to use it or actively refuse to use it. Unfortunately, many sales managers are reluctant to compel compliance because they're afraid that the process doesn't accurately reflect the best practices of their top performers.

In fact, the top performers are often the worst offenders when it comes to subverting the official process, because the official process, in their experience, doesn't work. Indeed, the process itself is likely to have been constructed based upon untested theories about what "should work" with customers rather than any kind of measurable improvement that can be causally tied to its use.

Still other organizations have a sales process in place and sales professionals who use it religiously, but are still failing because the process does not accurately reflect the strategic

needs of the company. For example, a sales process might emphasize prospecting for new business, when the company's business model requires a low cost of sale that's only possible with a high mix of cross-sell and up-sell opportunities.

Sales executives and managers, as a class, are far from unaware of their inability to get a handle on an increasingly complex selling environment. According to *SellingPower* magazine, the typical sales vice president or chief sales officer stays in place for *less than two years*. It would be strange indeed if sales managers facing that kind of pervasive job insecurity didn't realize that sales management is in a more or less permanent state of crisis.

What emerges is a picture of sales management struggling not just with hard economic times, but with economic fluctuations. That failure is characterized by an inability to hire the right people, adequately train the people that they do hire, and a general inability to hold on to those employees who do succeed.

The Advent of Scientific Selling

The solution to the crisis in sales management is to introduce science (and once again, we mean real science, not lip-service science) into sales organizations. With scientific selling, selling (and managing the process) no longer remains a "black art" but becomes more measurable, and more predictable, even in markets that are undergoing massive, rapid change.

Every element of the crisis in sales management emerges from the inability to adequately measure the basic elements that will lead to the creation of a successful sales team.

This is not to say that sales organizations haven't been measuring themselves for years. In fact, there are few corporate organizations that are measured more frequently than sales teams. Unfortunately, when it comes to measurement, most sales organizations focus on downstream measurements such as closes per month, revenue generated, and so forth.

While some organizations also track milestones in the sales process (like conversion rates on cold calling), very few have the tools with which to measure upstream success factors such as the company's ability to hire sales professionals who will work well in that environment. Similarly, most companies lack a way to measure specific sales behaviors such as the ability to develop an initial opportunity, or the ability to present specific benefits to a customer account.

Sales managers who want to build successful sales organizations in an increasingly complex and competitive business environment cannot haphazardly throw technology and training at problems and hope that something sticks. Instead, they take a scientific approach that measures specifically what's needed in each situation. That measurement must then be followed by the specific application of technology and training that addresses specific strengths and weaknesses.

A truly scientific approach demands more. In order to manage a sales organization in today's incredibly demanding business world, sales managers need scientifically valid ways to measure, correct, and improve the building blocks of a successful sales team and sales process. Subsequent chapters in this book describe exactly how that is accomplished, with examples from real life.

Specifically, this book focuses on two scientific disciplines: (1) behavior assessment (which measures the basic psychology, drive, and motivation of the sales employees and managers), and (2) skills assessment (which measures sales employees' specific sales knowledge, skills, and judgment). These two elements correspond roughly to the concept of "nature versus nurture," with behavioral assessment measuring the nature of the individual, and skills assessment measuring the effectiveness of the nurture.

Behavioral assessment provides a way for the sales manager to measure and understand the motivating needs and drives of a firm's top performers and then tune the hiring process to

measure for similar traits in future candidates. It also provides insight into the motivational strategies of existing personnel, so that sales management can more easily coach and manage, according to each sales professional's individual needs and personality.

Skills assessment allows a sales manager to extract specific data about the effectiveness of specific sales skills in a sales process, such as building trust and credibility, identifying client needs, presenting products/services, articulating their value, handling objections, gaining agreement for the sale, and finally, creating long-term customer relationships.

Behavioral assessment and skills assessment, when applied in parallel, thus provide sales managers with a perspective into salespeople and the sales process that is simply impossible using the traditional method of "management by gut" and "measuring the results."

Throughout this book, you'll be exposed to some incredible successes that companies have had through the application of science to various aspects of the sales process.

For example, in Chapter 4, you'll learn about Centier Bank, a financial institution with around \$2 billion in assets, that used scientific selling to change its hiring practices to increase retention. This solved a major problem, because the company was losing one out of five sales personnel every year and was located in a geographical area where talented sales personnel were particularly difficult to recruit. Using the techniques described in this book, Centier halved that rate to 1 out of 10.

Similarly, in Chapter 6, you'll learn how the information provider LexisNexis used the concepts described in this book to guide their merger and acquisition strategy, and then as a means for making managers better able to coach the individuals who came over with the acquired firms. The result was a turnover rate that shrunk by 50 percent, achieving a final figure that's lower than the industry average, despite all the churn and confusion inherent in corporate mergers.

These are by no means exceptional cases. In fact, the use of the tools described in this book have a consistent and proven positive effect on sales results across the board, according to a recent study by the market research firm the Aberdeen Group. According to their survey, three-quarters of the organizations that used assessments experienced higher management satisfaction in their hiring of sales personnel. These companies also experienced a 75 percent year-over-year decrease in hiring costs and a 2.5 times year-over-year increase in profit for the average sales professional in the organization.

Sales organizations that embrace the concept of selling more scientifically will inevitably become more competitive because they won't be wasting resources focusing on irrelevant or counterproductive activities. They'll have the tools that they need to better assess the performance of candidates and personnel alike, creating a predictable improvement in the organization's ability to deliver sales results. Sales organizations armed with such tools are also more likely to create a sales culture that attracts and keeps personnel who have the basic personality and motivation to be successful in that environment.

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