



Professional sales channel outsourcing

Competing For Keeps in the New Economy

Outsourced Sales Channel Strategies for Achieving Speed To Market

A WHITE PAPER

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SECTION 1:

Solving Speed-to-Market —

The Benefits of Outsourcing a Sales Force

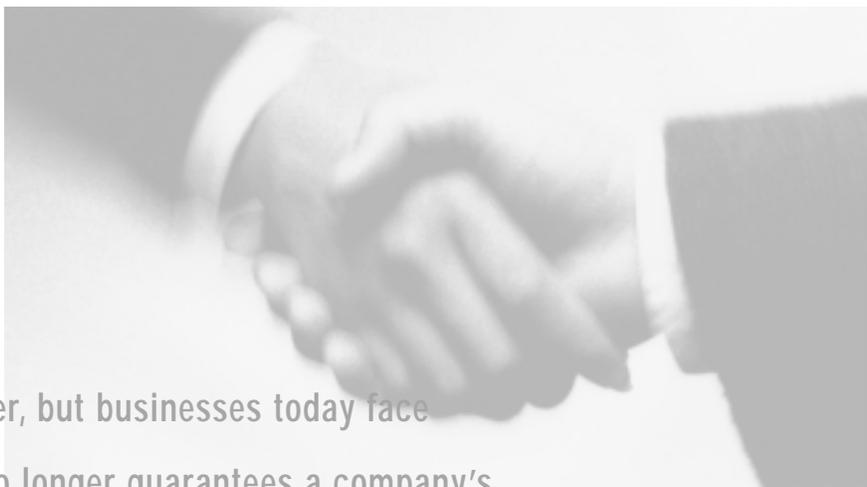
The buzz of e-commerce, telecom and other sky-rocketing industries has many of us spinning in our seats, wondering how it all happened so fast. Forces like deregulation, the Internet and the accelerating pace of technological development have forever changed the competitive landscape. Today, aggressive companies of virtually any size compete in areas once reserved solely for traditional economy players. Now immediate sales results – more than ever before – are critical to the ultimate success of a company and its share of the market.

Market entry has become easier, but businesses today face new challenges – being first no longer guarantees a company's success. Today, the

challenge is to get to market quickly, with a fully functioning sales channel that drives bottom line results. Without this channel in place, competitors that mobilize quickly can undermine any advantage gained by being first.

Building a sales channel, though, takes time and expertise. And as executives in companies everywhere focus intently on revenue, market share and profitability, they look for ways to quickly build the nimble, efficient and sophisticated sales organizations needed to rapidly penetrate a new or expanding market. More and more, companies seeking speed to market are turning to an outsourced sales model.

In this paper, we discuss the outsourced sales model, and look at ways companies small and large – "new economy" and "old" – have learned that outsourcing this core function has reduced the risk and accelerated business results.



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SECTION II:

Market Penetration Strategies that Strike the Balance Between Speed and Risk

Being the first player to enter a new market can be critical to a business' success. It has become widely accepted that companies penetrating markets first often reap distinct benefits: higher initial profits and increased mindshare that money can't buy.

During the past five years, forces such as deregulation and the Internet have made the race to first place an almost universal business challenge. Companies never before competing in an open market have plunged into aggressively competitive arenas. Also, organizations hungry to seize new opportunities have expanded sales and marketing efforts and begun targeting uncharted areas.

But conquering these new opportunities means risking financial and human capital. Companies that unleash in-house sales resources on untested markets can divert attention from existing customer relationships. Rapid growth businesses like utilities and dot-coms may lack the sales infrastructure to seize these opportunities. Hesitation can jeopardize their opportunity to be first, resulting in more expensive or impossible market dominance.

Astute businesses have come to see outsourcing sales business processes as a rational and balanced approach to maximizing opportunities. In fact, the September, 2000 Dun & Bradstreet Barometer of Global Outsourcing projected the total 2000 outsourcing market at \$1 Trillion worldwide (39%/\$390 Billion U.S.) with a growth rate of 15% in North America. The 2000 Dun & Bradstreet / Outsourcing Institute Index study also quotes a 15% growth rate. (four times the U.S. economy 3.5%) The Index study projects sales & marketing outsourcing to grow at 30% annually, driven by the

strong economy where sales opportunities continue to expand.

Dramatic market shifts and redefinitions affect each of these arenas, and call for outsourced sales and marketing services. Outsourced sales forces, deployable in less than two months, can professionally represent corporate brands and products. They can be implemented in a fraction of the time and capital needed to build an in-house sales force. They also reduce risk and allow executives to remain focused on existing customers and their core competencies. By supplementing a company's efforts, outsourced sales force partners not only promote companies' speed to market, they also help companies reduce the inherent risks associated with it.

To be a true partner, outsourcing companies must be able to develop, implement and manage a sales initiative by addressing several key elements: market planning, sales force implementation and training, sales force management, and administration.

Creating an Outsourced Sales Channel

Both traditional and new-economy players can benefit from the credibility and experience offered by a professional outsourced sales force. But ensuring that an outsourced team will accurately represent an

organization requires a consultative process and a fully customized approach. To be a true partner, outsourcing companies must be able to develop, implement and manage a sales initiative by addressing several key elements: market planning, sales force implementation and training, sales force management, and sales force administration.

Each element represents a critical developmental phase in the strategic direction, tactical implementation and on-going management of a sales effort. Utilizing these phases ensures that outsourcing partners focus on helping client companies achieve their long-term objectives and goals. We have outlined each phase below:

> **Market Planning**

Market planning entails thorough research of target markets, competition, developing a sales compensation plan, determining the size and scope of the potential market, uncovering the most profitable segments, and designing well organized and balanced territories to maximize selling time. A sales force outsourcing partner can drive these processes.

By uncovering critical variables – such as the size of the market opportunity, population density of potential customers and high-margin customers – sales force outsourcing providers convert raw data into executable sales strategies.

These partners consult with their clients to understand their corporate mission, products and brand essence. By uncovering critical variables – such as the size of the market opportunity, population density of potential customers and high-margin customers – sales force outsourcing providers convert raw data into executable sales strategies. Because outsourced sales force providers work with a range of companies, they understand the nuances of implementing industry-specific sales campaigns, avoiding false starts or misdirected strategies.

> **Sales Force Implementation & Training**

Assessing sales talent and matching an individual's qualifications with the client's requirements is both critical and time consuming for in-house executives. Without tapping into the proper skill-sets for candidates, a sales campaign can miss its target and fail to connect with customers. Furthermore, recruiting candidates that meet the ideal profile is yet another extensive, costly endeavor. Sales and marketing executives are usually focused on meeting quarterly goals and have little bandwidth to lend to recruiting efforts- despite the importance to a campaign's success.

A sales force outsourcing company not only maintains databases of professional sales candidates, but also can begin building a sales team immediately. Once the sales professionals and manager's are in place, the outsourcing company should be able to develop a training curriculum to orient the team to the client's market conditions, products and selling environment. The time, effort and knowledge base required to recruit, hire and train a sales force can drain an in-house staff, which is why companies are turning to providers of outsourced sales forces. They maintain the resources and expertise required to

handle these functions, helping build a sales campaign quickly that is successful from the outset.

> Salesforce Management

Even with a skilled sales force, seasoned managers must monitor the progress of sales campaigns. Developing reporting mechanisms for new campaigns can divert management's resources and attention from a company's core business functions. Providers of outsourced sales forces can manage and integrate this process on their client's behalf, ensuring campaigns are on schedule, and outsourced sales representatives and managers meet goals on an ongoing basis.

In addition, outsourced sales force firms can monitor and manage a sales team's performance and provide detailed analyses of program results. Markets are dynamic and a partner providing an outsourced sales force can recommend tactical adjustments to enhance a campaign's effectiveness. For example, fine tuning goals and incentives can make or break a sales effort. Similarly, an outsourced partner can make recommendations for reconsidering a market's geography, or provide the expertise needed to refine the criteria for the ideal sales candidate or market entry. This level of counsel enables in-house sales and marketing executives to remain focused on their existing sales efforts, while reaping benefits of broadened market coverage and penetration through the outsourced sales force.

> Sales Force Administration

Finally, sales outsourcing companies should also provide back office functions, or sales force administration. Outsourcing companies can handle payroll,

compensation and expenses, file tax and employment forms, and hire, terminate and provide supplemental training as required. By handling these functions, an outsourced sales force provider saves in-house staff time enabling clients to focus on their core business.

Outsourcing partners often become ongoing extensions of an organization, serving as permanent sales channels and an ongoing revenue stream.

Outsourced sales force providers also bring years of experience to each sales campaign. Their knowledge of best practices and resources help launch a campaign quickly and cost effectively. As product and market launches mature into ongoing campaigns, outsourcing programs continue to evolve and support companies' strategic goals. Outsourcing partners often become ongoing extensions of an organization, serving as permanent sales channels and an ongoing revenue stream. Effective outsourced sales forces help for the long term: supporting continued sales, developing strategies to further penetrate and expand new market segments, and assist in growing additional product lines.

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SECTION II:

Conquering New Opportunities and Establishing a Long-Term Presence Through Outsourcing

The dynamic nature of the traditional economy consistently brings forth opportunities that can be tapped through outsourced sales forces. The recent spate of states deregulating their utility markets is a case in point.

For decades, suppliers of telecommunications, gas and electricity utilities operated in a government-regulated monopoly. The government apportioned customers among companies, and rates were not competitively priced. Deregulation changed these practices: closed markets suddenly became competitive, and shockwaves rippled throughout an industry whose suppliers were ill-prepared to compete for market share due to the competitive landscape changing overnight.

For suppliers, deregulation represents both opportunity and risk: Will the time and money

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expended preparing for the new market opportunity jeopardize existing operations? How difficult and costly will it be to quickly recruit and deploy a sales force? If a company builds a sales force to enter the market, will it be forced to conduct layoffs after the campaign ends? The question then becomes: How does a company prepare for opportunities with virtually unlimited potential, while reducing the risks involved in building a sales organization from the ground up? The answer for utility and telecommunications companies in deregulating markets: contract with an outsourcing sales partner, as the following example illustrates.

[Case Study]

Outsourced Sales Force Enabled Major Utility to Grab Customer Base in a Newly Deregulated Market

In the fall of 1998, when the state of Georgia deregulated its natural gas industry, 18 natural gas marketers stood ready to grab market share. One leading gas utility player in Georgia was determined to reach the market first and become the leader in commercial customer acquisition.

Georgia officials laid down the ground rules for competition that favored those who could get to market quickly. The government set October 15 as the permitted start date for soliciting commercial customers. These efforts could continue until one-third of the State's consumers selected their energy providers, or until the enrollment period reached its 100th day – whichever came first. After this period, the state would step in and allocate gas users to

energy marketers on a random basis.

While the potential for capturing a significant share of the market was great, the natural gas utility understood the clock was ticking. In order to compete for market share, the company needed a sales force in place to hit the streets quickly.

The utility turned to a professional sales force outsourcing company for assistance. The outsourcing company assessed the situation and began the process of developing a sales force. By October 15, two managers were hired. By November 9, 26 sales professionals had been hired and deployed. The structure of the team was outsourced sales managers who served as the liaison between field operations and the utility's headquarters. A reporting chain was established that flowed from the outside sales force and managers to the utility's executives. The entire process was completed in less than 45 days. As a result, the company was one of the first competitors to assemble a professional sales force, and was the first gas utility to sell service in the newly deregulated market.

Outsourcing its sales needs provided the natural gas utility with a team focused on gaining market share from the outset. In-house executives were not diverted from their daily activities to implement a sales campaign, and the effort moved forward seamlessly. The outsourced sales force not only increased the percentage of sales closed, but also designed a more efficient sales process. Today, the company continues using this strategy to penetrate new markets.

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Achieving Speed to Market in Internet Time

The Internet's rapid growth has revolutionized the way in which goods are bought and sold in vertical markets. As a result, today's business-to-business vertical portals can gain even greater benefit from outsourced sales forces.

A vertical portal – also known as "vortals", "hubs" or "market exchanges" – creates value by aggregating buyers and sellers and acting as an intermediary to reduce transaction costs. But the number of hubs in each vertical market is limited. Once these hubs are in place, they virtually close out competitors.

In creating a vertical hub, two elements are essential: building a critical mass of suppliers (sellers) and buyers. Both drive the hub's success. The more sellers a hub has, the greater selection there is for buyers, and vice versa. Hubs reaching this balanced state are more likely to achieve market dominance. As a result, they remain attractive to funding organizations. Outsourced sales forces can help these market exchanges achieve this state of market liquidity by building the supplier and/or buyer sides of the hub.

For instance, an outsourced sales partner can focus on supplier acquisition while the market exchange concentrates on core business functions. The ability to maintain such a dual focus represents a distinct advantage. Companies that do so can achieve market dominance quickly by aggregating a critical mass of buyers and sellers.

Sales outsourcing companies can allow vertical hubs to take maximum advantage of a narrow window of opportunity by placing a trained, motivated sales team in the field ahead of their competitors. Moreover, they accomplish this feat without

straining existing resources. As a result, even a start-up company can be completely functional from the moment it goes online.

This accomplishment is not lost on venture capital investors who quickly identify and reward those who seize competitive advantages in the marketplace. Sales outsourcing companies, by offering these advantages quickly and cost-effectively, promote investor confidence in client companies' management skills and long-term viability, as evidenced by the following case study.

[Case Study]

Building a Base of Suppliers for a Dot-Com Vertical Market Exchange

The automobile service industry, like many mature segments of the economy, was slow to integrate the Internet into its operations. By 1999, the industry began to recognize the advantages the Internet offers in making a range of services more convenient to access.

One automotive service provider discovered that consumers across the nation needed a centralized, trustworthy resource for information about automotive mechanics, dealers and retailers. Automotive dealers and retailers were also looking to expand their base of customers. It was the kind of gap that the Internet could easily fill. The company decided to create an online vertical hub, connecting motorists with automotive service providers. The company envisioned an Internet market exchange in which qualified customers and reputable businesses could find each other. But building a nationwide network of qualified and

reliable automotive retailers and dealers could not be accomplished in cyberspace. It required a sales team in the field to identify reputable businesses and convince them to participate in the network.

Skilled sales outsourcing companies are ideally qualified for such challenges. They are capable of rapidly acquiring, training and deploying a professional sales team across North America. The automotive exchange turned to a professional sales outsourcing company to build its national network.

Following a detailed situational analysis, the outsourcing firm segmented the market and created multiple sales territories. It recruited and trained experienced sales professionals and sales managers from each market, then deployed them around the country to sign on prospective automotive network members.

Within 45 days, the outsourced sales force comprised of 68 sales professionals, nine regional sales managers, and a national client services director for national coordination and management. The sales force outsourcing firm trained the sales team on a variety of sales and technical skills, including field salesforce automation, and building web sites.

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The outsourced sales firm identified 600,000 qualified automotive service providers. In the first nine months of the campaign alone, the outsourced sales force acquired 1,900 retail network memberships.

The outsourcing partner's strategic sales and marketing planning, implementation, and results enabled the automotive services hub to gain significant ground in the marketplace, discouraging rivals and appealing to venture capital investors. In the following year, the Internet hub renewed and expanded its contract with the outsourcing partner.

SECTION IV:

Conclusion

For businesses to compete successfully in the "new economy" (and take advantage of the multiple opportunities it affords), they should consider a new outsourcing model that will extend their reach without draining capital and human resources. Although in the past outsourcing has been limited to back-office functions, today's progressive businesses have learned to rely on outsourcing companies for functions as mission-critical as sales and marketing.

The telecommunications revolution, deregulation of utility markets and a decade of robust tech-

nological and economic growth have combined to open national and global market opportunities. For businesses entering new markets or introducing new products, speed is essential. In the fast-paced world of e-commerce, the first company to identify and fill a niche gains a "first mover" advantage that competitors will find difficult to overcome. This is especially the case with business-to-business Internet market exchanges. The first company to build market dominance is the one that will attract investor support. It is also the one most likely to be alive and thriving when the dot-com shakeout ends.

In a newly deregulated market, the company that is first to present its product increases its chances to acquire the lion's share of customers. There is no faster or more efficient way to gain a presence and capture market share in a new segment, product or territory than by employing an outsourced sales force. Experienced, knowledgeable sales representatives and managers can be recruited, trained in a company's culture and deployed into the field in less than two months.

Without straining in-house resources better dedicated to other core functions, businesses that engage sales force outsourcing firms are able to be more aggressive, placing themselves in a position to achieve speed-to-market without building a fixed overhead infrastructure.

Sales force outsourcing is the model for the 21st Century.



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