

Better Buy Case: Managing a Sales Process

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Case Description

The primary subject matter of this case is sales process management. Secondary issues examined include the improvement of sales processes, the discussion of the renting vs. owning dilemma as it relates to office space in a large metropolitan area, and the use of information technology to support functional goals. The case has a difficulty level appropriate for senior students or first year master students. The case is designed to be taught in one class of three hours and is expected to require two hours of outside preparation by students.

Abstract

Better Buy¹ is a real estate development firm that purchases prime real estate in large cities, upgrades and repositions those buildings, and then sells (not leases) spaces within the building to large, prestigious companies in the area. Even though Better Buy is growing, Roger, one of the commercial real estate developers, couldn't help but wonder if there is a more effective way to manage their sales force. Currently, "managing" the sales process is done through a mixture of loose notes, spreadsheets and inefficient meetings. Roger is also concerned with the communication (or lack thereof) that is taking place between his sales team and the clients. His team should be staying on top of these types of things, shouldn't they? After all, who knows how many customers have been neglected and lost? Finally, what about the lag time when a sales person is waiting to hear back from a client? Should that be managed differently? Something within this process needs to change quickly if Better Buy is to achieve its target sales. Roger believes he could develop a better way to manage their sales process, which would benefit not only the sales force but the customers as well. Better Buy has a pretty good sense of their sales process but no system to manage it or to evaluate its effectiveness. The problem is - where to begin.

Keywords: Sales process, sales process management, sales management, coordination theory, case study

1. Introduction

Roger Ramirez sat at his desk at 10:30am Wednesday morning, looking out his window at the San Diego² skyline. He was lost in thought when his phone rang. His senior sales manager was on the line, wanting to discuss the sales meeting they had had just an hour earlier; a meeting that Roger was still in disbelief over. Was this how his sales team had been working all along? At 9:00am that morning, Roger had entered the board room at Better Buy, the San Diego commercial real estate development business that he manages, to observe the weekly sales meetings of his three sales managers.

¹ Not the real name of the company

² Not the real location of the company

He had spent the next hour sitting through a meeting that he would later refer to as a “glorified coffee break.” The conference table was filled with post-it notes, Excel spreadsheets and scrap paper with names and information of potential customers. Information was in no way organized or shared amongst the sales team. Each manager took turns discussing potential clients and leads that were nearly a month old, without any action being taken on them. “Sure, we contacted them,” one manager said, “but we are still waiting on them to get back with us.” His team had continued discussing potential customers, along with other non-work related conversation, and had ended the meeting with a pep talk from the senior sales manager. “Great job, everyone. We’ll meet again this time next week.”

Roger knows that he has a smart and hard working sales team that is selling office space in San Diego to some very prestigious businesses, but he can’t help but wonder if there is a more effective way to do it. Is this how sales are supposed to be managed: A mixture of notes, leads and waiting by the phone for the client to call back? He is very familiar with sales processes as well as sales management and knows that there should be better ways to handle their leads. Roger is also concerned with the communication (or lack thereof) that is taking place between his sales team and the clients. His team should be staying on top of these types of things, shouldn’t they? Finally, what about the lag time when a sales person is waiting to hear back from a client? Also, it seems as though a lead shouldn’t be considered an opportunity until clients have seen the property and have expressed a serious interest in moving forward. Something within this process needs to change quickly. Roger believes he could develop a uniform system to manage the sales process that would benefit not only the sales managers but the customers as well.

2. Background

Roger Ramirez, a commercial real estate developer, has met with great success in Tampa, Florida, and is branching out to other large cities in the United States, such as San Diego and Los Angeles. In April 2003, Better Buy expanded their operations to San Diego, where they acquired two properties: an 18-story commercial office building built in 1968, and a 38 story commercial building, built in 1940.

The approach behind the business is simple: purchase prime real estate in large cities, upgrade and reposition those buildings and then sell (not lease) spaces within the building to large, prestigious companies in the area. The working assumption is that enough businesses would prefer owning their office space as opposed to leasing. Not only can they make the space their own (the offices are purchased before the building is remodeled completely, so that offices can be built according to the purchaser’s specifications), but possibly the most advantageous motive would be for a business to express to their customers that they are a financially sound company with strong roots in that particular city. In other words, “they aren’t going anywhere.”

In addition to personalized office space, Better Buy’s office locations are loaded with amenities. For instance, facilities in San Diego include a prime location in the heart of the business district. With views of the San Diego skyline and the convenience of entertainment, restaurants, government and corporate offices, as well as courthouses and public transportation, a company could easily see how the benefits would outweigh the initial investment. Amenities at this location include indoor heated parking, full-service fitness facilities, a bank with an ATM, 24 hour manned security, high speed optical Internet access, as well as onsite building management.

When an organization owns their office space, they are no longer susceptible to unpredictable rent increases or the ever possible eviction due to rezoning. The company has the opportunity to build its own equity and enjoy the space through ownership, not to mention benefits from possible tax advantages. The perks that come with owning their own office space include the opportunity to design a floor plan that best fits the business’s needs and offers better control over their work environment, a location in prime and prestigious areas within the city of San Diego, and luxurious amenities to ensure that companies are getting the most out their office ownership. Ownership versus leasing also may allow a business to better arrange a succession plan or organizational strategy for the business.

Knowing that the office space that companies are moving into is dedicated to continuous improvement of the building is comforting in many ways. The office spaces not only meet the needs of clients, but also offer the most modern and up-to-date common spaces possible. While the owner of the office space is responsible for build-out expenses, companies will not have to be granted approval from a landlord to upgrade their office space.

If a company chooses to renovate or expand, they may do so on their terms and timelines, rather than that of a landlord. If the company decides to move, they are the ones who profit from the upgrades they made to their office space, not a landlord.

3. Better Buy's Sales Process

Although sales may be an art to some, others view it as a process that must be closely followed in order to be successful. A typical sales process, such as the one that the Better Buy sales team relies on, consists of five steps:

Lead Capture: Once sales people have identified prospects, they must qualify them in order to ensure that they are not wasting their time selling to someone that does not have the ability or interest in what is being sold. For Better Buy, the sales managers need to qualify their prospects based on several criteria. Research should indicate that the company would have the financial means to purchase space within one of the commercial office buildings, that the company is currently renting space in or near downtown San Diego (or wanted to), and that the company has the financial security needed to maintain ownership of the space. Also, believing that the companies would have a “good possibility” of purchasing is also a plus.

Currently, the sales managers at Better Buy are forecasting their prospects based on a “feeling” that they have about a company and not on a due process of qualification. Also Roger believes that the sales team is not controlling the quality of opportunities that are advancing through the sales funnel and some of these opportunities just waste sales people's valuable time.

Follow up lead: The Better Buy Group does have a website and information pertaining to its commercial buildings, along with contact information for the sales group. It is one of the first websites to come up when using a search engine to locate “office ownership in downtown San Diego”. However, very rarely will a company contact the sales team for purchase information. It is almost certain that the sales team will have to make the initial contact with possible customers. Cold calls are usually the first means of contact. Finding out who the sales team should speak with is very important so as not to be passed from person to person within the organization. When a cold call is made, the sales person should attempt to set up an appointment time to formally make a sales pitch. Selling commercial real estate is not the type of deal one can attempt to close over the phone. Something that isn't currently being enforced within the sales team is the issue of priority. If a specific company is an especially promising lead, it has no priority over, nor is treated any differently, than any other leads. This could eventually cause a lead to no longer be interested or feel that they are being neglected. Or worse, a competitor could take their business.

Sales Presentation and Property Tour: The first sales presentation for Better Buy should focus on the benefits of owning versus renting office space, and questions should be asked to make the potential client think about the best fit for their company. Is renting causing the company undue stress, such as wasting money, having to work in a less than ideal office setting, or inconveniencing their customers (parking, location, etc.)? Once these questions have been discussed, the sales person should then pitch an “answer” to the questions: owning office space at one of the premium locations in San Diego. Under no circumstances should the sales team leave things up in the air. Leaving decisions unmade during this step can cause undo stress to the sales team and can drag out the process longer than necessary, especially if the company is not really interested in purchasing space. The expectation is that this presentation will result in customers touring the facility.

Send proposal: When discussing the features of a product or service, the sales person must use the opportunity to obtain valuable information to identify what might be blocking the customer from buying, so that a good offer may be written in a proposal. Answers as to why the purchase would be in their best interests are key. During this time, the sales manager must be able to empathize with the situation the company is currently in and listen to the objections of the contact with a sympathetic ear. By building rapport with the client, the sales manager will become more trusted and be viewed as more knowledgeable about the best decision for their company. Holding lengthy conversations about the needs of a specific company can help decide the best proposal to be sent.

Closing the Sale: Customers will often give sales managers cues that they are interested in purchasing. These cues may include questions about pricing, availability, and construction timelines. Sales managers must be patient and answer all questions in detail. Providing customers with as much information as possible will allow them to make an educated decision that will not leave them feeling pressured. Sales managers should try not to leave these conversations open ended. They should focus on getting a commitment before they leave.

Better Buy Group uses the basics of this model along with a few extra steps that are needed in order to complete the necessary legalities involved with selling a piece of property (condominium space). The current specific sales process for Better Buy consists of the 9 steps included in Figure 1. Roger wonders how the sales process could be managed more effectively. This difficult task involves the constant loading of new contacts, the qualifying of contacts and their priorities, and troubleshooting any problems as they arise. The sales team has been trying to manage too much at once. They seem to be in need of additional support staff to assist them with duties, such as call backs and the sending of paperwork and other time-sensitive materials to their clients. In addition to assisting sales managers with these duties, support staff may also have the ability to track and record clients currently in the sales funnel. What type of system can Better Buy use to improve the management of its sales process?

Roger is also concerned about the quality of their current sales process. Better Buy's sales people are mixing their leads and opportunities with no real recognition of which one has priority over another. This has caused problems when time was an issue and the leads with priority could not be easily identified. In addition to priorities, the quality of the opportunities is not being controlled. In other words, companies that are not really interested are being pushed through the sales process – thus distorting sales figures until they are in the negotiating phase of the process. This leads to the question of whether or not the initial lead capture and property tour are a help or a hindrance. Does Better Buy need to change its sales process?

4. Questions

1. What are the problems with how the current sales process at Better Buy is managed? What are some of the generic challenges of managing a sales process?
2. What are the important elements needed to manage a successful sales process?
3. What adjustments can be made to the steps of the sales process in order to make it more efficient? Create a new sales process(es) for Better Buy Group.

Better Buy: Managing a Sales Process

Danilo Sirias, Stacie Krupp, and Megan Biskup, Saginaw Valley State University

Case Description

The primary subject matter of this case is sales process management. Secondary issues examined include the improvement of sales processes, the discussion of the renting vs. owning dilemma as it relates to office space in a large metropolitan area, and the use of information technology to support functional goals. The case has a difficulty level appropriate for senior students or first year master students. The case is designed to be taught in one class of three hours and is expected to require two hours of outside preparation by students.

Case Synopsis

Better Buy is a real estate development firm that purchases prime real estate in large cities, upgrades and repositions those buildings, and then sells (not leases) spaces within the building to large, prestigious companies in the area. Even though Better Buy is growing, Roger, one of the commercial real estate developers, couldn't help but wonder if there is a more effective way to manage their sales force. Currently, "managing" the sales process is done through a mixture of loose notes, spreadsheets and inefficient meetings. Roger is also concerned with the communication (or lack thereof) that is taking place between his sales team and the clients. His team should be staying on top of these types of things, shouldn't they? After all, who knows how many customers have been neglected and lost? Finally, what about the lag time when a sales person is waiting to hear back from a client? Should that be managed differently? Something within this process needs to change quickly if Better Buy is to achieve its target sales. Roger believes he could develop a better way to manage their sales process, which would benefit not only the sales force but the customers as well. Better Buy has a pretty good sense of their sales process but no system to manage it or to evaluate its effectiveness. The problem is - where to begin.

5. Instructors' Notes

The regional manager of Better Buy Group - San Diego believed that his sales team could be more organized and effective. He was unsure as to how he might make this happen but thought that perhaps a uniform process could be used to increase efficiency, and therefore increase sales.

1. What are the problems with how the current sales process at Better Buy is managed? What are some of the generic challenges of managing a sales process?

The objective of this question is for students to pick up the major problems Better Buy is experiencing with its sales process and then to extend the discussion to include generic problems faced by sales managers.

The sales managers at Better Buy are following a typical sales process, but are failing to properly manage their leads through the channels. Difficulties arise when managers are working with multiple clients and are not communicating with them as they should. There is no clear timeline or process in place for better managing their prospects. Priorities are not clear and often not communicated. This is the problem that Roger struggled with at the beginning of the case.

Here are some observations students may have about Better Buy:

1. Leads and opportunities are currently being mixed in the funnel without one having priority over the other.
2. The quality of opportunities advancing in the funnel is not being controlled.
3. The current process depends solely on the creativity and ability of the sales associate.
4. Forecasting of results depends on the “feeling” of the sales associates and not on a due process of qualification.
5. Sales information is unorganized.
6. The sales team seems understaffed for the amount of work they have been taking on.
7. One general sales process was followed for every situation.
8. Unprofessional discussions are taking place in weekly sales meeting.

After discussing the specific problems related to Better Buy, the instructor could talk to the class about some of the more generalized problems. One strategy the instructor can use is to ask students with sales experience about the problems they have witnessed. Some of the potential contributions include:

1. Managing a timeline is challenging due to the uncertainty of how long it may take to close a sale.
2. Sales cycles vary from days to years so it is easy to forget important commitments.
3. Standardized processes may work well in some cases, but not well in others, making the evaluation of a sales process challenging.
4. It is difficult to evaluate the need for resources.
5. Coordinating multiple resources is a challenge. How do we make sure that the right priorities are being followed and that the response to customers is timely?
6. How do we know that our funnel is performing at or below capacity?
7. Prioritizing contacts is difficult.
8. There is a constant struggle to update contact information.

The problems related to managing a sales process can be classified into three categories: 1) lack of qualification of the leads entering the funnel, 2) misaligned activities and 3) insufficient capacity to handle the work. When leads that are not qualified enter the sales funnel, salespeople waste time on opportunities that do not generate any income. In addition, promising leads can be neglected, resulting in lost income. Misalignment occurs when the resources are not on the “same page.” When priorities are not clear or not known, resources make decisions based on their local information, which leads to sub optimization. For instance, a sales support person may batch all calls (to save time), when global priorities would have dictated sending a vital information package to an important client. Finally, it is possible that the sales department does not have capacity to handle the volume of work. Assuming that priorities are clear and communicated to everyone in the department and that those priorities are followed, it is still possible that a resource responsible for a portion of the sales channel does not have enough personnel or technology to cope with the demands. For example, a person in the mail room may be using outdated technology, which prevents a mailing campaign from being successful. Or maybe the customer service department is inundated with calls from customers requesting information.

2. What are the important elements needed to manage a successful sales process?

In this question, we expect that students will start thinking of the elements that are important to manage a sales process. There are some good sources explaining how the importance of sales management has evolved (see Weitz & Bradford 1999 & Brown, et al., 2005) When answering this question, students will provide pieces of the puzzle. Some of them will be technical (need a database, software, web access to data, etc.).

Other students ideas' may be more managerial (training, support resources, etc.). The role of the instructor here is to put everything together into some type of framework. In the next paragraphs, we propose a potential framework to drive the discussion.

Managing a sales process is primarily about keeping the flow of leads moving as efficiently as possible throughout the sales process. When managing the flow of a process, we use a framework proposed by Sirias (2010) referred to as AIM, which contains three elements: (1) Align resources (2) Identify problem areas and (3) Modify processes (Figure 2).

Align Resources

The first aspect to be studied is making sure that all of the resources related to the sales process are working together to achieve the sales objectives. The instructor could use the body of knowledge referred to as Coordination Theory to explain the importance of working together (see Malone and Crowston, 1994 & Crowston, 1997). To achieve alignment, two important factors need to be considered: A) loading, the amount of work in the pipeline and B) the priority system, the decision rules followed by all resources supporting the sales process.

Having too many opportunities in the pipeline can have a detrimental effect on the performance of a system due to funnel clogging, excessive multi-tasking and unclear priorities. When too many opportunities are being chased at the same time, it is difficult for resources to distinguish the important opportunities from the less important ones. On the other hand, under-loading the funnel can also be a problem, as resources are wasted and flow stops. Therefore, selecting an appropriate funnel loading level is a crucial decision when managing a sales process. A sales management system, then, must contain a mechanism for sales managers to determine if the "right" load is being maintained in the pipeline so that flow is optimized.

For a sales process such as the Better Buy Group example, the sales managers are responsible for deciding how many sales contacts they will put into the sales funnel on a monthly basis. Goals that are progressive yet attainable need to be decided. By reversing the process to decide how many actual sales the company would like to have as the end result, it can essentially use the funnel to work backwards and decide how many opportunities it will need at each step in the sales process. Of course, the company will need to take into account the capacity of its resources and the expected percentage of leads that move from one step to the next in order to make this decision.

The second important factor in aligning resources is having the right priority system. By controlling the load, as explained in the previous paragraph, the number of contacts may be whittled down considerably from the amount originally put into the funnel. However, there is still work that needs to be done to ensure the resources are aligned. If resources go through their list of tasks without a clear sense of the priorities, it is unlikely that their efforts will be synchronized with the rest of the team to ensure that the right outcomes are achieved. The sales team will likely neglect the timeline related to their opportunities and spend their time on non-critical activities. This can result in lost revenues due to inattention. Imagine a support person needing to prepare a quote, schedule a sales meeting, or interview a customer. Which one of these activities is more important? How do resources determine that?

Selecting appropriate priorities for all tasks in the sales process is not easy. First priorities often change due to a customer's ability and/or willingness to purchase. In other words, a potential customer who is a "hot" opportunity at a given time can quickly become a lost cause. Conversely, an opportunity considered lost could suddenly become one with a high probability to be closed successfully. There is also the issue of time. As mentioned before, opportunities may be lost due to inattention. This could be detrimental if the sales team's level of customer service is not what it should be. Hence, task priorities should be based on both the importance of the customer and the total time the opportunity has been in the funnel. In other words, everything being equal, a task related to an opportunity that has been in the funnel the longest should be given a higher priority level than the others.

The sales management system at Better Buy Group should prioritize the customers that are the most likely to purchase an office space. Once the initial contact is made and the likelihood of a purchase is determined, the sales team should make certain the customer's priorities are followed.

As the opportunity progresses in the sales process, information should be updated to reflect the current situation, including both client status and time in the funnel. This will lead to an efficient use of the sales team's time. Priorities should be clearly communicated to all resources in a timely manner, so that there is no ambiguity in the decision-making process. A sales management system must be designed to keep information up-to-date and to distribute it to all resources.

Identify Problem Areas

In an attempt to minimize problems within the sales process, the sales management team must identify potential problems or bottlenecks that may occur throughout the sales cycle. In that regard, the second important element of a sales management system is having a process to identify the reasons for flow problems in the funnel. When managing flow, being able to find the resource or resources that tend to block the flow can be complicated. Random problems can occur occasionally, but there are also systemic problems that need to be detected. There are also myriad resources that could be responsible for flow issues. The challenge is to find the relevant problems and focus improvements to maximize return on investment.

One option for finding potential bottlenecks is using work sampling, a technique from industrial engineering where random observations of an actual event are performed in order to estimate the percentage of time spent in different activities. Leads can be tracked throughout the whole sales cycle to find out where they spend the most time. A good sales management system should include a module that automatically tracks delays. Determining where opportunities tend to get stuck could provide valuable information for making modifications to either individual steps or the process as a whole. It can also provide information on which resources may need more capacity or need additional training.

Modify processes

The third element needed to successfully manage sales is continuous improvement of the process. As stated in the case, although the sales management process was unorganized, it wasn't necessarily ineffective. The sales team was still making enough sales to be profitable, but the potential to increase sales was even higher. Armed with the information obtained from the previous section, a manager can focus improvement efforts on the areas with a higher potential return on investment.

There are many opportunities to improve a sales process. Improvement can be merely productivity improvement on a specific step. For example, a company could automate order notification acknowledgment instead of manually sending emails. Another example is to have a website for customers to find product information, instead of having to call customer service. Some other improvements may require reorganizing the load across resources differently. For instance, if we assume from the identification step that the salesperson is the most loaded resource, then some of the tasks could be assigned to a support person. This would allow the sales person to have more time, and hence increase flow. Yet another improvement possibility is to change the sales process itself by adding, subtracting or rearranging steps. The next question is an example of this situation.

3. What adjustments can be made to the steps of the sales process in order to make it more efficient?

Create a new sales process(es) for Better Buy Group.

The purpose of this question is to give students some practice in evaluating and proposing changes to a sales process. Students should make assumptions and provide explanations about the reasons for their suggested changes. Students can debate with their classmates either as individuals or as part of teams about the best design for the sales process. Some students may even suggest having different sales processes depending on the type of customer.

In the case above, the adjustments that Roger made for the sales process for Better Buy Group consisted of breaking the current process into two sales processes. First, Roger created a "Marketing Funnel" that was designed to capture leads; these only become opportunities when an active decision-making process begins (this solves the "stalling" that often occurred at the property tour). Second, Roger created the "Opportunity or Sales Funnel". The sales funnel was designed to give the Better Buy Group's sales team control and reliability in the speed of execution, while increasing the qualification of the prospect. This diminishes the likelihood of stalling at the proposal stage. (Figure 3)

6. Epilogue

Once Better Buy began to implement the new sales process funnels, they began to see clear and concise results. With this set process in place, little room was left for “sticky notes” and unanswered calls. This realization triggered Roger to seek out specific software that specialized in the management of the sales process with the characteristics described in the previous question.

“After only 9 months of using a system and based on real information produced, we were able to completely redesign our sales process. This redesign allowed us to reduce our marketing budget by 30% and still increased the volume of new sales.” - Better Buy Group

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Figure 1:



Figure 2: AIM framework for a sales management system

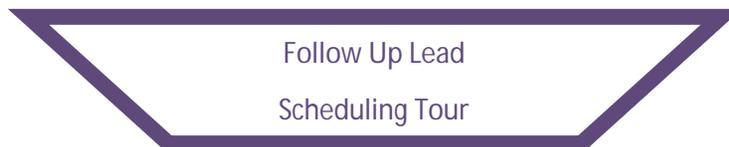
Align	Identify	Modify
Is the load appropriate for the available capacity? Are priorities clearly set and communicated to all resources?	Are there potential bottlenecks in the process?	Is there a need to improve a step in the sales process? Are there any tasks that need to be reassigned? Is there a need to add, eliminate, or rearrange steps in the sales process?

Figure 3: Better Buy’s Previous Process Funnel



Better Buy’s New Sales Process Funnels

Marketing Funnel



Opportunity/Sales Funnel

