How to Develop Qualification Criteria that Help You Find and Win Customers

Sales Process Improvement Series
Volume 2, Version 2.1

by

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Dedication

To Leslie, who’s unwavering support and commitment has always enabled me to pursue my quest.
How to Develop Qualification Criteria that Help You Find and Win Customers

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Introduction to Volume 2, V2.1

This is the second of three volumes in the Sales Process Improvement Series, which translates principles and practices of process improvement and quality management to the sales and marketing function. This second volume in the series—How to Develop Qualification Criteria that Help You Find and Win Customers—shows how to establish and employ the best possible prospect qualification criteria for your organization. These criteria help your salespeople define solid prospects for your product or services and allocate their time and resources in the most cost-effective manner.

This volume in the series fits perfectly between Volume 1, How to Map Business Value to Boost Sales and Marketing Results, and Volume 3, How to Map a Sales Process that Your Salespeople—and Customers—Will Follow. Qualification bridges the two practices of business value mapping and sales process mapping. Business value mapping helps you identify what value you deliver to people in various functions in customer organizations. Qualification criteria enable you identify who in the marketplace would want that value. Sales process mapping shows you how to do business with those people. Sales process mapping incorporates and benefits from the qualification criteria you develop with the help of this guide book.

Within this context, this current guide book will help you:

- Develop more objective—and more useful—qualification criteria than you are now using
- Coordinate sales and marketing efforts to define qualification criteria that both functions will agree to use
- Define the true information requirements of a lead generation effort tailored to your organization, rather than gathering data defined by guesswork or common industry practice.
- Provide a way of judging the effectiveness of qualification criteria and improving their accuracy over time.
• Improve your sales results, because salespeople will spend their time, energy, and sales resources more effectively.

In sum, the qualification criteria you’ll develop with this guide book will enable you to establish a rational, value-based system of qualifying prospects. If you already have such a system, the new criteria you develop will raise its performance to a new level.

Three other points are worth noting: First, salespeople recognize qualifying prospects as a) something they are already doing in some way and b) something that, if improved, could enable them to improve their sales performance. Therefore, you can expect less resistance from salespeople toward this initiative than you’d expect toward business value mapping or sales process mapping. Second, the initial criteria can be developed in just a few meetings and then applied on the job without burdening salespeople with a lot of new tasks. Third (and most important) qualification criteria represent foundational data not just for sales calls but for creating marketing programs, specifying CRM systems, and developing new markets and products.

The ultimate deliverable is a scoring system that sales and marketing people can use to assess the potential and priority of prospects and customers. On the basis of that assessment, they then perform all the tasks they would normally undertake with qualified prospects, but they will perform them better.

**Purpose and Structure of this Book**

In general, the word “qualifying” means comparing something to a set of standards. This book will help you define those standards, promulgate them in your sales function, and improve them with successive iterations over time.

In Part 1 of this book, I discuss qualifying prospects from the process-improvement standpoint. Then, in Part 2, I present a framework for identifying qualification criteria. This framework is based on the value you deliver to and derive from customers of various types. In Part 3, you learn how to conduct a qualification development initiative in your organization. Part 4 touches on data collection and automation requirements for
companies integrating qualification criteria into a CRM or other software system. Three Appendixes provide supplementary information, notably a scripted presentation for a kick-off meeting to launch a project to develop qualifying criteria (Appendix III).

**Who Should Read this Book**

This book will be of most use to:

- Senior executives and middle managers who are responsible for the performance of a sales or marketing function, or both
- Sales managers who want to help their salespeople better manage their time and apply their efforts
- Marketing managers searching for structured ways of designing and supporting effective sales processes
- CEOs and sales and marketing executives who are implementing a Sales Process Improvement effort
- Salespeople who want to understand the elements of a sound qualification process and how to use one
- Sales and marketing consultants who want to bring their expertise to bear on their clients’ qualification methods.

While all of the principles in this guide book apply in consumer markets, the material is designed for business-to-business sales environments. In consumer markets, the value propositions tend to be simpler and usually a smaller number of parties are involved in making decisions. In addition, although emotions play a role in business-to-business sales, the purchasing processes of most organizations has been “rationalized” to a larger extent than those of most households and individuals. This makes business-to-business sales more amenable to process-improvement. Also consumer motivation, psychology, and demographics have been rigorously studied. As a result, consumer sales and marketing efforts have become highly developed. Ironically, despite the revenues and profits at stake, the business-to-business sales process has not been as rigorously studied.
This book assumes that an organization sells high-ticket, high-value products or services, or lower price items at a high volume on a repeat basis to large accounts or through a nationwide or regional distribution effort. In my experience, these organizations benefit the most from the practices in this guide book.

**This Is Not Training**

Salespeople receive a lot of training from both internal sources and external vendors. Thus, it would be natural for salespeople—and perhaps for you—to view the initiative I describe in this book as a form of sales training. This is not training, nor should it be presented as training.

Developing qualification criteria is an initiative in which people from sales, marketing and perhaps other functions form a working group or team. In working sessions, facilitated by you or another individual, the group defines and agrees to employ new and improved standards for assessing prospects.

I stress the distinction between this effort and training for two reasons: First, many salespeople bring a more passive mindset to training than they do to a working group. They also bring different expectations. Usually, they expect to pick up two or three things that they can incorporate into their sales behaviors. In contrast, developing qualification criteria calls for their active participation and best efforts. Moreover, the results will be a set of standards that directly affect them and the entire organization.

The second reason is that the individual who facilitates the program must have skills beyond that of some trainers. To a much greater extent than most training, a this exercise demands the active participation and contribution of the facilitator, while also demanding effective listening and facilitation skills. In most training, it is clear to the facilitator what the outcome is to be. With this kind of program, the format or structure of the outcome is clear, but the content is not at all clear at the outset. The facilitator is responsible for helping the group to arrive at content that effectively covers the bases for their business environment and passes important tests of commonsense and practicality.
**Why This Approach Will Work in Your Organization**

This approach will work in your company, as it has in so many businesses, because:

- *Salespeople accept the idea of qualification.* Therefore, getting them to do it a little differently isn’t a huge hurdle. They also benefit directly by managing their time and accounts more effectively.

- *It reinforces your marketing priorities.* Are salespeople really calling on the markets you think they are? Sometimes marketing departments fail to grasp market realities and thus provide incorrect qualification criteria (not to mention useless leads) to salespeople. Clear qualifying criteria generate clear priorities that everyone can follow.

- *Reducing variations tends to improve results.* Consistent qualification criteria generate a more consistent pool of prospects. This minimizes the variability of sales activity and improves your sales forecasts.

- *Tracking qualification scores improves sales results.* Studies have shown that the simple act of measuring an activity improves results because people pay greater attention to that activity. In addition, with clear criteria and clear sales outcomes, sales behaviors can be more easily and accurately modified.

The leads, opportunities, and deals your salespeople work with are the inventory of the revenue production process. Manufacturing plants have documented and rigorous specifications for their inventory. Logically, the qualification criteria you can develop for your organization can have an equally important effect on helping you to define, improve and control your sales process.

This step-by-step guide book will help your people take the analytical talents of a quality expert and combine them with the people skills of your best salesperson. Bringing science to sales—the mission of Sales Process Improvement—creates management tools that provide more information, greater control, and measurable gains. These qualification criteria are one such tool.
Part 1

Overview of Qualification Criteria Development

Developing qualification criteria comes under the rubric of Sales Process Improvement and, as noted above, this guide book constitutes the second volume in the *Sales Process Improvement Series*. This series and Sales Process Improvement itself rest on the idea that sales and marketing are business processes analogous to production processes in manufacturing. Sales and marketing comprise various activities designed to generate customers and revenue. (In this series, I often use the term “sales process” to include both sales and marketing.) The activities and results of a sales process can be measured, analyzed, and improved—just like the those of a manufacturing process.

Likewise, manufacturing and quality improvement concepts, such as raw materials, end products, defects, and errors, apply to sales. For instance, in manufacturing, raw materials are requisitioned and workers, using capital equipment, transform them into products that someone will buy. They add value to the materials until they produce finished products ready to be packaged, shipped, and sold.

In sales, the “raw materials” are people of a certain type in the marketplace—people who will derive value from your product or service. Put another way, they are people with the kinds of problems that your products and services solve. Salespeople work with the those people, initially represented by inquiries and leads. Through the sales process, salespeople transform these people, who may have had no intention of buying your product or no knowledge of the problem you solve, into customers. Producing these customers and the associated revenue is the value-creating function of the salesforce.

There are critical differences between adding value to inventory in manufacturing and adding value to people in the sales process. For one thing, in manufacturing, you can see the value being added as the product takes shape on the plant floor. In sales, the value added can’t be seen directly, because it takes shape in someone’s head. For another thing,
work in process inventory does not have free will. People, on the other hand, are sentient beings who cannot and should not be controlled. They alone decide whether to focus their attention and energy, where to focus it, and how intensely. The only way to tell if a seller’s action has been effective (i.e. has created value) is to judge the actions taken by the prospects in response.

Manufacturers cannot substitute rusty iron for stainless steel without making drastic changes to their production process. Similarly, salespeople cannot call on maintenance engineers when only a vice president of operations can sign an order. Yet salespeople often seek, approach, and spend time with people in the wrong type of organization, or with the wrong people in the right type of organization. That latter problem bedevils most sales functions.

For many business-to-business salespeople, such as those selling to the Fortune 1000, the names and addresses of the prospect organizations are no mystery. But finding the right person in one of those companies can create a mystery equal to the combined talents of Sherlock Holmes, Nero Wolfe, and Miss Marple. In such situations, and for that matter in general, the challenge becomes qualifying specific people doing specific jobs in specific functions. Without such qualification, salespeople are doomed to spending time with the wrong people.

How can salespeople qualify prospects without good qualification criteria? They cannot. In fact, bad qualification criteria generate a host of sales problems, including:

- Poor close ratios
- Lengthy sales cycles
- Excessive selling expenses
- Low customer satisfaction
- High customer turnover
- Unnecessary wear-and-tear on the salesforce
Although many executives hold the viewpoint that good salespeople “already know how to qualify,” this perspective misses the point on several counts. First, even if a given group of salespeople do “know how to qualify,” it is very likely that they are all using different thought processes and criteria based on their own unique backgrounds, selling skill, styles, and the nature of the different markets they work in. Without a means of understanding and systematizing this decision making process, there is no hope of sales process improvement. Second, however valid their criteria may or may not be, the information is not available to the rest of the organization.

In the past twenty-five years, manufacturers have saved billions of dollars by rigorously qualifying their raw materials and purchased components. I have adapted to sales and marketing the principles and practices used by those manufacturers. The resulting qualifying criteria can help you address the problems cited above, and help your organization make and save money on every sales call.

Our goal is to produce a standardized set of prospect qualification criteria. These criteria amount to a set of characteristics that a salesperson can judge to be true or false or to fall within a specified range for a particular prospect. The salesperson then assigns a numerical score to each characteristic for a potential prospect and develops an overall score for that prospect.

Sales and marketing people use simple files in MS Word, Excel, prospect databases or other software to record the scores on electronic or paper scorecards in the organization’s prospect files. The scores (also known as assessments) on these scorecards (also known as assessment forms) often indicate ways of improving sales and marketing activities.

Companies use similar systems elsewhere in their operations. For instance, many outfits employ well-developed credit-scoring systems in the accounting, finance, or credit department. Before extending trade credit (let alone funds) most companies obtain certain information, such as Dun & Bradstreet ratings, financial statements, and even bank references. They then analyze that information, often using a summary score, and weigh the prospect’s creditworthiness against the size and profitability of the sale. Although credit approval involves judgment calls, credit scoring enables analysts to apply
objective criteria—years-in-business, annual revenue, payment history, and so on—to a high volume of prospects in a systematic way.

Relatively few companies score prospects from the sales standpoint. Yet most sales executives see qualification as a critical sales activity. They know they can’t afford to have salespeople trying to win customers that the organization does not want. Those same executives would probably say that their people already understand qualification and are applying it effectively. I would say that is not the case for most companies. A simple comparison of the traditional sales approach to qualification with the process-oriented approach bears this out:

<table>
<thead>
<tr>
<th>Traditional Sales Approach to Qualification</th>
<th>Process Improvement Approach to Qualification</th>
</tr>
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<tbody>
<tr>
<td>• Qualification is a generic concept that applies similarly to all products, markets, and companies</td>
<td>• Qualification criteria are unique to each product, market, and company</td>
</tr>
<tr>
<td>• Qualification is largely done by the individual salesperson, so variations are normal</td>
<td>• Salespeople should apply consistent criteria to minimize variations and improve results</td>
</tr>
<tr>
<td>• Qualifying criteria are the purview of the sales function and have little to do with marketing</td>
<td>• Qualification is the purview of sales and marketing and should guide the activities of both functions</td>
</tr>
<tr>
<td>• Qualifying helps salespeople plan and conduct sales calls and warrants analysis only in remedial situations</td>
<td>• Qualifying criteria must be recorded and analyzed in the normal course of all marketing and sales activities</td>
</tr>
</tbody>
</table>

As the column on the right indicates, the quality improvement approach means bringing sales and marketing together to develop criteria that both functions can use. The criteria are as important to marketing, for example in lead generation and direct marketing efforts, as they are to sales. Finding qualified prospects involves comparing a prospect’s characteristics to predetermined standards. We, with the help of this guide book, are going to define those standards for your organization.
Problems with Current Approaches
Most approaches to qualification assume that it is simply a remedial issue for the sales person. Qualification is believed to consist of issues such as whether the prospect has the means to pay, or has a budgeted project, or if the salesperson has access to a decision making individual. As a result these approaches lack carefully considered, jointly developed, validated standards on the myriad of other issues that can determine whether an opportunity is won or lost, or even in the end whether it successfully delivers on the value promise to the customer. As a result, marketing runs lead generation programs, purchases lists, and works trade shows only to push “leads” out to sales, on the theory that any lead is a good lead. After all, isn’t figuring out which ones will buy, and figuring out how to make them by fundamentally the sales department’s problem? This practice of providing useless “leads” causes marketing departments to lose credibility with salespeople, who feel that marketing doesn’t know a lead from a box of cornflakes. Meanwhile, salespeople lose credibility with marketing because they can’t (or don’t) even follow up on leads. Current qualification approaches rarely employ true measurements or scores that can be stored, tracked, and examined (against the sales outcome) for validity. A standard, valid approach enables you to see which criteria are working and which are not, and then to adjust the criteria in successive iterations.

Many qualifying systems are so “loose” that they see every organization that might conceivably need the product some day as a prospect. These all-inclusive systems are not so much qualifying approaches as they are list-building efforts that may or may not capture actual prospects. Other systems are so “tight” that they omit prospects who could in fact benefit from the company’s product or service. In contrast, the approach you’ll learn here first throws the door open to the marketplace, by looking at everyone who could benefit from what you sell, but then narrows the opening by specifying several very key criteria that prospects must meet. The specifications are more like measurements of the prospect, however. While this allows for a “black and white” sort of decision making process, it also becomes possible to rank or prioritize the prospects according to their scores on all or some of the criteria. Analyzing the qualification scores of those prospects who convert to orders and those that do not provides valuable and actionable information in most situations.