



THE CASE FOR SALES DEVELOPMENT

To start, we need to understand why sales development is critical to the health of your revenue machine. There are eight compelling reasons to build or outsource a sales development organization.

1. Connecting with prospects requires time and resources

To understand how much effort it takes to reach a prospect by phone, look at these numbers.

- Dials-to-connects – It takes 12.73 dials to get a connect when calling a list of prospects with direct phone numbers and 18.83 when calling switchboard numbers.
- Dials to Conversation – 22.5 dials to meaningful conversation is the industry average, but if you're calling highly solicited divisions, such as IT or marketing, or very senior executives the number is closer to 30 dials to 1 conversation.
- Conversation to Appointment – 3 meaningful conversations are required to get 1 appointment.
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To sum it up: it can take 60-90 dials to get an appointment with a prospect which is not an efficient use of a quota-carrying sales person's time.

2. A fast, standardized lead follow-up process is the key to conversion

If we continue to use the numbers provided in bullet #1, then you can also assume that it takes more than 12 touches to reach an individual prospect. Furthermore, Sales Benchmark Index research finds that 70% of buyers prefer to work digitally. In other words, a sales person will not only have to make a lot of dials, but will also need to incorporate email and potentially social touches. As a matter of fact, we have found that combining digital touches with the phone generates higher touch-to-connect conversion rates. Quota-carrying sales reps do not have the bandwidth to manage the multi-channel campaign necessary to reach leads.

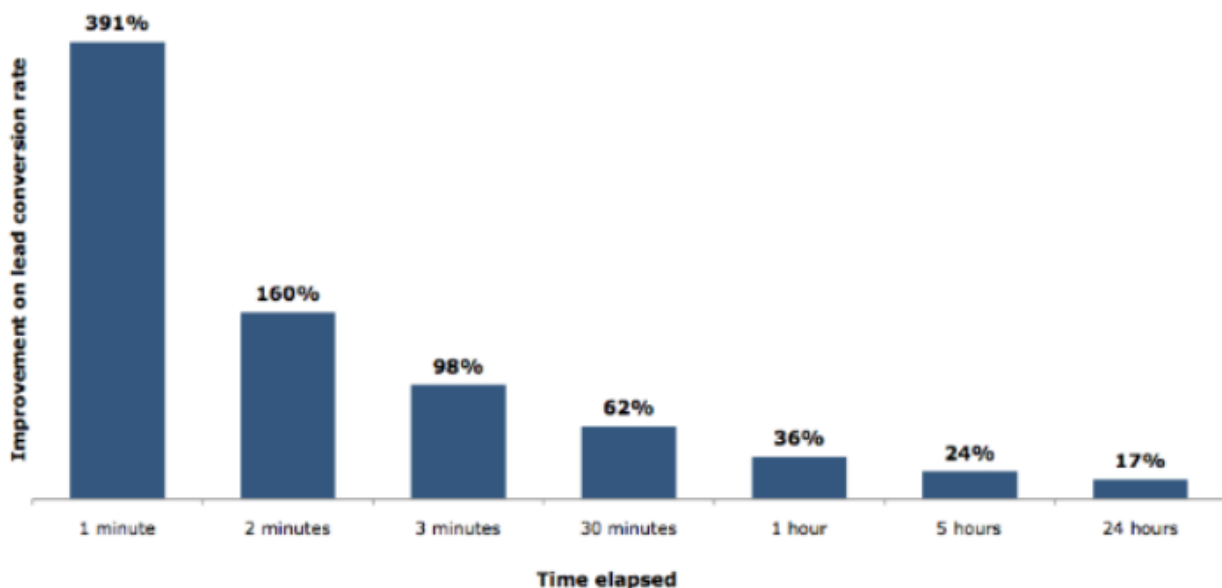
Another factor to consider is your lead response time. The following chart highlights the challenge and opportunity presented by response rates. The faster you respond to an inbound lead, the higher the conversion. At the end of day, a quota-carrying sales person who is responsible for the other 70% of a sales cycle for multiple deals cannot feasibly meet the required follow-up rates.

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Impact of Speed to Call on Lead Conversion Rate

(% improvement in conversion rate, by time elapsed)

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3. Converting a lead to an opportunity requires its own playbook and subsequent training and coaching

Sales development is fundamentally different than the rest of the sales cycle. The science of connecting with someone is hard enough, but when you connect, you have a few seconds to generate interest and a couple minutes to handle objections and close for a meeting. Effective sales development requires full-time management, specific training, and constant coaching.

4. Sales Development means a higher lead to opportunity conversion

Converting a lead takes time and effort. The best revenue machines have a sales development group to reach leads, overcome objections, make sure they are a fit, and get them connected to sales teams. From 2005-2011, the principals of SalesPro founded and operated a company called Growth Experts. At Growth Experts they would use a variety of digital marketing tactics to generate leads for 100s of clients. When they looked across all their clients, the organizations



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with sales development teams converted leads to opportunities at an exponentially higher rate than those that did not. For example, they had two technology clients who sold competitive solutions to the same type of buyer. The company with an optimized sales development converted these leads at 40%. The other organization passed leads directly to quota-carrying sales reps and converted leads at less than 5%.

5. Marketing and contact data is vastly improved with sales development

Marketing can only optimize programs if they have the data they need to be successful. Sales reps are notoriously bad at maintaining good data and sales leadership cares about sales forecast data (with good reason). On the other hand, well managed sales development teams are remarkably good at providing data. Sales development teams literally “live” in the CRM application all day and are incented to get good data to marketing to make their lives easier.

6. Sales and marketing alignment

The biggest grievance from marketing is the fact that sales doesn’t follow up on their leads. Meanwhile the single biggest complaint from sales is that marketing leads are terrible. Sales development teams help bridge the gap between sales and marketing. When managed correctly, sales development solves lead follow-up issues. As for the issue of marketing’s leads “sucking”, this problem often happens when unqualified leads are sent directly to quota-carrying sales reps. The truth is that the vast majority of leads do “suck”. A very good conversion rate is 30% from lead-to-opportunity which means that 70% of the leads contacted won’t turn into anything. Quota-carrying sales reps don’t have the time to expend the effort needed to reach these leads only to find that 70% will turn into nothing. Sales development solves this problem by sending sales only qualified leads ready to talk.

7. Increased productivity and efficiency from quota-carrying sales reps = more revenue

Sales reps are expensive resources that you pay to close business – you have to free up their time to focus on the effort needed to achieve their goals. A great quota-carrying sales person is spending the majority of their day working the rest of the sales cycle: pitching, proposing, negotiating, trying to get buyers back on the phone, meeting with internal stakeholders, etc... We increase the odds of closing more business by allowing sales to begin their sales process with qualified leads who are ready to speak to sales.



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The Marketo Definitive Guide to Leads Qualification and Sales Development provides compelling data highlighting the benefits of sales development to sales reps including a:

- 5% increase in selling time that can yield a 20% increase in revenue;
- 1% increase in pipeline value that can yield a 25% increase in revenue; and
- 15% decrease in sales cycle length that can yield a 30% increase in revenue.

8. Your buyer wants you to follow-up

In our research, we will often find buyers who filled out forms on vendor websites and then will actually complain that “no one followed up with them.” When we look at the data, the vendor actually had followed up. The problem was the sales rep sent one unremarkable email as “follow-up” and never reached back out. Believe it or not, well messaged, thoughtful yet persistent follow-up is part of a great buying experience. Buyers are extremely busy. They aren’t always ignoring your phone calls because they aren’t interested. Recently, I finally connected with a prospect I had been calling and emailing for three weeks who said: “Thanks for staying on top of this, I have been meaning to get back to you.”

A couple years ago I listened to a panel that featured IT leaders talking about what they expected from sales people. Andrew Baker, at the time a Director of IT Operations, said: “I want you to qualify me well so we both know whether we are wasting each other’s time. If it’s something relevant to me, I will want to know about it.” Some people may find this surprising, but proper qualification is actually an important point in the buying experience.

The case for sales development is extremely compelling. The case for outsourcing it to an expert vendor is equally as compelling. Here are a few important items to consider.

SDR compensation

According to Bridge Group Inc’s research, the average sales development rep earns roughly \$47,000 in base and \$71,600 in total comp. These numbers can be lower or higher based on location or target market. For example, in Silicon Valley, SDRs with significant experience calling enterprise accounts and decision makers can make over \$100K in annual target compensation. Another factor is inbound versus outbound. If 100% of the leads are inbound, then the SDRs will typically make less, but a majority of SDR functionality is outbound.



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We typically recommend a 50/50 or 60/40 split between base and compensation. Compensation should be based on the number of qualified leads generated per month (not quarterly or annually). As a matter of fact, performance accelerators should be monthly. For example, if the monthly quota is 10 qualified and the SDR delivers 12 QLs, then the SDR should be paid the accelerator on the extra two leads.

According to Bridge Group Inc's research, 53% of organizations use closed won/revenue to compensate their SDRs. We believe SDRs should be compensated only for generating qualified leads. Their compensation should not rely on the effectiveness of the sales team. A good middle ground is to offer a bonus on closed deals. Lars Nilsson recommends a 1% bonus on closed-won deals that are generated from qualified leads passed by an SDR. Outsourcing these functions to a strong US based team will reduce costs drastically and create a stronger return on the investment that is made.

Training, onboarding, and coaching

SDR training is often the missing link for the success of an SDR team. Many teams don't train their SDRs at all and others put the SDRs through standard sales and product training. While product training is important, it is actually NOT the most important part of SDR training. There are some key training components critical to an SDR's success:

- The buyer and the buying experience – Every SDR needs to be trained on their target buyer and how they buy. Then they need training on how to identify where the buyer is in the buying experience so they can determine whether the prospect is ready to be passed to sales.
- Situational plays – You should train the team on a sequential set of plays that inside sales reps should execute based on the buyer and what the buyer says on the phone call.
- Objection handling – The objections a quota-carrying sales rep faces are not the same as the objections an SDR faces. Sales typically deals with feature, price, and other sales cycle objections. SDRs are trying to convince a buyer to agree to time with a quota-carrying sales rep. The prospect has never met the SDR or in some cases they have never heard of the SDR's company. They will face objections like "not interested" or "we already have XXX product" and have to be to turn these objections into a meeting.
- Messaging sound bites – Sales development doesn't get to use a PowerPoint to explain products and solutions. They have 2-5 minutes to generate interest and turn the prospect into a qualified lead. They need compelling, concise sound bytes for the value proposition (they should be able to describe your company and why you are different in under 30 seconds) and for your solutions and products.



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- Communications training (voicemail, email, live call) – The SDRs day-to-day life is voicemail, email, and live calls so you want to train them on what to say and when to say it. SDRs can customize the messages so they feel comfortable, but they should have a guide that is built on the proven best practices and fundamentals necessary to be successful.
- Automation and tools – SDRs should be trained on how and when to use automation and tools. This process includes sitting down with them and providing one-on-one tutoring.
- Closing techniques and scenarios – Closing is not just for revenue-generating sales reps, but also for SDRs. The difference is SDRs need to be trained to close a prospect on an appointment or meeting.

Training should end up in an easy-to-read playbook that SDRs can reference later. Another great best practice is to have new SDRs listen to experienced ones on live calls. When onboarding SDRs, you should require at least 8 hours of call monitoring.

Coaching is on-going instruction provided to sales development reps in both group sessions and one-on-ones. We recommend 5-6 hours per month of coaching per SDR. Call monitoring (listening to calls on a splitter) is one of the best ways to coach SDRs. Many SDRs are initially uncomfortable with this practice, but when you can add enough value they start to appreciate it. Even the most experienced SDRs want coaching. I once worked with an SDR who had 35 years of sales experience and was a VP of Sales for IBM. When we started working together, he said to me: "I want to meet with you every other day for a half-hour to work through situations, listen to my calls and see what advice you might have. I may not agree, but I will try anything to get better."

Once your SDRs have the framework for success provided via training, then continue coaching them on a regular basis and you will see their results improve over time. Again, here is where outsourcing your SDR needs to an expert firm comes in handy. They already have all this in place and have teams of leadership experts in place.



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Sales development hiring

The first step in hiring is to identify your ideal hiring profile. When initially building the team, these characteristics will be speculative. Once the team is launched and a model for a successful sales development rep emerges, you should model your future hires on the characteristics of these reps. Here are some factors to consider when determining your hiring profile:

- The target buyer – Experienced SDRs are a better fit for outbound calling to executives while less experienced SDRs might be a better fit for lower-level prospects.
- The solution – The complexity of the solution will also determine your target hiring profile. For example, one of our clients has an open-source solution that is typically part of complex projects. They use less experienced SDRs but their hiring profile specifies that the SDRs must have the intellectual aptitude to understand the technology and their buyer's environment.
- Inbound versus outbound – Inbound lead follow-up can be handled by less experienced SDRs.

Once you have a hiring profile, you will want to have a defined recruiting process to hire the right candidates. Here is an example of a defined recruiting process:

- Hold a series of interviews where candidates meet with managers and current inside sales reps.
- Provide your interviewers with a scoresheet to evaluate candidates for fit to the hiring profile. An example of a scoresheet is in this presentation by HubSpot's Mark Roberge.
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- Have candidates complete an exercise related to the position. For example, Salesforce.com used to have inside sales candidates present the corporate presentation to managers. Other companies have candidates conduct calling exercises such as doing a cold call with a hiring manager.
- Evaluate multiple candidates before making the decision.
- Always check 2-3 references.

The right hiring profile is critical for scale. When you understand the type of SDR you need to be successful, then you can grow the team in a predictable, scalable manner. This may be the most pivotal point for outsourcing. SDRs, good SDRs, are not easy to find and they aren't easy to hire, onboard, train, and manage. Outsourcing leverages someone else's expertise on these case points and allows you to focus on yours.