A Proven Formula for Improving Prospect Qualification

After working with clients around the world for over 25 years, we've identified prospect qualification as one of the most efficient ways to increase sales productivity and make your numbers.

This white paper discusses the use of the Qualified Prospect Formula® to better qualify opportunities, minimize the time spent on "no decisions" and improve sales rep productivity.

$QP = VM_D \times V \times P \times P$®

SHOULD THEY BUY?

IS IT WORTH IT?

CAN THEY BUY?

WHEN WILL THEY BUY?

ValueSelling Associates™

INCREASING EFFICIENCY

We've all been there at some point in our sales careers, chasing opportunities that stall out or lead nowhere and in the process wasting time and resources on prospects that are never going to buy.

Perhaps you're experiencing increased pressure to deliver more output with fewer direct selling resources. In such an environment, sales organizations, searching for new ideas on how to improve their sales performance, have implemented new technology with state-of-the-art sales force automation (SFA), customer relationship management (CRM) and sales asset management (SAM) systems.

Many give lip service to the importance of improving prospect qualification or remain unaware of the dramatic impact that it can have on close rates. But better prospect qualification—a tried and true, traditional idea—when well-implemented, is the best lever to pull to improve your sales numbers.

SiriusDecisions, a global B2B research and advisory firm, reports that pursuing more opportunities does not correlate to productivity. In fact, when comparing sales reps with higher than average win rates with those that had lower than average win rates, the high performers had a pipeline-to-quota ratio of 3x versus lower than average performers with a pipeline-to-quota ratio of 4x or greater. The net: focusing on qualified prospects, which makes for a more efficient process, is a hallmark of high performing sales reps.

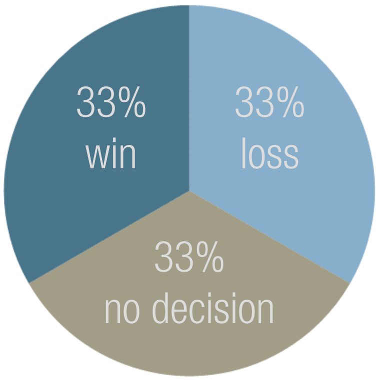
CALCULATING CLOSE RATES

For any sales opportunity, you can expect one of three outcomes: you win, you lose, or you get a no decision.

Our sales experts at ValueSelling Associates report that approximately 1/3 of all sales cycles come to an end with no decision being made (see below). The other outcomes are naturally split between those you win and those you lose.

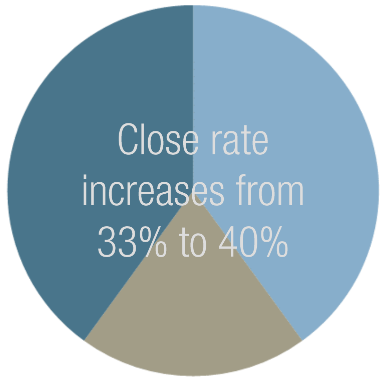
If you could eliminate your "no decision" sales cycles, you could improve your sales productivity by as much as 50%.

TYPICAL SALES CYCLE RESULTS



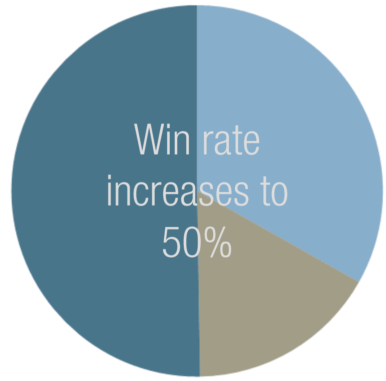
Of the 2/3 of your sales cycles that come to a decision, if half of them (1/3) result in wins and the remaining 1/3 of the time you lose to competition, then you should be the leading vendor in your market.

CUTTING NO DECISION RATE BY 50%



In the 1/3 wins, 1/3 losses, and 1/3 “no decision” scenario, cutting your “no decision” sales cycles in half will increase your close rate from 33.3% to 40%.

CONVERTING 50% OF NO DECISIONS TO WINS



Alternately, by converting 1/2 of your “no decisions” to wins, you can increase your sales productivity by 50% (from 1/3 wins to 1/2 wins).

It’s easy, albeit inaccurate, to compute prospect close rates by merely including the prospects who have completed the sales cycle. Those who fall into this trap and ignore those partially-completed sales cycles, severely overstate actual close rates.

As outlined above, better prospect qualification, a critical sales skill, has a significant influence on increasing your close rate and improving sales rep productivity.

It takes a minimal amount of time and effort to help sales reps develop better “qualification skills.” It also requires a sales management team that is trained and committed to holding their reps and themselves accountable, by consistently and continuously applying the same process to every prospect throughout the sales cycle.

To accurately calculate prospect close rates, you must have clear definitions and a simple set of rules that you use with consistency.

ESTABLISHING A COMMON LANGUAGE

The most important step toward improving prospect qualification skills is using a standard process, methodology and vocabulary throughout your sales organization.

Without a common language and process, managers and reps will rely on their own accumulated experiences, sales training and successes. Unfortunately, the differences in those sales trainings and selling experiences are generally the cause of team dysfunction.

Without a common foundation, it's difficult to discuss a prospect opportunity in an effective and efficient manner. Instead, time is wasted in describing issues and activities from individual points of view. Team members often talk past each other to the point of frustration because each person sees things differently. To improve your team's qualifying skills and make productivity gains, these differences must be normalized.

By using a common methodology and a standard vocabulary for prospect qualification, you can quickly and easily assess and agree on any prospect's potential to become a client.

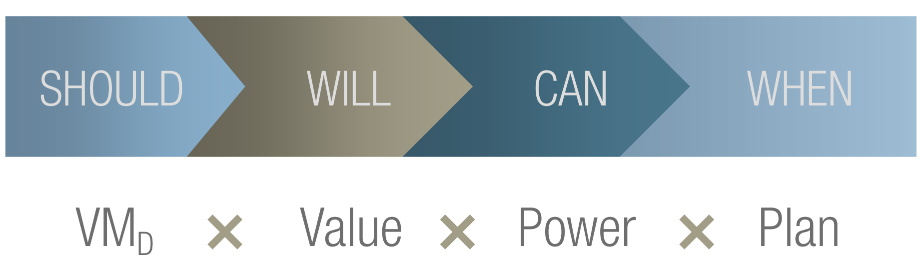
That way, you don't end up devising a sales strategy or jockeying for resources, inappropriately. Instead, you collectively agree on whether a prospect is qualified and then move forward with a game plan.

The Qualified Prospect Formula® is a simple, effective qualification process that has consistently proven to improve sales productivity.

THE QUALIFIED PROSPECT FORMULA®

The consistent application of the Qualified Prospect Formula during pipeline reviews eliminates numerous "no decision" outcomes and dramatically reduces the length of the selling cycle.

To thoroughly qualify a prospect, you must answer and test the following elements of the sales transaction:



Answer these four key questions:

1. To cultivate loyal customers and advocates, it's important to help the prospect consider the question, **"Should they buy?"** Or more specifically, "Should they buy this from you?"

   With myriad choices and numerous people on the decision-making committee, it's become complex and challenging for prospects to evaluate what impact a product or service can have on their business.

   You must help the prospect visualize how their world would improve if they acquired your product or service. More specifically, you need to have a match between the unique capabilities you offer and the prospect's strategic business issue. In ValueSelling parlance, we call this a VisionMatch™, and it's a necessary step to determine whether a prospect should even buy in the first place.

2. The question, **"Is it worth it?"** requires you to assess what it is worth to the prospect to change. The tangible and intangible value you offer must sufficiently motivate a change in the way they do business. Will they buy? Only if you prove it is worthwhile. Most sales reps fail to uncover, articulate and test whether the prospect sees enough value, at a business and personal level, to warrant investing their time and energy in completing the sales cycle.

3. The question, **"Can they buy?"** helps a rep identify who has the power to make the buying decision and the authority to spend the budget dollars. But qualifying is much more than knowing who holds the purse strings.

4. If you've successfully worked with the prospect to answer the first three questions, then the question becomes, **"When will they buy?"** At this point, you develop a Mutual Plan to demonstrate and confirm that you can deliver these capabilities and satisfactorily address the prospect's business issues.

   The key to a Mutual Plan is collaborating and getting agreement with your prospect. Too often, reps create a plan without involving the prospect and end up only convincing themselves. Then, they find out that the prospect hasn't decided to buy yet (because there's not enough value to change), or that the prospect isn't able to buy (because they lack the power or budget authority).

The Qualified Prospect Formula is ValueSelling Associates' proven process for determining whether a prospect is qualified or not.

$$VM_D \times \text{Value} \times \text{Power} \times \text{Plan}$$

The formula is both a shorthand tool and dynamic, multi-dimensional process to assess any deal you might be working on. If any of the four elements is underdeveloped or missing, there's a risk the prospect won't buy. Like a math equation, if any of the elements is zero, then the entire sum equals zero.

> "The Qualified Prospect Formula is an excellent tool to assess where your deal is and where you as a sales professional should spend your limited time. Over thousands of engagements, we've seen that the consistent use of the formula helps sales reps increase their productivity and overachieve on their quota."
>
> JULIE A. THOMAS, President & CEO, ValueSelling Associates

The most successful sales reps are those who can confirm and facilitate all the components of the Qualified Prospect Formula.

IN SUMMARY

Research proves that sales professionals who effectively qualify opportunities are more successful than those who don't. We are all challenged to qualify and requalify the opportunities in the pipeline. Since every deal is unique, using a consistent qualification process and criteria will help ensure your success in achieving your revenue goals.

For more information on this topic or to learn about the ValueSelling Framework® sales methodology, contact Julie Thomas, President and CEO of ValueSelling Associates at julie.thomas@valueselling.com or +1 800.559.6419.

About ValueSelling Associates

ValueSelling Associates™ is the creator of the ValueSelling Framework®, the first and only methodology with a toolset integrated throughout the entire sales lifecycle. Thousands of sales professionals around the world have adopted the ValueSelling Framework to better qualify prospects, advance bigger contracts and close deals faster. We tailor our training, coaching and consulting so it's relevant to your business, engaging for your teams and localized to your region. The ValueSelling Framework gives you a proven formula for accelerating your sales results. For more information, visit valueselling.com.