Higher close ratios

Reduced sales cycle times

Lower churn rates

Expanded sales footprint

Increased profitability

Lower customer acquisition costs

Rep-To-Rep Partnering

An Effective Lead Generation Strategy
for New Customer Acquisition

Presented by:

CATANET ONE SM

Executive Summary

A subtle shift is occurring within the informal practices of the IT industry's top sales performers. This shift indicates a move towards *partner-centered* networking and the ever-increasing practice of *rep-to-rep partnering* as a means of boosting sales and driving new customer acquisition.

In this paper, we will explain rep-to-rep partnering and the benefits of a successful rep-to-rep partnering strategy for technology solution providers. We will also introduce the key considerations for establishing rep-to-rep partnering as an integral part of the corporate sales mix.

Background

It is no secret that new customer acquisition is a critical success factor for most companies. In the IT industry, this has never been more true than it is today. Finding effective ways to profitably drive new business revenue will boost corporate growth, as well as create a key competitive advantage.

In a study conducted by the CMO Council, 90% of the respondents ranked new customer acquisition as "highly important" to growth in 2005. Interestingly, when asked how satisfied they were with the way their companies generated new business, 44% said that they were "less than satisfied" and an additional 11% reported to be "not satisfied at all".
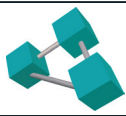
If new customer acquisition is broken, how do we fix it?

The answer for many companies has been to invest more resources into their current sales tools and lead generation programs. According to Bitpipe's 2005 IT Marketing Trends Study, 66% of the technology companies surveyed indicated that they will spend more money in 2005 on sales lead generation activities. The truth is many companies are struggling to find solutions to the challenges proposed by new customer acquisition in today's business environment.

Sales Performance Issues

Research shows that sales performance issues are a major concern in today's marketplace. In the same survey by the CMO Council, 56% of the respondents reported to close less than 10% of the new business development leads provided through paid lead generation programs, and nearly 30% said they closed less than 5% (see chart on the next page). These conversion ratios are frighteningly similar to response rates from successful direct mail campaigns.
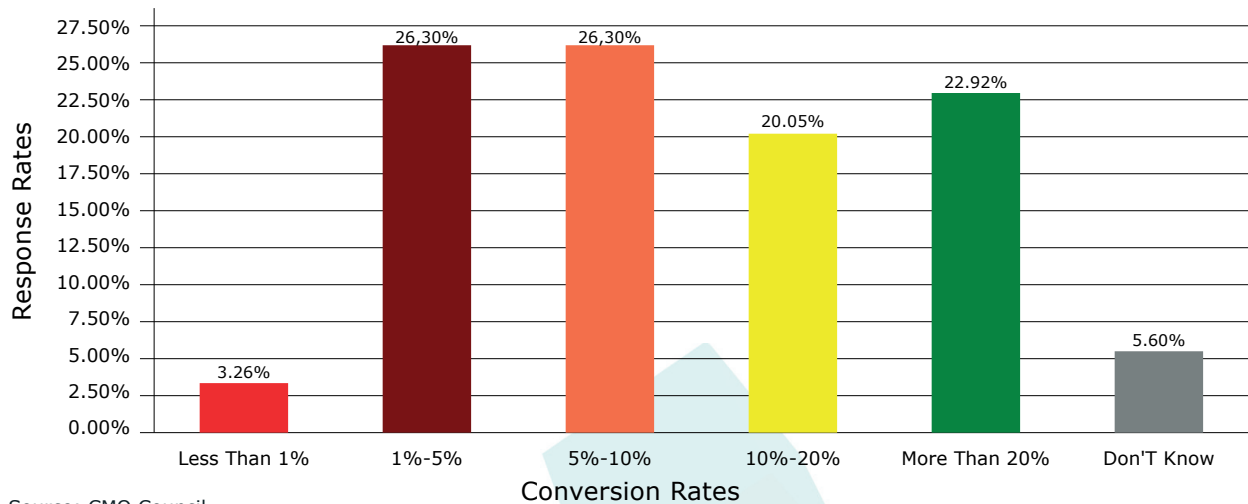
Additionally, there are two market trends forcing IT firms to place an even greater importance on new customer acquisition. First, the IT industry is experiencing limited growth. Gartner Group estimates IT spending to increase by a conservative 5% in 2005. Second, according to the VARBusiness State of the Market survey for 2005, the duration of the typical customer relationship has decreased 10% since 2003 (from 6.3 years to 5.7 years). Not surprisingly, VARs are also reporting that revenue from repeat business, as a percentage of total revenue, has also dropped significantly in recent years.

Prospects to Closed Deals

Response Rates / Conversion Rates chart:

- Less Than 1%: 3.26%
- 1%-5%: 26,30%
- 5%-10%: 26,30%
- 10%-20%: 20.05%
- More Than 20%: 22.92%
- Don'T Know: 5.60%

Source: CMO Council

Today's Selling Environment (i.e. *Buying* Environment)

With the ubiquity of the Internet, companies now provide all the product information imaginable in various formats on their corporate web sites and throughout the World Wide Web. Buyers have a myriad of online options for information-gathering: corporate sites, online communities, webcasts, product demos, white papers, case studies, etc.

Quite simply, the Internet has become the prominent source of information for technology buyers (*not* the salesperson). According to VARBusiness, 51.1% of midsized companies in the United States prefer to obtain information about technology solution providers via the Internet. Furthermore, in Bitpipe, Inc.'s Executive Survey of IT Professionals, 85% reported to use vendor white papers and case studies to help evaluate products and technologies, and 90% said they usually access white papers and case studies *before* making contact with technology vendors.

Consequently, reaching decision makers through cold calling and prospecting activities is as challenging today, if not more so, than it ever has been.

Rep-To-Rep Partnering

Rep-to-rep partnering is an informal partnership among sales representatives from different companies. The sales representatives become front-line "networking partners" with the goals of exchanging leads and driving new customer acquisition.

The networking partners may actively farm their respective customer bases, looking for prospects for one another. They may also prospect for new business opportunities together, presenting a turn-key solution to potential customers.

Within the IT industry, the two partnering sales reps frequently sell complementary goods or services. Networking with sellers of complementary goods and services creates a natural win-win situation for the two sales reps and provides the customer with a complete solution via a de facto one-stop shop.

Later, the sales reps can expand their networking partnership to include other sellers of complementary products and services, always looking for reps that sell to the same target market (company size, geographic markets, vertical markets, etc). They can form a lead exchange group with each networking partner actively looking for leads for the others -– while prospecting and while farming his/her account base. For each sales rep in the group, it is like having the support of an active lead generation team.

Because networking partners introduce each other to decision makers at the moment that they are looking to buy, sales cycle times are reduced significantly. In addition, close ratios improve considerably since the sales reps receive warm introductions to their networking partners' customers.

In fact, research indicates that the importance of rep-to-rep partnering in the IT sector is increasing substantially. According to the VARBusiness 2005 State of the Market survey, 75% of resellers currently work with fellow VARs (versus only 68% in 1998). More importantly, respondents reported that 25% of their revenue is derived from working with other VARs (more than a 30% increase since 2002).
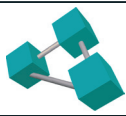
Benefits of Rep-To-Rep Partnering

Rep-to-rep partnering, can be an extremely effective way to boost new customer acquisition, increase profitability, and protect your customer base. Plus, these informal relationships, compared to the official partnerships often coveted by technology solution providers, allow for greater flexibility, personalization, and speed-to-market. When implemented properly, a successful rep-to-rep partnering strategy can positively impact the entire scope of an IT sales organization.

Front-line Benefits

- Higher lead conversion rates
- Reduced sales cycle times
- Lower churn rates
- More accurate forecasting
- Lower sales rep turnover
- Greater sales productivity from new hires (quicker ramp up periods)
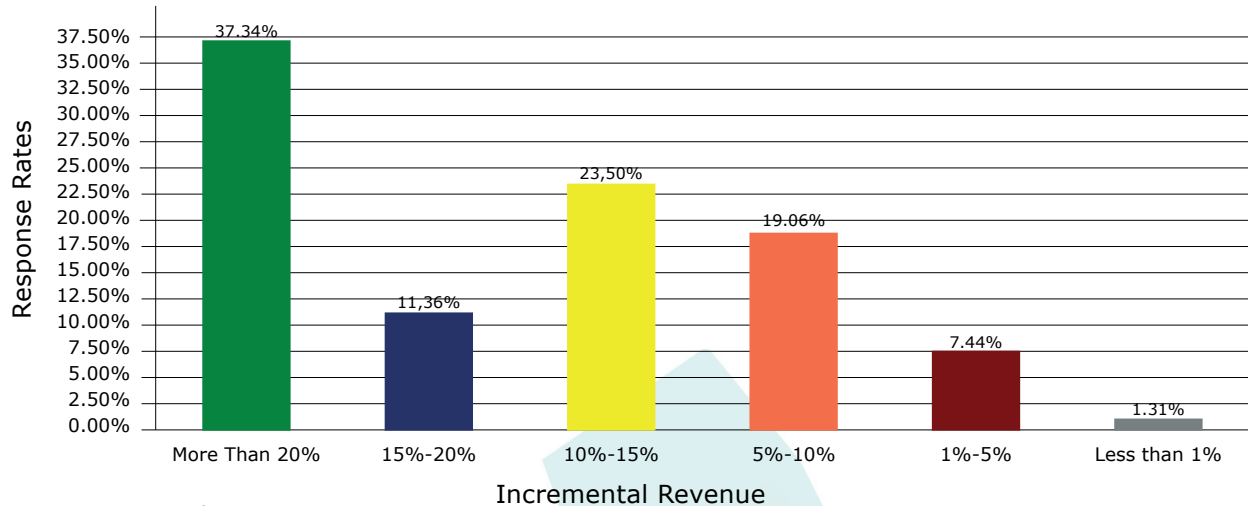- Flexibility

Strategic Benefits

- Lower customer acquisition costs
- Increased profitability
- Expanded sales footprint (without additional costs)
- Stronger cash flow position
- Competitive advantage
- Speed-to-market
- Increased focus on core business
- Revenue growth (see chart on the next page)

Incremental Revenue Generation From Better Prospect Harvesting

Response Rates (y-axis):
- 37.34% — More Than 20%
- 11,36% — 15%-20%
- 23,50% — 10%-15%
- 19.06% — 5%-10%
- 7.44% — 1%-5%
- 1.31% — Less than 1%

Incremental Revenue (x-axis)

Source: CMO Council

Implementation of a Rep-To-Rep Partnering Strategy

Like most business initiatives, the key to successful rep-to-rep partnering lies in the implementation and execution. Once senior management actively promotes the practice of rep-to-rep partnering throughout the sales organization, individual sales managers should work with their teams to apply appropriate tactics in each market.

To develop a successful rep-to-rep partnering strategy, sales managers should work with their sales representatives to:

• Educate the sales force on the benefits of rep-to-rep partnering
• Define the profile of the perfect networking partner
• Develop a personalized rep-to-rep partnering strategy for each sales representative
• Identify the top rep-to-rep partnering prospect companies in each market
• Train the sales force on successful rep-to-rep partnering techniques
• Include rep-to-rep partnering activities in the sales activity mix
• Coach reps on how to execute their rep-to-rep partnering strategies
• Measure and manage individual results of rep-to-rep partnering strategies

Finding the right networking partner -- one with the same priorities and same target market –- is critical. It is important to remember that the best results will come when both reps are looking to cultivate a win-win relationship and have similar approaches to customer management.

Building a networking partnership is similar to any other relationship –- trust and communication are very important elements of success. When building a relationship with a potential networking partner, the sales representatives should immediately address certain key issues in order to establish suitable expectations.

Key Issues To Define

- Which rep owns the customer relationship?
- How to deal with a customer that does not want to work with both companies?
- How to deal with a customer that has an existing relationship with a competitor?
- How each rep will promote the other's products/services?
- How will follow up be handled on deals that are being worked together?

Conclusion

The effectiveness of rep-to-rep partnering does not eliminate the need for traditional cold calling and prospecting activity. Instead, IT firms should look to integrate a comprehensive sales mix that includes a cold calling, prospecting, rep-to-rep partnering, and lead generation activities.

By actively promoting rep-to-rep partnering throughout their sales organizations, technology solution providers will increase sales productivity and boost new customer acquisition revenue. Sales managers can work with their teams to develop and implement customized rep-to-rep partnering strategies for each market. Successful execution of well designed rep-to-rep partnering strategies will improve profitability and create a much needed competitive advantage for technology solution providers in an increasingly challenging marketplace.

CATANET ONE

CATANET ONE is an online business network dedicated to technology sales professionals. Its innovative services offer CATANET ONE Members a suite of online tools for successful rep-to-rep partnering and improved sales productivity. www.catanet-one.com

Sources

1. "Gauging The Cost of What's Lost: Improve the Return on Resource Burn," CMO Council BPM Forum study, 2004.

2. "The VARBusiness 2005 State of the Market Survey," CMP Media Inc., 2005.

3. "2005 IT Marketing Trends Survey," Bitpipe, Inc., 2005.

4. "Bitpipe's Executive Survey of IT Professionals," Bitpipe, Inc., 2000.