

2006 MILLER HEIMAN SALES PERFORMANCE STUDY EXECUTIVE SUMMARY

- *Sales Performance Issues... the Good, the Bad, the Ugly*
- *Winning Sales Organizations - Top 5 Differentiators.....p. 3*

Market
Insight
Guides
Strategic
Decisions

The
Big
Picture

The Good
The Bad
The Ugly
...The Paradox

Why Sales Performance Research?

For the past 3 years Miller Heiman has undertaken a comprehensive annual research study of sales practices, success metrics and Winning Sales Organizations (WSOs). Over this time, more than 7,000 sales professionals have participated in the study, making it the largest continuous research project dedicated to sales performance in the world. Participants benefit by gaining access to information and insights we feature in our publications. Even more significantly, the research results support benchmarking exercises that enable companies to understand how they compare to their peers and how they can better identify areas for improvement.

For 2006, the research will be conducted in several phases. The first phase, based on Q4 2005 data, which covers a broad spectrum of sales practices and their perceived effectiveness, is now complete. This executive summary will highlight significant findings - good, bad and ugly - and help identify future phases of the research based on issues that merit a deeper dive.

Current Sales Performance Issues....

The Good, The Bad, The Ugly, The Paradox.

What are sales organizations working on? What activities are they performing well, and which are the most challenging? An enterprise-wide sales process that facilitates a consistent approach to finding, winning and keeping business continues to be the number one issue year after year, with 62% of sales leaders ranking it the area with the biggest impact. Leveraging talent in their organizations is the number two issue – also a high impact activity. Digging more deeply into the specific answers that support these findings leads to a clear picture of where they are besieged and where they are just plain in the tank.

The Good

Many organizations report better performance in terms of revenue, with increases in account billing, deal size and new account acquisition compared to 2005 results.

- 6% increase in average deal size
- 5% increase in new account acquisition
- 3% gain in average purchase per customer
- 65% report increase in revenue over 2005

The Bad

Sales organizations continue to struggle with discounting, closing and making quota compared to last year.

- 3% increase in significant discounting to win business
- 9% increase in typical discount percentage
- 7% decrease in opportunities resulting in wins
- 4% decrease in sales reps making quota

The Ugly

The people element is especially challenging, with sales organizations struggling to make significant improvements in acquiring, placing and retaining talent.

- 24% experienced more turnover in 2005 over the previous year
- 63% reported lack of an effective hiring process for qualified sales professionals

The Paradox – Short-term Gain vs. Long-term Pain?

We find the above results extremely paradoxical. Sales leaders are saying they are doing well and hitting their numbers, but at the same time losing more business, heavily discounting prices, reducing quota and significantly churning staff. We do not believe that this is a formula for sustainable long-term performance.

So why do things seem to be going well on the surface?

Well, the economy has certainly been chugging along. Although the Purchasing Managers Index indicated slower growth, consumer confidence rose steadily in Q4 2005, and the CEO confidence rose as well. With indications of an economy regaining strength in the aftermath of Katrina's blow to the U.S., there were signs of respectable growth for the coming year. A rising tide lifts all boats.

But there are major economic risks ...

...housing bubble, new U.S. fed chairman and budget deficit, persistent threat of worldwide terrorism So, although it is nice to enjoy the benefits of a strong economy, there are no guarantees that this will continue indefinitely.

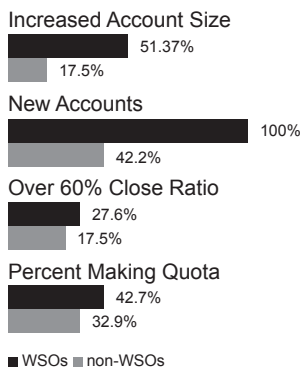
We recommend ...

...Sales Leaders start addressing some of the persistent shortcomings now while the economy is still good and they have some breathing room, rather than to wait for a slowdown or a crisis to start taking action.

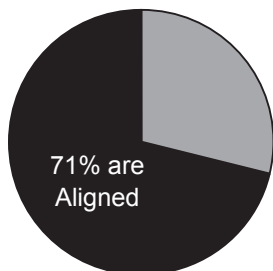
This is the case for many "Winning Sales Organizations", a small group of companies identified in the study that increased revenue, average account billing and new accounts and also performed significantly better than their peers in every key result area such as winning business, avoiding discounts, increasing quota and effectively managing talent. We believe that these organizations will perform exceptionally well regardless of the macro economic climate.

What Do Winning Sales Organizations Do Differently?

WSO to non-WSO Comparison



WSOs Are Aligned in Target-Customer Definition



Winning Sales Organizations — The Top 5 Differentiators

A winning sales organization is defined as those that saw an increase in revenue compared to last year, realized an increase in average account billing and acquired more new accounts this year compared to last. 8% of respondents belonged to organizations that had all three characteristics, and which are referred to as Winning Sales Organizations (WSOs). Although the research examined 40 plus key factors in 7 areas of activity, we'll discuss the top 5 areas that distinguish WSOs from the rest of the pack.

The Top 5 Differentiators

1. WSOs make smart decisions when it comes to pursuing opportunities.

WSOs have a proactive, disciplined and highly structured approach for knowing when and where to focus their selling efforts. They define the ideal customer and identify the client's concept of what they are trying to fix, accomplish or avoid. Their selling strategy is focused on delivering solutions that the client values and clearly addresses the issues the client is trying to solve. WSOs identify all of the buying influencers who can sway the decision or kill the deal and they include them in their strategic selling plan.

- WSOs are 30% more likely to have a standard approach for preparing for sales calls than non-WSOs.

As a result of this systematic approach, WSOs achieve better close ratios and shorter sales cycles while at the same time engaging in less discounting. And this brings more wins, more revenue and of course, more profit.

WSOs have a well-defined system to review and assess opportunities, which moves them through the funnel and makes sure the right deals get the right attention at the right time.

- WSOs are 28% more likely to chase business they can win, and do not waste valuable resources! They do more with less.

2. WSOs effectively call on Decision Makers. Across all companies, 49% say decisions are moving up to a higher level. Study results indicate that WSOs are more likely to have an effective and standard approach to identifying decision makers and buying influences than non-WSOs. They develop a comprehensive view of the opportunity through a variety of contacts, and they use this knowledge to gain access and approval from the ultimate decision maker. This allows them to close business with much more reliability than non-WSOs.

- On average, the WSO sales forces are more likely to reach and win the approval of senior-level decision makers – 32% better than non-WSOs.

WSOs understand that they need to tailor their approach depending on the executive's decision making style and they also understand that they are wasting valuable time and resources if they do not gain access to key decision makers.

3. WSOs excel at managing relationships with their most important accounts. WSOs take the long view, look beyond current revenue and bet their future on growing long-term relationships, which bring measurable value to the customer. WSOs know their customer's business inside and out, and track changing business requirements of each account. Although executives report that more than half of the salespeople they talk to are ineffective at

WSOs Have Better Ability to Manage Their Sales Forces

Leverage Top Performer Expertise



Hiring Assessment Process



Coaching



■ WSOs ■ non-WSOs

Non-WSOs Experience More Buyer Pressure

Pricing Pressure



Purchasing Delay



More Services



■ WSOs ■ non-WSOs

understanding their requirements and delivering solutions that can make an impact, the study shows a marked difference in WSOs.

- WSOs are 26% more likely to focus on a solution-led sale vs. a product-led sale.
- WSOs deploy internal resources across the organization to develop opportunities more quickly and more often than non-WSOs.

WSOs work collaboratively across all departments to identify and support their key accounts and bring problem solving, creative thinking and solutions to their customer's business issues. They step out of "another vendor" shoes and become trusted advisors.

4. WSOs hire great people and put them in the right situations to enable them to be successful. It sounds simple. Put the right person in the right place. Benchmark critical skills of top sales performers, and use them to make hiring decisions. Coach your team. Make your coaching actionable. WSOs accomplish this better, avoiding the enormous cost of employee turnover, which steals directly from the bottom line.

This is a huge opportunity for the biggest bang-for-the-buck impact. An objective assessment tool based on competencies of top sales performers, helped WSOs leverage their expertise throughout the organization and reduce turnover. By identifying sales success factors and reflecting these in the hiring assessment tool, WSOs increased productivity and decreased sales force churn.

5. WSOs excel in Management Controls, and far surpass non-WSOs.

WSOs adopt a common sales process that extends beyond sales to other functional departments including marketing, finance and product development. They have a process to form and manage the right interdepartmental team to maximize value for the buyer and the seller. WSOs stand out in their ability to align all departments to identify strategic accounts and to promote a clear understanding of each unit's role in supporting strategic initiatives.

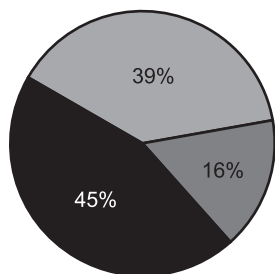
- WSOs are 31% more likely to produce accurate forecasting from their CRM system.
- Senior level executive in WSOs continually promote and participate in the company's sales process – 20% more than non-WSOs.
- 71% of WSOs report that sales are aligned in the definition of the target customer compared to 60% of non-WSOs.

Consequently, WSOs handle the changing behavior of buyers more effectively than non-WSOs.

- 13% more non-WSOs are asked to include additional services and support for the same price than WSOs
- WSOs feel price pressure in buyer decisions 22% less than non-WSOs.
- WSOs experience purchaser decision delay 30% less than non-WSOs.

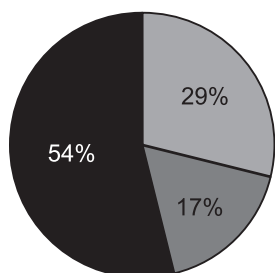
Participant Profile

Company Size



- Small
- Mid-Sized
- Large

Respondent Job Title



- Senior Sales Executives
- Mid to Senior Management in Sales & Training
- Mid-level Sales Managers & Sales Force

So, Now What?

Access the full report. The full research report is extensive and includes responses to over 75 questions. Deeper analysis of the data will be published throughout 2006, providing industry-specific benchmarks and “Winning Sales Organizations” points of comparison. These reports are available without charge to members of the Miller Heiman Sales Performance Community, an exclusive organization of sales executives. Membership includes benefits such as invitations to our research roundtables, summits, and special programs. This community will be launched in Q2 2006. To learn more about obtaining a Charter Membership to the community, email community@millerheiman.com.

Receive Future Research and Reports. Future white papers based on the research will elaborate on the study and include in-depth analysis of the key challenges, issues and trends in the current selling environment, including:

- Strategic management of sales talent: How can organizations reduce turnover and increase productivity and engagement?
- Increasing success of sales force transformation efforts
- How are buyers’ behaviors changing?
- What’s working in CRM?
- Industry specific reviews: High Technology, Pharmaceuticals, Healthcare, Financial Services and Manufacturing

To access future white papers, become a Miller Heiman subscriber at www.millerheiman.com/publications.

Miller Heiman’s New Sales Performance Journal: Executive Insights

The new Miller Heiman Sales Performance Journal offers executives and sales leaders insights, which drive top-line sales and revenue growth. The Journal explores important sales-related issues by interviewing business leaders, academics and analysts, and features findings from Miller Heiman’s proprietary sales performance research, best practices, case studies and white papers. The inaugural issue was launched in March.

To subscribe, email: subscriptions@millerheiman.com.

About the Sales Performance Research Report

Respondents were comprised of approximately 2200 respondents. The group included senior level sales leaders, sales managers and directors, CEOs and presidents, as well as sales forces that include mid-level managers and sales representatives. The data was gathered via a web-based survey. The study is comprehensive of the sales industry and was not limited to Miller Heiman customers: 63% of respondents were not Miller Heiman clients; 52% of companies surveyed utilize standardized sales processes and 48% do not.

The study is considered a worldwide study with 72% of respondents from North America, 16% from Europe, 6% from Asia, 3% from Australia and 3% from South America, Africa and the Middle East.

The size of respondent companies varied widely, with 39% of the respondents from small business, 16% from mid-sized and 45% from large organizations. The study included a diverse group of 19 industries, with most representation from business services, consulting & professional services, healthcare, manufacturing, and technology & software.

Corporate Headquarters

10509 Professional Circle
Suite 100
Reno, NV 89502
1-877-678-0397
www.millerheiman.com

International Headquarters

Nelson House, 1 Auckland Park
Milton Keynes, MK1 1BU
England
+44 1908 211212
www.millerheiman.co.uk

About Miller Heiman

The Sales Performance Company

Sales are the lifeblood of a company, and at the core of every high performing company is a high performing sales organization. Nothing happens until someone sells something.

Miller Heiman is the sales performance company. We help clients win high-value complex deals, grow key accounts, and build high-performing sales organizations. Nobody understands the complete sales system and challenges facing sales leaders better than we do. This has been our sole focus and passion for nearly 30 years. Since we have led large sales organizations, our solutions reflect our hands-on experience and work in the real world.

We understand the urgency sales leaders face to drive revenue. Our solutions can be deployed quickly to diagnose problems and achieve significant results fast. These have been tested and refined with thousands of clients worldwide.

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