

Quantifying the Sales Process in Healthcare: New Survey Uncovers Factors that Underlie Sales Effectiveness

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While the sales process is increasingly critical to growing revenue and business, healthcare organizations have lagged in establishing the structures and tactics that support successful sales. To measure the gap between sales operations in healthcare and non-healthcare industries and find out what makes sales efforts productive, Corporate Health Group (CHG), Systems Management Associates, and The Alliance For Healthcare Strategy And Marketing have undertaken a process of quantifying sales activities for healthcare providers and comparing results with non-healthcare industries.

The initial step was a survey on the sales management process in healthcare. Karen Stowe (CHG) and Bob Gift (Systems Management Associates) shared the preliminary survey results at The Alliance's Annual Conference in San Francisco, March 1999.

Five key factors were identified by Stowe as critical for the successful sales function. They are:

- Measurable, clearly defined objectives.
- Alignment of the organization's structures and systems with sales goals.
- Ability to track sales performance.
- Products and services that are market-ready – meeting the needs of customers, and priced and positioned appropriately.
- Measurable accountability.

The project then looked at factors within the sales management process, including:

- Sales staffing issues including providing sales training, defining the sales position, and planning for customer service.
- Consistency between the sales plan and the organizations' strategic plan.
- Alignment of the packaging, pricing, and promotion of the products and services with the sales function.
- The problem of organizational "silos" between the clinical or operations activities and the sales function. When each clinical department has its own sales force calling on the same target employers and physicians, they often compete between themselves and end up being counterproductive.
- Establishment of systems to measure the performance of the sales team.

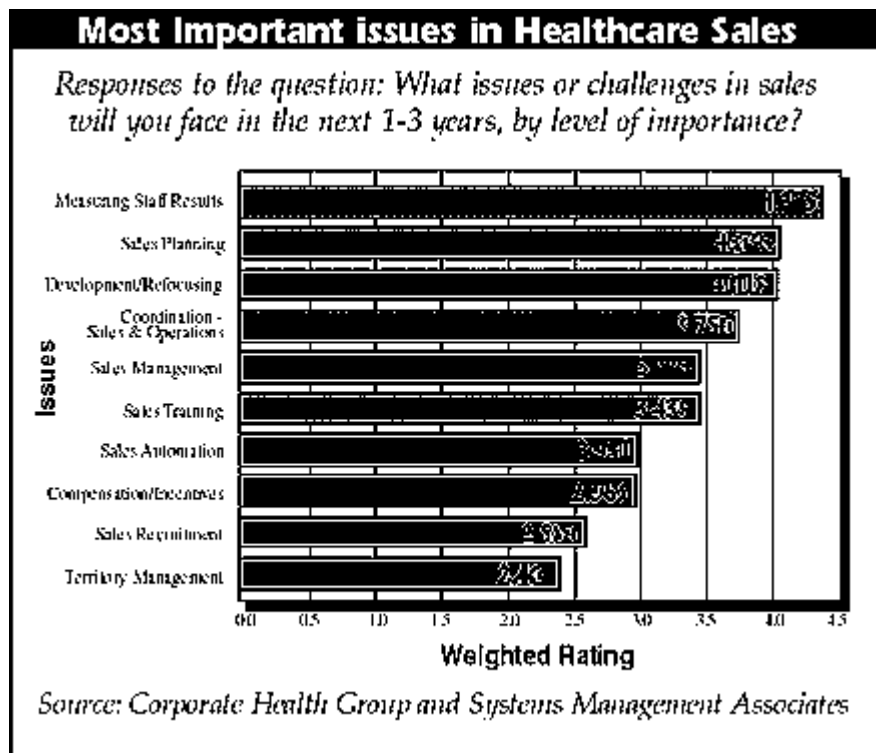
The survey results are based on 67 responses from healthcare provider organizations. Seventy percent of the responding hospitals and systems come from urban settings, 30% are sole community providers, and 90% are not-for-profit organizations. The most interesting findings from the survey focus on tracking, sales training, and the responsibilities assigned to the sales staff.

Tracking Revenue by Customer Group

With the growing focus on serving customer groups, it was surprising to learn that 90% of the respondents do not have the ability to trace revenue by such cohorts. However, 65% of respondents have sales plans in place for specific groups. The ability to track revenue according to these customer groups would greatly enhance the evaluation of the sales effort within each group. In addition, if revenue is not tracked, it is especially difficult to relate sales to revenue in order to demonstrate return on the sales investment.

Training in Healthcare Sales

According to a 1998 Dartnell study on the service industry, service companies provide an average of 97 hours of training to new sales staff at a cost of \$5,4405 per salesperson. Stowe compared this to survey results showing that fewer than 40% of healthcare respondents have given their sales staff any healthcare-specific sales training. Stowe added that in healthcare the sales function is sometimes assigned to staff members already in the organization without additional sales training, or given to newly hired sales professionals from other industries without providing healthcare-specific sales training (see chart below).



Responsibilities of Sales Staff

Marketing and sales literature is focusing increasingly on building long-term relationships with existing clients, according to Stowe. This is because organizations see a higher return on their sales investment if they send their salespeople out to do consultative selling with existing clients, rather than spending time on cold calling that might support a newly run ad in a business journal, for example. This raises the question, Stowe said, of the responsibilities assigned to the sales staff, and the amount of time healthcare salespeople are spending in the field.

Two-thirds of the survey respondents said they had salespeople assuming duties in addition to sales. Among these respondents, 46% of the time spent on sales was devoted to direct selling in the field. By comparison, outside of healthcare, a study conducted by the American Productivity and Quality Center in 1998 demonstrated that salespeople typically spend 53% of their time selling in the field, 15% traveling to sales calls, 15% doing administrative duties such as database management and reports, and 15% handling customer service activities.

The use of an automated database to support the sales function reflected one of the widest differences between healthcare and other industries. Forty-five percent of the healthcare survey respondents reported using some type of automated database to support the sales function, according to Stowe. This compares to 80% in other industries, where organizations typically are able to track cost/sale, sales/salesperson, revenue/salesperson, and other measures of sales program effectiveness.

The Biggest Challenges

The survey also asked respondents to name their greatest sales challenges. The top three challenges focused on implementation. Specifically:

- Accurately measuring what the sales staff is doing and how successful they are;
- Improving sales planning functions, such as forecasting sales, staffing the sales function, and determining the sales territory; and
- Refocusing an existing sales effort to make it less compartmentalized and more effective.

The most important finding, Stowe believes, is that healthcare providers are unable to track revenue and/or referrals by customer group, and therefore cannot demonstrate sales success to senior administration. Without this proof, sales efforts tend to be undervalued and underappreciated, with the result that many senior healthcare leaders question the effectiveness of their investment in sales resources.

The next phase of the healthcare sales study will be an employer sales and physician sales survey in the fall of this year to determine potential “best practices” in these sales areas. Key results from the survey will be published in an upcoming issue of *The Healthcare Strategist*.



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