How to Map & Manage Your Sales Process

OR...

Managing Chaos for Fun and Profit

Brian Jeffrey

An effective road map of your sales process helps everyone to not only know where they are going but also how to get there and remove bottlenecks that can slow down your internal processes.

Enjoy the read.

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How to Map & Manage Your Sales Process

by Brian Jeffrey

Salespeople, even the superstars, are not noted for their organizational or self-management skills. Since most sales managers emerge from the ranks of the sales force, it's a wonder they can manage at all! Being a good salesperson is not a prerequisite for becoming a good sales manager. In fact, in some cases, when companies promote someone from the sales team to the exalted position of sales manager, they lose their best salesperson and gain their worst sales manager.

There's no doubt that having successful sales experience will make you a better sales manager. Other requisites are the skills and ability to motivate, develop, and lead teams. Salespeople who are involved in coaching a sport of some kind are inadvertently grooming themselves for sales management.

Another key requisite is the ability to organize oneself, either with or without someone else's help. Last, but not least, is an ability to see the overall picture and an understanding of all the pieces that make up the sales process.

The better you understand the sales process and the underlying elements you have to manage, the better you will be at providing your sales staff with the support they need to succeed. It's important that you and your salespeople understand both the internal and external forces at work in the sales process. Your people should understand your internal work flow, key personnel, credit requirements, paper flow, problem areas, who does what, what goes where, etc.

You cannot manage what you cannot measure.

WHAT IT TAKES TO SUCCEED

Every business is different and your salespeople need to be aware of what it takes to succeed in your particular business. They need to know what numbers they have to make and some basic information in order to manage their sales activities. For example:

- What is their sales quota or target?
- How many active sales opportunities should they have on the go?
- What is the typical closing ratio?
- What minimum dollar value of opportunities should they be looking for?
- What is the average sales value?
- Who are their top 10 (or 20, 30) prospects/accounts?
- What does a typical prospect look like?
- Where does the majority of the business come from?
- What are some of the areas to avoid in order not to waste time?

This information will help your salespeople keep their prospecting pipeline continually filled with potential opportunities.

Too many salespeople don't know they need this information to do their jobs effectively. They're the ones you have to manage. Sales professionals, on the other hand, know this information is critical to their planning and sales efforts. And so these people need to be led more than managed. In fact, you may not have to manage them at all. Just let them loose to do their thing, which is to make money for themselves and your company.

PARETO'S PRINCIPLE

If you're in the type of business where you get a lot of repeat orders, put Pareto's Principle (the 80/20 rule) to work for you. Just as 80 percent of your sales probably come from 20 percent of your salespeople, 80 percent of your income probably comes from 20 percent of your clients.

If you haven't gone through your customer list lately, you may be in for a surprise. Some customers that you thought were winners may turn out to be duds, while some of your sleepers may actually be winners. Prepare a list of your major accounts by sales volume and see how few customers account for 80 percent of your total sales volume.

Let's take a look at an account analysis summary of a small mythical firm called DoAll Industries with 85 clients who purchase on a regular basis (Table 1). Notice that, in the past year, slightly more than 80 percent of DoAll's income came from 17 accounts that make up 20 percent of its active client list.

DoAll's list should also be analyzed for account activity and unusual buying habits. For example, Capital Electric looks like a good client until you analyze the account activity. Capital made only one purchase over the last year and isn't expected to make that size of purchase ever again.

On the other hand, Merkly Associates also looks like a good client until you look at its account activity. Merkly sent DoAll more than 175 purchase orders during the past year for an average transaction

Table 1. Account analysis summary of a small mythical firm called DoAll Industries with 85 clients who purchase on a regular basis. Notice that, in the past year, slightly more than 80 percent of DoAll's income came from 17 accounts that make up 20 percent of its active client list.

Account	Annual Sales	No. of Orders	% of Total Sales	Accum. %
1 Williams & Sons	247,420	44	8.5	8.5
2 Carter Corp	206,950	31	7.1	15.6
3 FT&C Inc	192,640	35	6.6	22.2
4 Sal's Salvage	189,080	22	6.5	28.7
5 Western Builders	266,850	25	5.8	34.5
6 Jonas Supplies	165,780	26	5.7	40.2
7 Moran Bros	159,500	19	5.5	45.7
8 Merkly Associates	149,720	175	5.2	50.9
9 Harmony Flooring	135,8950	19	4.7	55.6
10 Cameo Shop	128,790	15	4.4	60
11 Arknell Services	107,220	17	3.7	63.7
12 Anchor Fuels Ltd	98,960	12	3.4	67.1
13 BLS Security	96,870	10	3.3	70.4
14 Capital Electric	86,750	1	3	73.4
15 A-Plus Medical	72,750	11	2.5	75.9
16 Malberg Ltd	65,760	10	2.3	78.2
17 Carlson Plumbing	**56,900**	**13**	**2**	**80.2**
18 Digel Electric	47,150	8	1.6	81.8
19 Regent Air	38,060	8	1.3	83.1
20 Washburn Services	22,190	4	0.8	83.9
21 Belcor Body Shop	17,850	4	0.6	84.5
An additional 64 firms averaging $7,000 each	448,000	64	15.5	100
Totals	2,901,040	573		

value of less than $900. When you compare that number with DoAll's average transaction value of more than $5,000, you find that DoAll is jumping through a lot of hoops and processing tons of paperwork for this particular client.

The analysis doesn't mean DoAll should drop Capital or dump Merkly. DoAll may want to exclude Capital from the overall account list and recalculate the percentages. In fact, if you remove Merkly and Capital from the calculations, the average transaction value jumps from slightly more than $5,000 to just under $7,000. After reviewing Merkly's account, DoAll may decide it takes too many internal resources to handle the account in a cost-effective manner and may try to find another way to work with this particular customer.

Merkly and Capital aside, 84 percent of DoAll's purchase orders came from 21 customers (25 percent of the active client list). So where do you think DoAll's salespeople should be spending the bulk of their time?

NOTE: You might argue that these 21 customers don't need a salesperson's attention because they buy from you already and you are their prime supplier. That may be the case. It might also be the case that some competitor would also like the account and starts servicing and calling on the company enough to take it away from you. You can lose accounts due to complacency as well as poor service.

The remaining 80 percent of accounts that give you 20 percent of your income shouldn't be abandoned, but you certainly can't afford to spend the same amount of time on them unless they show real potential of moving into your key account listing.

If you have a lot of repeat business, I strongly suggest you take the time to analyze your past year's sales invoices to see where your income came from. It might be a real eye-opener. It's obvious that a list like this can tell you where your bread and butter is coming from.

I've had clients go through this exercise with as few as 50 and as many as a few thousand accounts and inevitably there are a number of surprises. There are always a few names in the top 20 percent key account listing that no one expected to be there.

It's important for you and your salespeople to be aware of who your key accounts are and how important they are to your company. Make sure your salespeople are actively developing or maintaining those key accounts.

Butter the bread that feeds you.

UNDERSTAND THE BUYING/SELLING PROCESS

Make sure your salespeople understand the buying/selling process. This may seem like a strange thing to say until you realize that about 70 percent of all sales are made by accident! Often the salesperson who makes a sale doesn't really know what he or she did to get the sale and therefore can't repeat the process with the next prospect.

Most salespeople have never had any formal (or informal) sales training. You can reduce the sales-made-by-accident rate and improve your salespeople's success rate by providing them with professional sales training.

Avoid using the B-L-B sales training method (blind-leading-the-blind). This is where you pair off a new salesperson with an old pro. The old pro promptly proceeds to teach the new pup all the bad habits that he or she has picked up over the years, along with all the administrative short cuts that aggravate upper management. Most old pros have either never had any sales training themselves or have forgotten whatever training they did get.

Whenever I go into an organization and find the new salespeople are slow getting off the mark, I usually find the initial training period was either non-existent or very poorly executed.

UNDERSTAND YOUR SALES PROCESS

In addition to understanding the *selling* process (how to sell), it's important that your salespeople (and you) understand how the *sales* process works within your organization. Figure 1 is a simplistic representation of a typical business-to-business sales process.

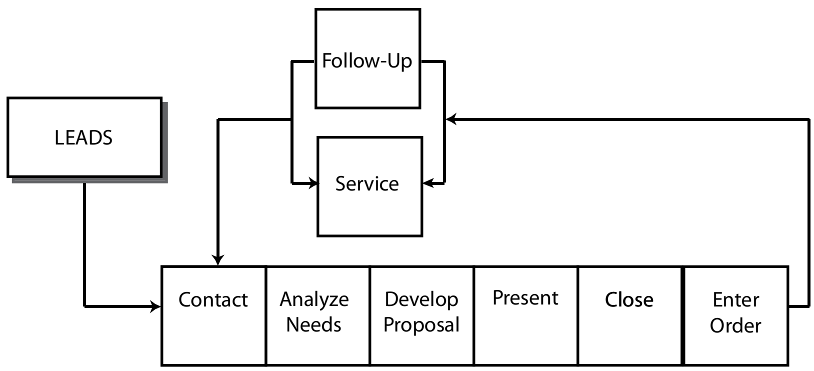


Figure 1. A simplistic representation of a typical business-to-business sales process from incoming lead through to order entry and after-sales follow-up and servicing.

By taking a close look at your own process and by identifying and analyzing the various interdependencies, you will be able to uncover hidden problems, goals, and strategies that need to be addressed. By doing so, you will discover simpler ways to solve internal problems and develop approaches that truly contribute to your business goals.

In my sales management consulting projects, one of the things I ask my clients to do is define the stages involved in their type of sale, from receiving the initial lead or inquiry to closing the sale. Several typical examples follow (Fig. 2 thru Fig. 6).

Stages of a Sale
ABC Training Corporation

1 - Interest
Prospect has expressed an interest in talking with us or has enquired about our services without necessarily having a specific or defined need.

2 - Needs Assessment
Qualify the prospect and determine which of our training programs or services, if any, would suit the prospect best.

3 - Proposal Generation
Develop the "Need for Training" and "Return on Investment" sections of the proposal template and send to marketing department for proposal preparation.

4 - Presentation
Present our proposal to the prospect and "sell" our solution.

5 - Proposal Under Consideration
Prospect is evaluating the suitability of our proposal to solve their problems. Competition may still be under consideration.

6 - Evaluation & Checkout
The prospect wants to check and evaluate our credentials by contacting references. This is an evaluation of our capabilities — not of our proposal, which should take place in stage 5.

7 - Other Considerations
The prospect has accepted our proposal and intends to go ahead with it subject to approval from an internal source such as getting CEO endorsement or outside considerations such as government funding approval.

8 - Final Negotiations
Decisions regarding pricing, timing, and location have been finalized.

9 - Contract Signed
The signed training agreement has been returned and any required deposit has been received or suitable arrangements for payment have been made.

Figure 2. A nine-stage sales process used in a training company.

Stages of a Sale

Simple Sales Process

1 - Interest
The prospect has expressed an interest in our product or services without necessarily having a specific or defined need.

2 - Contacted
Prospect has been contacted to determine his needs.

3 - Quoted
Prospect has been given pricing information.

4 - Awaiting Order
Prospect to finalize paperwork within ## days.

Figure 3. A simple four-stage sales process.

Stages of a Sale

Company Dealing with the Federal Government

1- Initial Contact
The department or group has a project it intends to take action on.

2 - Qualify
Prospect has the need, funding, and the approval to move ahead with the project.

3 - In-Process
Department requests have been forwarded to the purchasing agency for processing. Awaiting formal Request For Proposal (RFP).

4 - RFP Issued
Generating a response/proposal to the RFP.

5 - RFP Closed
Awaiting final decision.

6 - Contract Awarded
If won, complete the contract. If lost, generate lost sale report.

7 - Delivered
Contract completed and customer has been contacted.

Figure 4. Typical sales process for a company doing a lot of work with the federal government.

Stages of a Sale

Client/Server Computer Company

1 - Initial Needs Assessment
Initial client contact indicates there may be an opportunity for our products or services. An appointment has been made to assess the need.

2 - Qualify
We have ascertained that the client has a need, the ability and the authority to buy.

3 - Technical Review
Technical staff have met with the client and/or have reviewed the application and are prepared to commit technical resources.

4 - Presentation/Demo
Informal presentation or demonstration of our proposed solution.

5 - Proposal Generation
Proposal is being generated internally.

6 - Proposal Presentation
Formal presentation of our proposed solution (written proposal).

7 - Evaluation/Consideration/Negotiation
Client is going through their own internal evaluation, competitive analysis and approval processes.

8 - Close
Contract is signed.

9 - Follow-Through
(a) Track project process and client satisfaction levels. (b) Participate in a project post-mortum to determine areas for future improvement. (c) Determine possible prospects for a similar project.

Figure 5. Stages of a typical sale for a company marketing professional services in the client/server (computer) field. Notice that this company put follow-through as one of the steps in its sales process. As a result of this thinking, the firm was very successful in obtaining repeat business from its clientele.

Stages of a Sale

Computer Hardware Company

1 - Interest
The prospect has expressed an interest in talking with us or has enquired about our services without necessarily having a specific or defined need.

2 - Qualifying
We have an appointment or have met with the prospect to qualify him and determine which product or service best meets his needs.

3 - Proposal
We have made a sales presentation and the prospect has received a verbal or written quotation/proposal from us. The prospect is evaluating how well our solution meets his needs. In government sales, this stage is complete when the RFP tender documents have been submitted.

4 - Competitive Analysis
The prospect is investigating alternatives or competitive solutions, our credentials, or our capabilities.

5 - Benchmark
The prospect is going through a formal or informal benchmark to assess the suitability of our proposed solution to meet his needs.

6 - Final Negotiations
Final decision regarding pricing, terms, delivery, scope of work, etc., are under way.

Figure 6. A typical six-stage process for a company marketing computer hardware to the corporate and government marketplace.

ROAD SIGNS

What are the stages involved in your sale? It's important for you to know them. The stages of the sale are your road signs on the journey to a closed sale. Just like you might monitor your progress during a road trip, you should monitor your salespeople's progress as they travel towards a closed sale.

> **The stages of a sale are your road signs on the sales highway. They tell you where you are and how far you have left to go.**

To help my clients get a start at defining their sales process, I use a simple form which I developed (Fig. 7). It usually takes several attempts before everyone agrees they have the process properly defined.

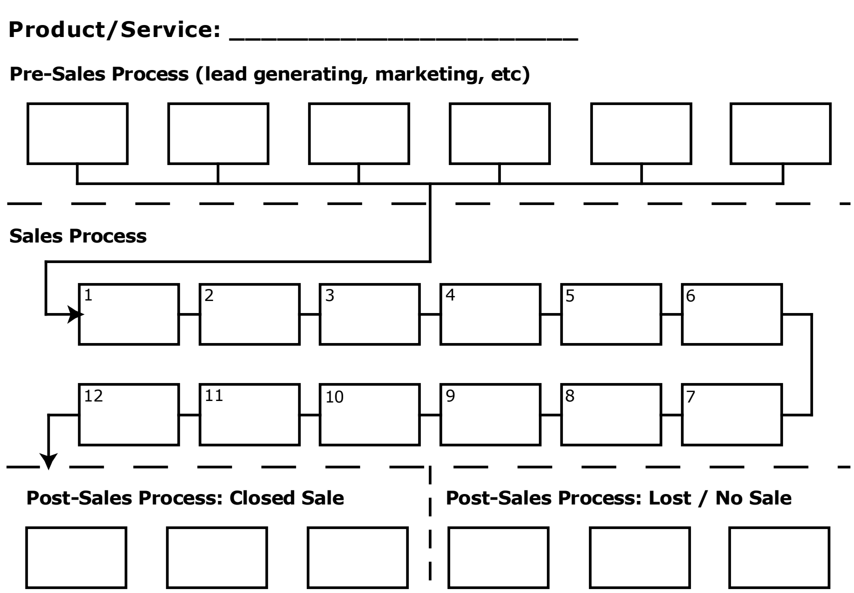


Figure 7. Worksheet for flowcharting the sales process.

The best way to use this form is to distribute a copy to each salesperson and anyone else in the company who is involved in the sales process. Have each person, including yourself, map out what he or she perceives is the flow of a sale in your organization. Once this has been done, get everyone together around a table and let the arguments begin.

It's a safe bet that no two people will initially agree on how a sale flows from lead to post-sale. Thrash it out amongst yourselves until you all agree on what the various steps of a sale are in your company, keeping in mind that different products or services may have different sales processes.

The form also allows you to define your pre-sale processes — the things you do to get leads and clients to start the sales process. If you have been keeping details on where your leads come from, you'll be able to refine your marketing efforts by putting your marketing dollars where they have the greatest impact. Figure 8 is an example of a completed form.

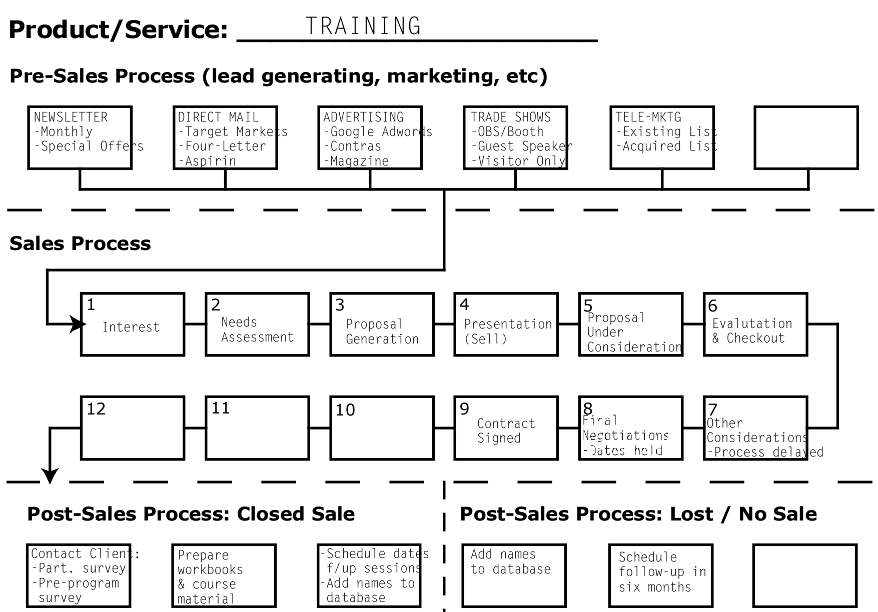


Figure 8. Example of a completed worksheet for flowcharting the sales process.

Your next step is to flesh out the details of each stage. And for this, you will need to get the group together for another discussion (debate).

Using a form such as the one illustrated in Figure 9, discuss what happens at each stage and record the result in the "Brief Description" box. Use the "Pre & Post Requisites" box to record your consensus on what needs to occur before each stage and what should happen after.

By including your best guess of how long each stage will take (the "Timing" box), you will be able to uncover potential bottlenecks. Figure 10 is a sample of a completed form.

TRACKING VERSUS MANAGING SALES OPPORTUNITIES

When talking about sales opportunities, *tracking* differs from *managing* in terms of the scope of view. In a nutshell, you *track your sales* (plural) and you *manage each sale* (singular).

Tracking allows you and your salespeople to prevent opportunities from dropping through cracks and getting forgotten or lost in the everyday hurly-burly of surviving in the sales arena. Tracking also tells you the state of your sales funnel and warns you if there's a danger of overflowing or if a particular salesperson is starting to run on empty.

As Figure 11 illustrates, it's important that your prospecting and marketing pipelines be continually pouring potential sales opportunities into your sales funnel. If your pipelines dry up, your "pot of closed sales" will become empty. On the other hand, you can fill your funnel to overflowing if you embark on an aggressive marketing plan or display in too many trade shows. While I would rather have too many sales leads than not enough, there's no use accumulating more sales leads than your people (the folks in the sales funnel) can manage.

Beware of blockages in your sales funnel. Blockages usually have less to do with the salespeople and a lot to do with the sales managers or management in general. Blockages are often the result of internal procedures or processes that slow down and sometimes kill a sale. The

Flowcharting Your Sales Process

Briefly describe what is involved at each stage of the sales process. Note what has to happen before you reach that stage and what needs to happen before leaving it. If possible, note how long each stage of the sale should take. This will assist you in determining your sales cycle time.

Sales Process for:

STAGE 1 (name):
Brief Description:
Pre & Post Requisites:
Timing:

STAGE 2 (name):
Brief Description:
Pre & Post Requisites:
Timing:

STAGE 3 (name):
Brief Description:
Pre & Post Requisites:
Timing:

STAGE 4 (name):
Brief Description:
Pre & Post Requisites:
Timing:

Figure 9. Worksheet for detailing each stage of the sales process.

Flowcharting Your Sales Process

Briefly describe what is involved at each stage of the sales process. Note what has to happen before you reach that stage and what needs to happen before leaving it. If possible, note how long each stage of the sale should take. This will assist you in determining your sales cycle time.

Sales Process for: TRAINING

STAGE 1 (name): Interest
Brief Description: Prospect has expressed an interest in talking with us or has enquired about our services without necessarily having a specific/defined need.
Pre & Post Requisites: Pre: Acquire any available background information. Post: Secure appointment.
Timing: 1-10 days

STAGE 2 (name): Needs Assessment
Brief Description: Qualify the prospect and determine which of our programs or services, if any, would suit them best.
Pre & Post Requisites: Pre: Ability to get appointment quickly. Post: Uncover a valid want or need for our services.
Timing: One-half day

STAGE 3 (name): Proposal Generation
Brief Description: Develop the Need for Training section of our proposal template.
Pre & Post Requisites: Pre: Request for proposal from prospect. Post: Required information sent to marketing.
Timing: 1-4 days

STAGE 4 (name): Presentation
Brief Description: Opportunity to present our proposal and sell our solution
Pre & Post Requisites: Pre: Secure appointment with decision-maker. Post: Received feedback from prospect.
Timing: 1-10 days

Figure 10. Example of a completed worksheet for detailing each stage of the sales process.

STAGE 5 (name): Proposal Under Consideration
Brief Description: Prospect is evaluating the suitability of our proposal to solve their problems. Competition may still be under consideration.
Pre & Post Requisites: Pre: Presentation made to decision-maker. Post: Positive response.
Timing: 7-30 days

STAGE 6 (name): Evaluation & Checkout
Brief Description: Prospect wants to check and evaluate our credentials by contacting references. This is an evaluation of our capabilities (not of our proposal, which occures in stage 5).
Pre & Post Requisites: Pre: Provide suitable references. Post: On prospect's short list.
Timing: 2-10 days

STAGE 7 (name): Other Considerations
Brief Description: Prospect has accepted our proposal and intends to go ahead with it subject to approval from an internal source such as getting CEO endorsement or outside source such as OSDO funding approval.
Pre & Post Requisites: Pre: Verbal confirmation of intent to proceed. Post: Commitment to push for required approvals.
Timing: 7-? days

STAGE 8 (name): Final Negotiations
Brief Description: Decisions regarding pricing, timing, and location have been finalized.
Pre & Post Requisites: Pre: Prospect's formalized intent to proceed. Post: Firm dates set.

STAGE 9 (name): Contract Signed
Brief Description: The signed contract has been returned and any required deposit has been paid or suitable arrangements for payment have been made.
Pre & Post Requisites: Pre: Training agreement completed. Post: Deposit cheque received.
Timing: 1-15 days

Figure 10. (continued)

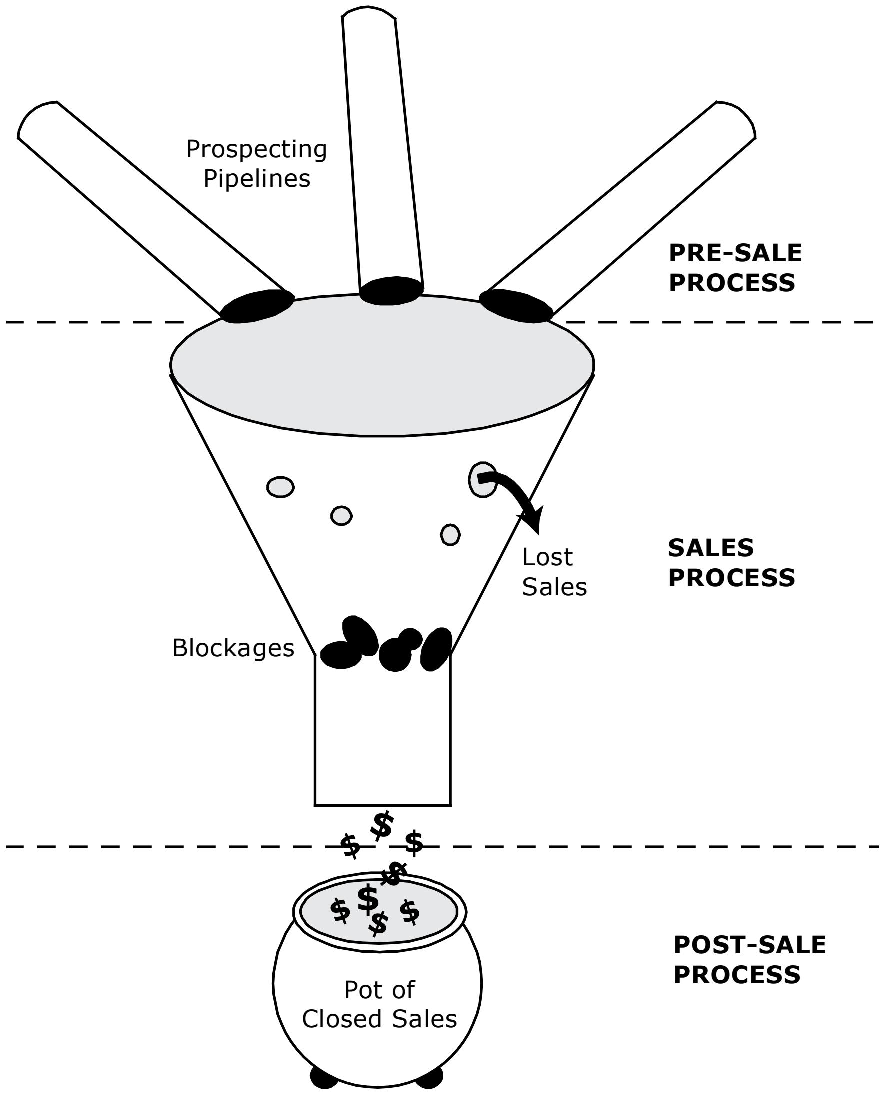


Figure 11. The sales funnel. It's important that your prospecting and marketing pipelines be continually pouring potential sales opportunities into your sales funnel. If your pipelines dry up, your pot of closed sales will become empty.

inability to get a proposal out in a timely manner is a typical blockage. The inability to deliver is another. Your job as a sales manager is to do everything in your power to eliminate or minimize these blockages.

Managing a sale is the process of moving an opportunity through your (and the prospect's) sales process (the sales funnel).

Tracking Sales Opportunities

One of the first things I usually do when I start working with an organization as a sales management consultant is to set up a sales opportunity tracking system, using a simple form such as the one shown in Figure 12. I used this form for years in my previous company to track our sales opportunities. Each week at our sales meeting, we reviewed the report, discussed what needed to be done next, and then updated the information.

There's no reason why much of this information couldn't be maintained in a computerized sales automation system, contact manager, or elaborate PIM (Personal Information Manager). If you're into computers, there are hundreds of software programs on the market that can help. I recommend you stay with one of the mainstream programs so you have some assurance of continued product support and updates.

Number of active sales opportunities.

There's no exact number of active sales opportunities that is right for every company. Most firms I've worked with seem to have between 30 and 70 sales opportunities per salesperson on the go at any given time, the bulk of which will be at the early stages of the sale.

It's a good idea to monitor what proportion of your sales opportunities are in the early stages of the sale (first third of your process), how many are at the mid point (second third) and how many are in the final stages (last third). If a salesperson has the majority of his opportunities in the mid or final stages, his sales funnel is going to run dry in the near future.

Sales Opportunity Report

Salesperson:

Date: | Page:

Customer & Contact	Opportunity	Date	Brief Status/ Update	Stage	$ (000)	%	Review Date
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						
Customer: Contact:	Opportunity: Initial Contact Date: Close Date:						

Figure 12: A simple form for tracking sales opportunities.

A reasonable target would be to have 50 to 60 percent of a salesperson's sales opportunities in the early stages of the sale with the remaining 40 to 50 percent in the mid to final stages. The sales professional's job is to track and guide these opportunities through the various stages. Your job as sales manager is to make sure he or she does it.

Managing Sales Opportunities

As noted above, managing sales opportunities means assessing and evaluating each opportunity and developing plans and strategies, no matter how simple, to move these opportunities to a close.

Some of the things to watch for are total value, weighted value, probabilities and stage of the sale. Here's why they are important:

Total value. This is your gauge as to how much time can be invested in an opportunity. The larger the potential value of the sale, the longer the salesperson can afford to spend on it. As a general rule, most salespeople have little idea of the value of a "sales" hour and will spend too much time nurturing deals that provide too little income to the company and the salesperson.

A "sales" hour is the actual amount of time a salesperson has available to spend "selling" as opposed to time spent attending meetings, travelling, administration, waiting, etc. It's worth noting that independent time-usage studies consistently show that the average salesperson spends only 25 to 40 percent of his or her time on sales-related activities.

To calculate the value of a salesperson's sales hour, simply divide his annual sales quota by the number of hours he spends in selling situations:

Sales Quota ÷ Selling Hours = Value of the Sales Hour

So if a particular salesperson has a quota of $1,000,000 and he's able to put in about 12 hours of real selling activity each week (30% of 40 hours), or 600 hours a year, then the value of his sales hour is:

$1,000,000 ÷ 600 = $1,667 per Selling Hour

This means that if this salesperson is working on a $10,000 sale, he can't afford to spend much more than 6 working hours on the deal ($10,000 ÷ 1667). In fact, if he's smart, he will consider pulling the plug on the opportunity at about the halfway mark (3 hours) in order to nurture more promising opportunities.

Weighted value. The weighted value assists the salesperson in setting priorities. To calculate the weighted value, simply multiply the dollar value of the opportunity by the percentage probability of making the sale. A $12,000 sale with a 75 percent probability has a weighted value of $9,000 ($12,000 x 75%). If the weighted value is close to the total value, then that opportunity has a high chance of closing and you may want to focus on it in order to wrap it up.

NOTE: Your salespeople should work first on those opportunities that have the greatest chance of closing (highest weighted value), regardless of the total value of the opportunity.

Probabilities. If five salespeople were all looking at the same opportunity and you asked each of them to estimate the chances of closing the deal, you'd probably get five different answers. This is common and not unusual because each salesperson would have his or her own gauge with which to measure the opportunity. Sometimes they simply go by what their stomachs tell them, which can be dangerous if they have just had lunch at a fast-food place.

Here's a simple four-phase, price/urgency/funds/competitive edge evaluation process I developed to minimize the problem. While it may not be perfect, it does provide some guidelines when assessing an opportunity and gets all the salespeople singing from the same song sheet.

Price Information

10% Prospect has written quote or price information

5% Prospect has verbal quote or informal pricing information

0% Not quoted as yet

Degree of Urgency

30% High degree of urgency. Prospect *must* buy something now.

20% Medium degree of urgency. Prospect *should* buy something now.

10% Some degree of urgency. Prospect *may* decide to buy now.

0% No or low degree of urgency. Prospect *doesn't need* to buy now.

Funds Approval

30% Opportunity funded to or above our price.

20% High probability of funds approval.

10% Good probability of obtaining funds.

0% Funds not yet available and/or approved.

Competitive Situation or Edge

20% Sole source, no other competitors being considered.

10% Good rapport, preferred or favoured vendor.

5% Competitors still being seriously considered. Who & why?

0% Sale possible only with difficulty.

For example, if I've given my prospect a written price quote (10%), the prospect should buy now (20%) but needs to get additional funds approval (10 percent), and the prospect is also looking at my competition (5 percent), I'd rate the probability of a sale at 45 percent.

NOTE: You'll notice that the best you can do under this format is 90 percent. That's because, in my opinion, a sale is never at 100 percent until it's delivered and paid for. Too many things can go wrong, even on a sure thing.

While this system isn't a one-size-fits-all solution to accurately estimating the chances of getting a sale, it is a system that can be modified and tailored for most sales situations.

These parameters can be used as guides to what needs to be done next to improve your chances of closing the sale.

Salespeople often can't affect the "funds" but they can make sure they are truly aware of the funding situation and are not just making a guess at it. The same thing applies to "competitive edge."

Too many salespeople use intuition rather than facts when evaluating a sales opportunity. Salespeople have to learn to ask their prospects for the information they need, not just guess at it. As a sales manager, you can use the same criteria to assess your salespeople's depth of knowledge of the opportunity.

Stage of the Sale. The question salespeople (and managers) should always be asking themselves is: "How do I move this opportunity to the next stage? What needs to be done and who should do it?"

If something needs to be done and you're the one to do it, get on with it! Put it into your daily planner or to-do list and make it happen. If something needs to be done and someone else should do it, then manage it! By managing it, I mean to set up, orchestrate, negotiate, co-ordinate, etc. In other words, make something happen to move the sale along.

As a sales manager, one of your functions is to make sure there's a minimum of internal impediments to the salespeople getting a sale.

MANAGING SALESPEOPLE BY THE NUMBERS

If you were managing a factory making doodads (a doodad is an updated widget), you'd keep a close watch on your material costs, production and rejection rates, cost of goods sold, expenses and other overhead. You'd do occasional return on investment calculations to ensure certain products are still worth the investment of time and money. In other words, you'd watch your production and operating costs very closely to avoid waste. This is called managing your assets.

Salespeople are Assets

Your salespeople are assets as well, and they need to be managed. Some are stars (usually 10 to 20 percent of the sales team). These stars are solid cash generators, dependable, and low-risk investments. Some are dogs (also usually 10 to 20 percent of your sales team). They have out-of-line costs, low sales and are often more trouble than they're worth.

Most salespeople, about 60 percent, will fall somewhere between the two extremes. They're the reasonable performers in need of guidance, managing, leadership, and perhaps some training.

The trick is to identify who fits into which category so you can take appropriate action. This is where using the various reports I have been talking about can help. The numbers can help you manage your sales assets.

Depending on the nature of your business, the following are some of the numbers you might want to collect for each salesperson on a monthly basis. These are not the only numbers that can be used for managing salespeople. In fact, you may not use these numbers at all. For example, you may want to measure the number of units sold rather than the dollar value of the sale and so forth. The numbers and ratios used here illustrate the concept of managing your sales assets in order to maximize your return on investment for your sales dollar.

The Numbers

Here are some typical numbers used to evaluate sales performance:

- Total Sales (S)
- Total Expenses (E) (may include salary, etc.)
- Number of Orders or Sales (O)
- Number of Accounts Called (A)
- Number of Sales Calls (C)
- Number of Quotes or Proposals (P)
- Total Value of Quotes or Proposals (V)

In the above list, the numbers for the first three items—*total sales, expenses, and number of orders*—can usually be taken from your internal administrative systems. Companies who can't find this information quickly are in serious trouble. A business has to know where it's at as well as how it's doing in order to get where it wants to go.

The numbers for the next two items—*number of accounts called* and *number of sales calls* – has to come from your salespeople. As you know, this will be no easy task. To say that salespeople hate paperwork is an understatement. Most salespeople keep inadequate information on their personal performance. Good salespeople don't do it because they're too busy making sales. Marginal salespeople are hesitant to do it because it might show deficiencies that they can't do anything about. Poor salespeople won't do it because it may show they're in the wrong profession.

The *number of accounts called* and the *number of sales calls* is often different because it usually takes more than one call on an account to close a sale. If all your sales are made in one call, you can combine these numbers.

The numbers for the last two items—the *number* and *value of proposals or quotes*—apply only if you use this method of providing price information to your prospects.

Figure 13 is a form I've designed to help sales managers collect the information they need to do an analysis on their sales team.

Analyzing the Data

With these numbers and the form shown in Figure 14, you can do some ratio analyses that quickly show where your salespeople sit in relation to each other and what areas need to be addressed. Some of these ratios are:

- Average value of a sale. (S÷O) *Bigger is best.*
- Average sales value per sales call. (S÷C) *Bigger is best.*
- Number of orders per account. (O÷A) *Bigger is best.*
- Average proposal (or quote) value. (V÷P) *Bigger is best.*
- Number of orders per proposal (closing ratio). (O÷P) *Bigger is best.*
- Number of calls per account. (C÷A) *Smaller is best.*
- Number of calls it takes to get an order. (C÷O) *Smaller is best.*
- Expenses per sale. (E÷S) *Smaller is best.*

What Ratios Can Do For Sales Managers

These ratios will help you make better sales management decisions because you will have a subjective basis for evaluating your salespeople. The ratios allow you to separate the real performers (the eagles) from the mediocre performers (the chickens) and the non-performers (the turkeys).

The ratios also give you a sound foundation for making recommendations regarding sales activities, retraining, or other corrective actions. In extreme cases, you may find yourself suggesting to the non-performers that they seek new career opportunities. Using the ratios allows you to catch small performance problems before they turn into big ones. See the Appendix, page 32, for an example of ratios at work.

Ratios can form the basis for performance appraisals and goal setting. By using the information with each of your salespeople, you're able to let them know where they stand in relation to others. This can often feed the competitive spirit that most good salespeople have. It also keeps the focus on the quotas, goals and sales targets.

These same records, kept over a period of time, will allow you to track market and seasonal trends as well as give you a good idea of what you can expect from your salespeople.

Monitoring Marginal Performers

In some cases, by comparing their actual performance figures with company averages, marginal salespeople will make the necessary self-corrections without the sales manager's suggestions. When used this way, both the sales manager and the salespeople have quantitative, identifiable and recognizable information to use in planning or for performance appraisals.

In the worst case, the ratios can serve as the basis for disciplinary action or termination. Using the numerical performance data becomes the basis for unbiased personnel decisions. Smart sales managers will build these ratios into their sales quota/goal system and make sure they are accepted by each salesperson. If a salesperson hasn't been living up to his or her numbers and has been given the proper warnings along

Sales Activity Management Form - Monthly Summary Month: 20

	Name	Total Sales (S)	Rank	No. of Calls (C)	Rank	Total Expenses (E)	Rank	No. of Orders (O)	Rank	No. of Accounts Called (A)	Rank	No. of Proposals (P)	Rank	Total Value of Proposals (V)	Rank
1															
2															
3															
4															
5															
6															
7															
8															
9															
10															
11															
12															
13															
14															
	TOTALS														
	AVERAGES														

Figure 13: A form used for collecting information from the sales team.

Sales Activity Management Form - Monthly Ratios

Month: 20

	Name	Avg Value of a Sale S ÷ O	Rank	Avg Sales Value per Sales Call S ÷ C	Rank	Number of Orders per Account O ÷ A	Rank	Avg Proposal (Quote) Value V ÷ P	Rank	Number of Orders per Proposal O ÷ P	Rank	Number of Calls per Account C ÷ A	Rank	Number of Calls to Close a Sale C ÷ O	Rank	Expense per Sale E ÷ S (x100)	Rank
1																%	
2																%	
3																%	
4																%	
5																%	
6																%	
7																%	
8																%	
9																%	
10																%	
11																%	
12																%	
13																%	
14																%	
	AVERAGES																
		Bigger is Best										**Smaller is Best**					

Figure 14: A form used for analyzing ratios.

with an opportunity to improve, then disciplinary actions, including termination, can be justified and supported.

Can you manage salespeople by the numbers? Yes, if you know which numbers to watch for and what to do with them.

FINAL THOUGHT

As you can see, a lot of work goes into managing the sales process, and it takes a sales-oriented individual with good organizational skills to make it work well.

Good luck!

Appendix

MANAGING SALESPEOPLE BY THE NUMBERS

Putting the Numbers to Work

In this ebook, I described a way of using sales call data to evaluate performance and catch potential performance problems before they get out of hand. Here's an example of how "the numbers" can help you make better decisions.

Let's assume you collected the monthly sales data from your five salespeople as represented in Figure 15, Monthly Summary. Using this information and a calculator, you are then able to complete Figure 16, Monthly Ratios. For example, by dividing *Total Sales* ***(S)*** by *Number of Orders* ***(O)***, you are able to calculate the **S/O** ratio *(average value of a sale).*

What the Ratios Tell Us

Alan:

Alan is below average in both his *average sales per call* ($357) and his *number of orders per account* (0.2). Although he is second in his *average value per sale* ($5,715) and his expenses are in line, he is inefficient. Alan makes 16 calls before he gets a sale. The group is averaging 30 orders for the month but Alan closed only 10. He ranks last in *number of orders per proposal* (0.45), which probably means he isn't qualifying his prospects well enough before generating a proposal. If Alan was a new salesperson or in a new territory, his performance would be acceptable. But as a seasoned salesperson, Alan's performance is weak.

Bob:

Bob's writing large orders on the average ($6,117). His expenses appear a bit high until you look at his *expense ratio* where he's less than the average. Like Alan, Bob isn't efficient. He got only 12 orders from his 120 calls. Bob's high *value per proposal* ($12,170) shows he has his sights set high. Perhaps too high, though, and he may be missing smaller opportunities or leaving money on the table in some situations. Bob's seeing his accounts less than twice a month (1.8).

Cathy:

Cathy's having her problems. She's calling on her accounts almost four times a month (3.6) but she's averaging only $1,005 per sale. Her expenses are running slightly above average ($543). It's apparent from her *average sales value per sales call* ($226) that Cathy is simply writing a lot of small orders. This may be because she's dealing with smaller accounts, or it may mean that she's only selling the small and easy-to-sell items. This suspicion is reinforced by the fact that her *average proposal* size is the smallest of the bunch ($4,384). The fact that she's making 200 calls could mean that she's busy making calls instead of spending time selling. Cathy needs help in handling her calls more effectively.

David:

David's a mess! He's out of line in almost every category. It takes him 7.4 calls to close an order, which is better than the average (8.1) but only because Alan's and Bob's numbers are so bad. The fact that his *sales per call* ($183) is the lowest probably contributes to his having the highest *expense ratio* of 1.6 percent. David needs to get more proposals out and improve his closing ratio.

Gary:

At first glance, Gary's expenses ($625) might cause you to blow your stack until you do the ratios and realize that Gary's the most efficient salesperson of the bunch. This is evident from his high *average sales value per sales call* ($646), his low *expense ratio* (0.6 percent), and his high *number of orders per proposal* (0.83). The areas that you might want to help Gary with are his *calls per account* (5.0) and his *average value of a sale* ($1,884). Gary may be over-servicing his accounts and may have his sales sights set a bit low, particularly when Alan and Bob seem to be finding larger-value sales while selling the same products. Gary also needs help fine-tuning his qualifying skills to increase his *average proposal value*.

The Fatal Trap

Avoid the trap of managing *only* by the numbers. The numbers are indications or symptoms of what's happening (or not happening). Much like a doctor uses information to come up with a diagnosis before prescribing a medication, you have to use this information in a similar fashion for maximum impact. Simply showing your salespeople the numbers and letting them draw their own conclusions is not enough. You have to provide guidance and direction so they will be able to eliminate bad work habits, sharpen their current selling techniques and develop new sales skills.

The Final Analysis

Yes, the numbers will help you manage your salespeople. But more importantly, the numbers will help you help your people make a real difference to your bottom line.

Sales Activity Management Form - Monthly Summary Month: 20

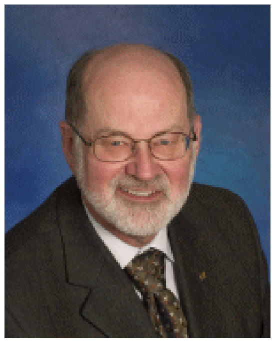
	Name	Total Sales (S)	Rank	No. of Calls (C)	Rank	Total Expenses (E)	Rank	No. of Orders (O)	Rank	No. of Accounts Called (A)	Rank	No. of Proposals (P)	Rank	Total Value of Proposals (V)	Rank
1	Alan	57,150	3	160	4	400	1	10	5	45	4	22	4	110,115	5
2	Bob	73,406	2	120	5	587	4	12	4	67	1	16	5	194,715	3
3	Cathy	45,212	4	200	1	543	3	45	2	56	2	58	2	254,300	2
4	David	31,115	5	170	3	498	2	23	3	50	3	32	3	168,000	4
5	Gary	113,030	1	175	2	625	5	60	1	35	5	72	1	328,107	1
6															
7															
8															
9															
10															
11															
12															
13															
14															
	TOTALS	$319,913		825		$2,653		150		253		200		$1,055,237	
	AVERAGES	$63,983		165		$531		30		51		40		$211,047	

Figure 15: Sales data collected from five salespeople for May.

Sales Activity Management Form - Monthly Ratios Month: 20

#	Name	Avg Value of a Sale S ÷ O	Rank	Avg Sales Value per Sales Call S ÷ C	Rank	Number of Orders per Account O ÷ A	Rank	Avg Proposal (Quote) Value V ÷ P	Rank	Number of Orders per Proposal O ÷ P	Rank	Number of Calls per Account C ÷ A	Rank	Number of Calls to Close a Sale C ÷ O	Rank	Expense per Sale E ÷ S (x100)	Rank
1	Alan	5,715	2	357	3	0.2	4	5,005	3	0.45	5	3.6	3	16	5	0.7%	2
2	Bob	6,117	1	612	2	0.2	4	12,170	1	0.75	3	1.8	1	10	4	0.8%	3
3	Cathy	1,005	5	226	4	0.8	2	4,384	5	0.77	2	3.6	3	4.4	2	1.2%	4
4	David	1,353	4	183	5	0.5	3	5,250	2	0.72	4	3.4	2	7.4	3	1.6%	5
5	Gary	1,884	3	646	1	1.7	1	4,557	4	0.83	1	5.0	4	2.9	1	0.6%	1
6																%	
7																%	
8																%	
9																%	
10																%	
11																%	
12																%	
13																%	
14																%	
	AVERAGES	$3,215		$405		0.7		$6,273		0.7		3.5		8.1		1%	
		Bigger is Best										**Smaller is Best**					

Figure 16: Using the data in Figure 15, the monthly ratios are calculated and analyzed.



ABOUT THE AUTHOR

Brian Jeffrey is a sales management consultant and former sales trainer with over 40 year's experience. He's the author of *The Sales Wizard's Secrets of Sales Management, The 5-Minute Sales trainer,* 18 ebooks, and over 100 articles on selling and sales management.

Brian provides sales management consulting, coaching, and mentoring to business owners and sales managers. He has had many sales successes (as well as a few spectacular failures) and has learned what works, what doesn't, and why — information he readily shares with others.

Find out how Brian helps companies maximize their sales at **www.Quintarra.com.**

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