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IT'S MERELY MATHEMATICS!

Dr. Muneer Muhamed describes how appropriate sales metrics assist brands

A global economic slowdown and the aftermath of the Easter Sunday incidents have prompted marketers to renew their focus on business development initiatives. And an investment in sales enablers calls for a business case.

Sales and marketing processes are relatively mature, and available performance metrics help evaluate investment effectiveness. It would make sense to consider some of these metrics and how one can measure sales effectively.

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Brands ought to begin this process by outlining the impact on sales execution. Organisations have a multitude of sales factors that can be measured. However, the critical metrics to succeed at sales execution involve the following factors, which directly impact revenue attainment: number of opportunities in the pipeline, average size of deals, success rate, length of the sales cycle and number of 'active' salespersons.

There is a mathematical relationship between these performance metrics in terms of their impact on revenue. Thanks to this relationship, major improvements in sales performance can be derived through relatively minor improvements to each metric.

For example, it is known that a five percent improvement in each area yields a 26 percent increase in revenue. So how substantial is a five percent improvement?

If the average number of opportunities pursued by a salesperson annually is 100, it will increase to 105; if the average deal size is Rs. 100,000, it will rise to 105,000 rupees; if the present success rate is 50 percent, it would move up to 52.5 percent; if the length of the sales cycle is presently 26 weeks (i.e. 6.5 months), it reduces to less than 25 weeks; and if the existing number of 'fully ramped' salespeople is 50, the new total for the 'active' headcount would be 53.

How does the sales process directly impact each of these performance metrics?

The most important benefit refers to the time required to create customer facing sales material, which increases the number of opportunities. By using automation tools, organisations can create the best content for a given selling situation and make it much easier to personalise the assets for customers. This will save time to drive more important and higher value sales initiatives.

By pursuing such processes, a business may save over 20,000 hours for its sales team every year. If a salesperson can deliver a customer centric message to a prospective client, you can dramatically improve the rate of converting leads into qualified opportunities.

As for increasing the average deal size, many companies sell solutions rather than products these days, which they assume will differentiate them from the rest. A solutions selling strategy essentially covers a macro revenue generating capability and can be sold in a single sales cycle. However, it isn't enough to inform your sales team about selling solutions; you need to offer them the appropriate training to do so.

For instance, a client may struggle to make this transformation over a period of a couple of years. In such a case, you also need to enable the sales team by providing them with the right tools to assess the situation at the client's end and suggest possible solutions. Technology can be of assistance; in fact, it can institutionalise upselling and cross-selling.

Supporting a salesperson to deliver a targeted value proposition to a customer will improve his or her success rate. Equip the sales team with the latest industry data, discovery guides, competitive intelligence, objection handling guidance and so on. With these and a handheld device, they will save time and be better prepared for a sales pitch.

By being able to answer questions posed by customers, and proactively provide industry data and ratios on matters such as productivity, a salesperson will gain the respect of people they meet – and thus improve their chances of success in regard to sales.

In this day and age, sales cycles are increasing steadily across industries. Economic conditions, a lack of will and policy improvements, and the growing complexity of customer needs have impacted both the duration of the sales cycle, as well as the number of decision makers and influencers involved in the purchasing process.

Attrition in sales is quite high although it varies from one industry to another – it stands at about 10 percent in the case of chemicals but 40 percent for retail. Recruiting and bringing a new salesperson up to speed takes considerable time. So an active sales force may be at less than their optimal at most times.

Helping and actively supporting the sales force in real time based on the above-mentioned aspects will help retain more talent and increase the active sales headcount. If you can compress the ramp up time, you'll increase your active sales headcount – and as a result, enjoy higher revenue.

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