HOW TO RUN YOUR SALES ORGANIZATION WITH ONLY 3 NUMBERS

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TYPICAL SALES TEAM SCORECARD

Here is a typical scorecard that we see being used by a large percentage of sales organizations.

Based on the scorecard, how would you rank your salespeople? What actions would you take with Jasmine or Cedrick who are below their goal? What would you do with Brianna?

	Revenue Goal	Actual	% of Goal
Jasmine	$75 K	$56 K	75%
Cedrick	$75 K	$60 K	80%
Dexter	$75 K	$75 K	100%
Brianna	$75 K	$80 K	107%

**Figure 1*

THE 3 NUMBERS YOU NEED

Based on the scorecard (figure 1), we don't believe there is enough information for you to really understand what actions to take or how to help these salespeople. You need more information.

The 3 additional numbers that are important to understand are...

1

OPPORTUNITIES

This is a leading indicator and can be defined in many ways. If a salesperson cannot generate enough opportunities, they will struggle to reach their goal.

2

CLOSE RATE/ EFFECTIVENESS

Are we converting the opportunities we find? Even if the salesperson is very active and sees a lot of opportunities, they must have the ability to move them through the pipeline and eventually close them.

3

AVERAGE DEAL / ACCOUNT SIZE

Are the opportunities big enough to hit our goals? Even if a salesperson finds enough opportunities and closes them at a decent rate, they will struggle to hit a target if all the deals or accounts are small.

That's it. Those 3 numbers; the number of opportunities, your close rate, and your average deal or account size, are the numbers you need to run your organization.

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OPPORTUNITY

OPPORTUNITIES (LEADING INDICATORS)

Stop and think about the events or milestones in your sales process that you KNOW typically leads to sales, such as discovery calls or meetings, new “qualified” opportunities, demonstrations (demos) of your product or service, site visits out to your company, etc.

Pick one (or two) that you feel are the best leading indicators.

Now you’ll want to clarify these leading indicators. That way it is not open to interpretation by the salesperson.

For example – a discovery meeting only counts if:

- The salesperson has uncovered a specific need they can address
- They have learned who the decision-makers are
- A timeline has been identified
- A specific next step in the process has been determined

Now that you’ve picked your leading indicator establish a goal for it. How many of these per month (week or quarter depending on your business) should a salesperson be able to generate? Don’t know? Look at your top salespeople. What are they producing? Set a goal near what they do. Or, talk to your team and create some buy-in by getting them to commit to how much they think they can do. Use that as your standard out of the gate and adjust after you’ve collected data.

CLOSE RATE

DO YOU KNOW YOUR CLOSE RATE?

Do you know your close rate? Is it accurate? Or are you just guessing? Many companies have a "gut feel" for what it is, and maybe that is where you need to start.

In short, what percentage of the leading indicator that you picked before should convert into a closed deal? That is your close rate. Here are some examples:

- Percent of qualified opportunities converted to Deals
- Percent of proposals converted to Deals
- Percent of calls converted to Deals (very transactional business)
- Percent of meetings converted to Deals

Now that you've defined how you will measure close rate, establish a goal for that as well. SURPRISE! There is no universal standard.

But we have noticed that longer sales cycles usually have a higher close rate (50%-75% - based on the cost of pursuing each deal).

We have also noted that lower-priced, commodity offerings typically have shorter sales cycles usually have a lower close rate (10% - 30%). Look at historical numbers to determine the percentage of your leading indicators that close.

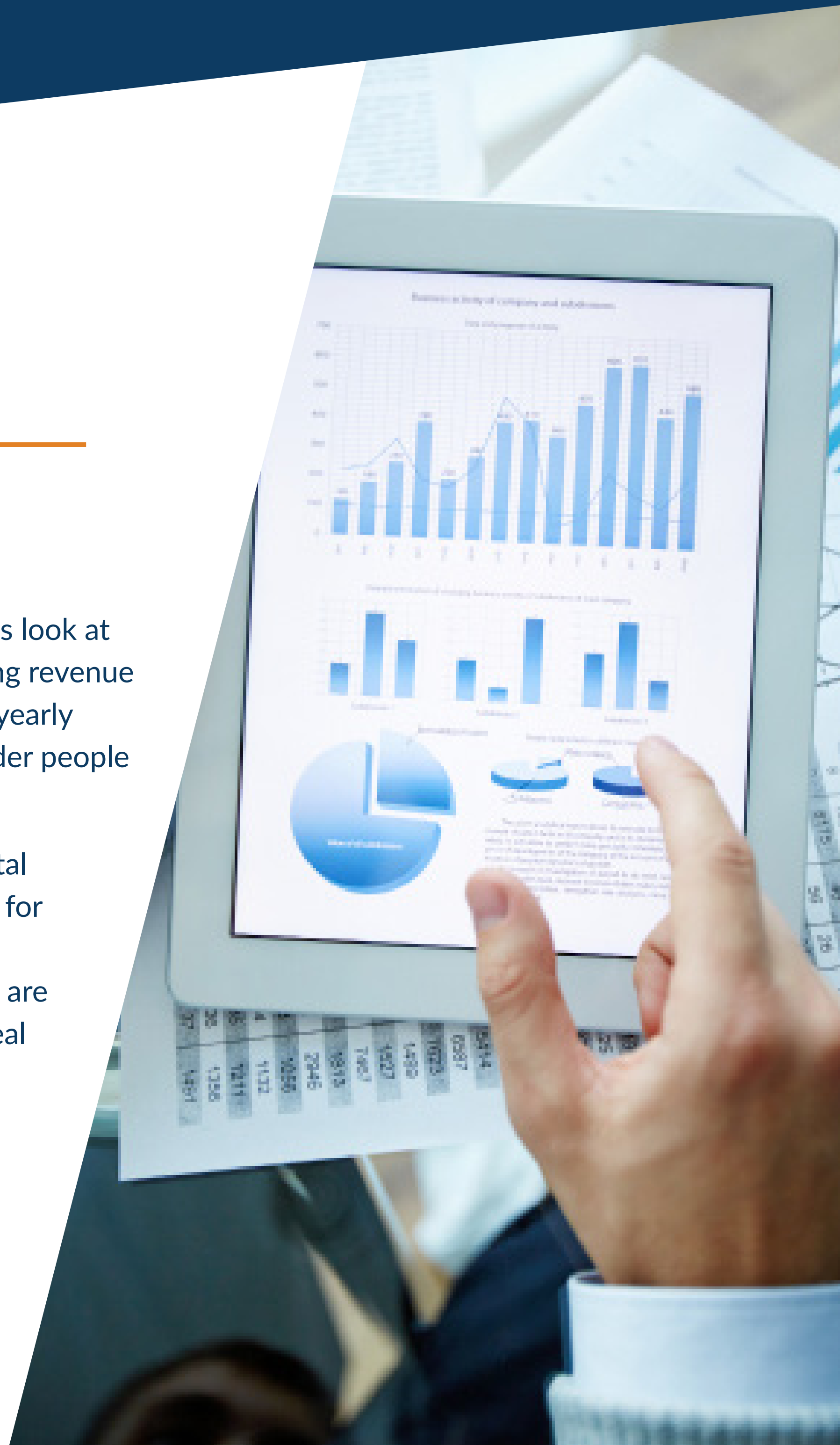
AVERAGE DEAL SIZE

WHAT'S YOUR AVERAGE DEAL SIZE OR AVERAGE ACCOUNT SIZE?

Are you tracking this today? Does your team know what it is?

Average deal size does depend based on your type of company; some companies look at average sales, deal, or project size. However, some companies that have recurring revenue models might look at average revenue per client, monthly recurring revenue, or yearly recurring revenue. In some cases, a company will look at how many units per order people have, or even gross profit per order or account.

Based on your salespeople's compacity, your production compacity, and your total available market, what should your deal sizes be? Each deal size will be different for every company, but your goal now is to figure out what the correct size for your company is. Each person on your team should do this for their accounts, so they are aware at the individual level and the company level. Ensure that your average deal size ties to your overall revenue goals.



USING THE NUMBERS

Now that we have defined what numbers to look at, your scorecard could look something like this (although your specific columns may be different):

		OPPORTUNITIES			CLOSE RATE	DEAL SIZE
Goal	Revenue	Qualified Opps	Proposals	Deals	Close % (Deals/Opps)	Deal Size
	$75,000	10	5	3	30%	$25,000
	$50k - $75k	7-9	3-4	2	20%-29%	$15k-$20k
	<$50K	<7	<3	<2	<20%	<$15k

**Figure 2*

Now we have The Big 3 (with a goal) for each one.

- Opportunities/ Leading Indicators = qualified opportunities / proposals
- Close Rate/Effectiveness = tracking opportunities that turn into deals
- Average Deal Size/Account Size

By establishing a scorecard and sharing it with the salespeople, you are setting specific expectations with them about their performance.

YOUR NEW SCORECARD

Goal	Revenue	Qualified Opps	Proposals	Deals	Close % (Deals/Opps)	Deal Size
	OPPORTUNITIES				CLOSE RATE	DEAL SIZE
✓	$75,000	10	5	3	30%	$25,000
–	$50k - $75k	7-9	3-4	2	20%-29%	$15k-$20k
✗	<$50K	<7	<3	<2	<20%	<$15k
Jasmine	$56K	12	6	4	33%	$14K
Cedrick	$60K	15	5	2	13%	$30K
Dexter	$75K	11	5	3	27%	$25K
Brianna	$80K	5	3	1	20%	$80K

*Figure 3

Based on this new scorecard (figure 3), what does that data tell you? What actions would you take with the salespeople now?

Jasmine is clearly working hard, but her deal size is hurting her. How would you help her address that? Cedrick is also working hard, but his close rate is down. What would you do there? Brianna hit her goal, but her lack of new Qualified Opportunities could definitely hurt her next month or next quarter. This additional information helps you spot coaching opportunities.

IMPROVE YOUR NUMBERS

Now that you know those three numbers and have applied them to the scorecard, you should see the areas that need to be improved. But how do you increase those areas?

You can help a salesperson increase the number of opportunities through:

SALES PLANNING

Sit down each week and review the salesperson's activity and make a plan for how they can increase.

DEFINE TARGETS

Help customer define targets – make sure they have a target list to go chase.

STRUCTURE TIME

Give them structure to help them manage their time – help them block out time for prospecting.

MARKETING

If you can, crank up the marketing engine to provide leads for your people.

INCREASE YOUR CLOSE RATE

5 STRATEGIES YOU CAN USE TO INCREASE YOUR CLOSE RATE

1 **BETTER QUALIFICATION** – make sure they are not chasing the wrong business and are actually pursuing business that they have a good chance of closing.

2 **LOSE FASTER** – ask a lot of questions of the salesperson to determine whether the deal is winnable or not. Have them exit deals that are long shots.

3 **UTILIZING A CONSISTENT SALES PROCESS** – make sure that they are doing an excellent job of discovery, getting to decision-makers, etc. Too many salespeople skip parts of the sales process and get to pricing too quickly.

4 **POSITIONING AND DIFFERENTIATING** – make sure the salesperson knows how your company's products/services are different and are leveraging that differentiation to show value. If not, they may be losing on price.

5 **CREATING URGENCY** – make sure they are asking for the order or commitment from the clients. Too many salespeople fail to do so.

Three Things To Keep In Mind When Working With Your Average Deal Size.

1 It's easier to calculate deal or account size when selling products or professional services.

2 For monthly subscriptions, you may want to measure it as average revenue per month (Monthly Recurring Revenue or MRR).

3 For clients who regularly order products multiple times throughout the year, you may consider measuring Annual Revenue from them instead.

YOU CAN HELP SALESPEOPLE WHO HAVE LOWER DEAL/ACCOUNT SIZE BY:

- Defining your target audience – get specific on what business they should chase. Make sure the prospects that are on their list are the right ones.
- Make sure they are offering all the products or services that apply to that customer. Too often, we see salespeople sell the client one offering and entirely skip the opportunity to sell other products and services that the client could use.
- Work with them to make sure they are not discounting to win the business or selling the product or service that is easiest rather than the right product, which could bring in more revenue.

RESULTS

Real examples of what our clients experienced when they used these three numbers to run their business.

CLIENT 1:

Sales Leader felt the team was working hard but had no reliable data to measure. When they established some excellent leading indicators, they realized with the current activity and close rate; they would never hit their goal.

What They Did: Re-establish activity goals and reviewed each salesperson's performance against those goals each week. Activity and close rates both increased, which put the team back on track.

CLIENT 2:

Saw the fall off from discovery to the proposal and realized that those salespeople were doing a poor job getting to the right decision-makers and establishing value.

What They Did: Perform training in those areas and went in the field and coached those salespeople until that conversion rate improved. The key to training is reinforcement.

CLIENT 3:

They were able to analyze more comprehensive results that helped them decide which markets they were the most effective in. They stopped chasing markets where their win rate was low and just focused on the markets with higher win rates. They are now managing secure data versus just their gut feel.

What They Did: Redeployed people into the areas that gave them the best chance to win.

CONCLUSION

You are now armed with knowing which three numbers you need to be able to run your sales organization. Make sure your Big 3 are clear, concise, standardized, and understood by your whole team. You know what you're looking for and how to increase those three numbers.

As soon as you identify, track the right things, and review the DATA we found that people become better sales leaders, they make better decisions with their team, and they can see where to improve.

If you have any questions about this guide or anything else that Pivotal Advisors can help you with, please email us at: **info@pivotaladvisors.com** or call: **952–226-3381**.

Please use the handout at the end of this guide to help you map out what your Big 3 Numbers will be.

THE BIG 3 HANDOUT

Use the following work areas to establish your Big 3.

	Measurement	Standard(s)	Review System: How is it tracked? How Often? By who? With who?
OPPORTUNITIES (Leading indicators)			
CLOSE RATE (Effectiveness)			
AVERAGE DEAL SIZE (Value)			

Sample Activity Metrics – Choose which 1 or 2 are best for you			
Call Planning	Opportunity Management	Account Management	Prospecting
• Average talk time • # of calls by salesperson	• # of qualified opportunities • # of site visits • # of demos / presentations	• # of activities per account • # of proposals • # of joint meetings with strategic partners	• Average # of leads per salesperson • # of networking meetings