



Pay Attention to the Numbers: Using Metrics to Improve Sales Results



By Ken Thoreson

In any economic environment, the companies most likely to thrive are those that take time to scrutinize their strategic sales management plans.

These success-oriented organizations review everything from their forecasts to their pipelines, looking hard at important numbers such as cost of sales, percentage of market share, salesperson effectiveness ratios, and customer lifetime value. However, they're not just examining the numbers; they're also looking for ways to improve results based upon their chosen metrics.

We often see companies struggling because they lack such blueprints. Effective plans require combining an organization's goals and individual salespeople's business plans with a set of metrics designed to gauge everyone's progress in meeting those objectives.

The following are what we believe are the fundamental metrics that companies should include in "dashboards" for measuring their sales teams' effectiveness:

- Forecasts accuracy percentage for monthly forecast, by salesperson
- Dollar value of pipeline by stage; number of opportunities by stage
- Dollar value of pipeline ratio to future monthly quotas
- Actual sales activity compared to a defined set of standards
- Average order value
- Win-loss rate percentages, by salesperson

Advice for Improving Sales

The #1 Factor to Increase Sales Results

The Secret to Achieving Sales Success

5 Steps for Tracking Your Firm's Progress in Hitting Its Sales Goals

Beyond the Basics

As you continue developing your company's dashboard, you may wish to build in additional metrics such as the following:

- Value of net new account sales as percentage of total sales for month and year to date
- Existing account sales as percentage of total sales, month, and year to date
- Salesperson profitability as compared to sales volume
- Revenue per current customer per year as percentage of total sales
- Cost per lead, by lead source
- Number of leads, by lead source
- Close ratio by lead source
- Sales cycle time from initial contact by salesperson to decision
- Number of days with sales outstanding, goal vs. actual
- Blended billing consultant rate, goal vs. actual
- Realization consultant rate, goal vs. actual
- Utilization consultant rate, goal vs. actual
- Consultant backlog days, goal vs. actual

- Direct sales expense as a percentage of volume, margin, and quota

Looking Ahead: Leading Indicators

In addition, smart companies increasingly rely on what we call "leading indicators." These are activities or ratios that can predict revenues at least 60 days out. While simply looking at future pipeline values can provide a similar forecast, growth-focused partners may find these indicators useful as well.

In most cases, sales events occurring early in the sales cycle are most likely to lead to high-percentage sales opportunities. If these begin to fall, future pipelines and revenues will probably follow the same pattern. Potential leading indicators include the numbers of:

- New-prospect calls made per week
- Face-to-face sales calls made per week
- Subject matter expert or pre-sales tech support calls made per week
- Discovery calls made per month
- Demonstrations and executive presentations made per month

We also recommend creating graphs comparing those numbers to dollars booked or margins generated. Those comparisons can help salespeople see the relationship between indicators and results. All ratios should be published and shared with your entire sales team.

Finally, remember that the ultimate goal is to improve your ratios and results each month and each quarter, not simply to track them. That's the real reason for developing a dashboard—and the real route to success.

Ken Thoreson is President of Acumen Management Group Ltd., which "operationalizes" sales management systems and processes that pull revenue out of the doldrums into the fresh zone. You may read more from Ken at YourSalesManagementGuru.com, and you may email him at Ken@AcumenMgmt.com.

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