



Focus on *Effective* Sales if You Want Future Sales

By Charles H. Green, Contributing Editor

When was the last time you thought about sales efficiency vs. sales effectiveness? In the last five to 10 years, things have changed in the customer world, and it's time to revisit this age-old question. The importance of effectiveness has increased—yet the emphasis on efficiency has continued about the same. Thus we are over-stressing efficiency at the cost of effectiveness.

Sales Efficiency and Sales Effectiveness Defined

Let's start with simple definitions. Selling efficiency is a measure internal to an organization or function. It's how much investment you make to get a dollar of sales. It's about how you utilize internal resources.

Selling effectiveness, by contrast, involves the external world. It asks how well you're doing relative to what's out there. For example, are you closing as many deals as you could, or as others close? Or, what's your market share of possible sales?

Sales Efficiency and Sales Effectiveness Strategies

It is possible to have high sales efficiency and either high or low effectiveness, and it is possible to have low sales efficiency and either low or high effectiveness. The ideal, of course, is *sustained high efficiency and high effectiveness*. But how you get there is not obvious.

In some markets—think software—you may get there by leading with sales efficiency. If you're first with a new product, you'll probably want to skim the market—achieving the maximum sales with limited resources, gaining market share rapidly so you can enjoy the fruits of scale economies. Those scale economies, in turn, ultimately lead to sales effectiveness as your low-cost advantage increases market share by itself.

In industries like software, this makes sense because the marginal cost of another product sale is minimal. In many ways, this is how Microsoft and Oracle achieved success, and it's a playbook Google has followed as well.

Personal services businesses, however, are usually different. Scale may be important—you can't be a Big 4 accountancy and not be in Asia, for example—but product scale economies are virtually non-existent. In these businesses, leading with sales effectiveness is a far better strategy because the cost of repeat business—in the longer run—ends up being far less than the cost of a repeated one-off first-sale strategy.

Choosing Appropriate Strategies

Here are some generalizations: if you sell only one product or service, believe the potential number of customers is infinite, and believe the relationship between buyers is non-existent, then you'll be well-rewarded by leading with a sales efficiency strategy.

If that means you pursue a scorched-earth policy, leaving disgruntled users behind, then on some level you don't

Nurture Client Relationships

The 4 Building Blocks for Creating Strong Service Relationships

9 Tips for Retaining Your Clients

How a Management Consulting Firm Grew to a Multi-Million Dollar Business Thanks to Client Relationship Management

care. You got the sale and didn't expect more sales from that buyer anyway. Your product reviews are hot, and the concept sells itself. If you lost some higher-cost sales because of aggressive screening, that's OK. You got the fastest sales, at lowest cost, and you're off to the next one. That's all that matters. At a gross level, this was the pattern over time of the sale of major software services like CRM.

If, on the other hand, you sell multiple products to a single buying organization, your sales are complex (over a long elapsed time and involve multiple buyers), you believe the universe of potential buyers is a scarce resource, and you believe that end buyers talk to each other as a key part of the decision process, then you care very much about satisfied customers. Satisfied customers mean repeat business, referrals, and effective cross-selling. If you do an effective job up front—high closing rates and good reputation, even at a cost of low sales efficiency—you will, over time and across major clients, end up with *higher* sales efficiency as well as effectiveness.

Most people reading this article will recognize themselves more in the second category. The question is: are you managing your business that way?

Are You Managing for Efficiency or for Effectiveness?

Whether you are a one-person organization or a 10,000-person organization, think about the range of metrics you use to evaluate and manage your sales effort. You might start with these questions:

1. Which do you incent more: initial sales or repeat sales?
2. Which do you incent more: quotas per salesperson or quotas per team?
3. Which do you emphasize more: monthly, quarterly, annual, or multi-annual time frames?
4. Who handles repeat sales for your organization: the same people who handle new sales, the same people who handle new sales but who maintain significant ongoing relationships, existing account delivery people, or no one?
5. Do you hear more in your firm about the need to acquire new leads or about the need to increase your closure rate on existing leads?
6. Do you think your repeat business rate is in the top 25% of your industry or in the lower 75%?
7. In your cross-selling efforts, does the account manager do a pure handoff or remain integrally involved in the cross sale?
8. How many of your potential cross-selling efforts never happen because of your organization's inability to mount a client-focused, coordinated effort?
9. How many of your sales process metrics focus on internal denominators, such as resources? How many have market-based denominators?
10. What proportion of your time-based sales process metrics focus on timeframes of less than one month?
11. What portion of your sales process metrics focus on a single sale vs. a progression of sales—a relationship?

Not every one of those questions neatly divides every measure into efficiency vs. effectiveness, but in aggregate they should give you a good start. If you're already mostly focused on effectiveness measures, then you're well-positioned for the future. If you're mostly efficiency-focused, I suggest you are bucking some prevailing winds going into the future.

The World Is Moving Toward an Effectiveness Model

What's your answer to these statements?

1. The complexity of products and services is a. increasing, or b. decreasing
2. The connectedness of buyers and communities is a. increasing, or b. decreasing
3. The connectedness within organizations is a. increasing, or b. decreasing

4. The pace of innovation is a. increasing, or b. decreasing
5. The need for cross-selling is a. increasing, or b. decreasing

Most of you will select answer a. across the board. Social media are connecting everyone; organizational boundaries, both within and between organizations, are falling; businesses are globalizing at the same time they are outsourcing and increasing collaborative models.

If your future looks like the a. answers above, you can no longer afford scorched-earth policies that view customers as an unlimited series of one-off opportunities for self-aggrandizement.

There is no such thing as a single-product sale these days; they all come not only with services, but with an integrally related suite of services. There is no such thing as a one-off client anymore. They all talk to other clients, all the time, and all over the place.

You need to manage from effectiveness. Do the best job you can identifying major potential clients and seriously investing in them—not just early in the sales process, but across several sales processes.

The question is: are you managing for sales efficiency or are you managing for sales effectiveness?

Put another way: are you managing for the sales of the future or for the sales of the past?

Charles H. Green is a Contributing Editor of RainToday, and a speaker and executive educator on trust-based relationships and trust-based selling in complex businesses. He authored *Trust-Based Selling* and co-authored *The Trusted Advisor*. He also leads *Trusted Advisor Associates*. You can reach Charles at cgreen@trustedadvisor.com.

RainToday