The Seven Secrets of Sales Performance Optimization

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"Prediction is very difficult, especially if it's about the future." Nils Bohr, Nobel laureate in Physics

Introduction

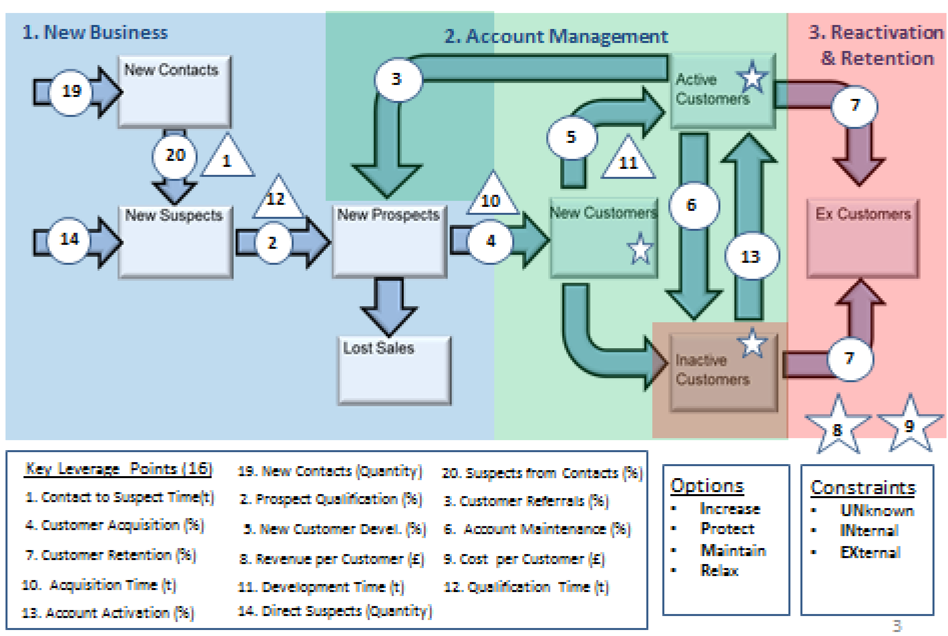
Sales Performance Optimization is the discipline of maximizing a sales team's financial performance over the short, medium and long term by optimizing how it deploys its full set of available resources - systems, processes, people, technology and finance.

Some of the most effective sales performance optimization strategies are *counter-intuitive*, running in the face of conventional sales wisdom. This short Article shares seven secrets of sales performance optimization.

1. Manage the Right Things

Many sales organizations live at one of two extremes – no data or drowning in data! Strangely it seems that the ones drowning in sales data are not actually doing any better than the ones who are *flying by the seat of their pants*. Despite this any sales process can be comprehensively defined, optimized and managed using just a small number of key performance indicators (between 10 and 20). This data is easy to obtain and track provided you know what you are looking for.

Figure 1: Sales Process Optimizer – Sales Simulation Model



2.The Golden Rule is … there are no Golden Rules!

A "Golden Rule" is something you **always** do or something you **never** do in response to some situation. Golden Rules are based on some previous positive experience which leads them to be enshrined for future use. For example, here are some quite popular Golden Rules:

- Sort out this year and next year will take care of itself
- The BEST time to do lead generation is when you have shortage of prospects
- It is always better to do something even if you don't know what you are doing
- You should NEVER go back and try to sell to customers who left under a cloud

The problem with Golden Rules is that they are usually wrong – no matter how strong the gut feeling you have around them.

Is it better to focus on new customer generation or existing customer retention?

Is it better to work with your most active customers or the least active ones with the best potential?

The answers depend totally on what the numbers say about your current sales process – **not the sales process you <u>were</u> very successful with in your previous job**! You just need to model your current sales process and work the numbers to see which of the options gives you the best results.

3. Is there a hole in your Sales Pipeline?

If your sales process is the car then your sales pipeline is the petrol. You won't go far, even if you own a Formula 1 racing car, if you don't have enough petrol or the right kind of petrol. The most successful sales organizations constantly check whether their sales pipeline is in line with their key performance indicators.

For example, if it takes 4 months to convert a prospect to a new customer and you are aiming to win 3 new customers per month and your conversion rate is one in three then you should have at least 36 prospects in your prospect pipeline. The same logic applies to your contacts, suspects and new customer pipelines. If you discover a hole in your pipeline then you need to take action immediately – however depending on the length of your sales cycle you may not be able to fix it this financial year – you might just have to live with it and improve your results in other ways (**keep reading**)!

Pipeline for:	Pipeline Healthcheck	KEY
Contacts	40%	<50%
Suspects	32%	50-75%
Prospects	17%	>75%
New Customers	25%	
Active Customers	0	

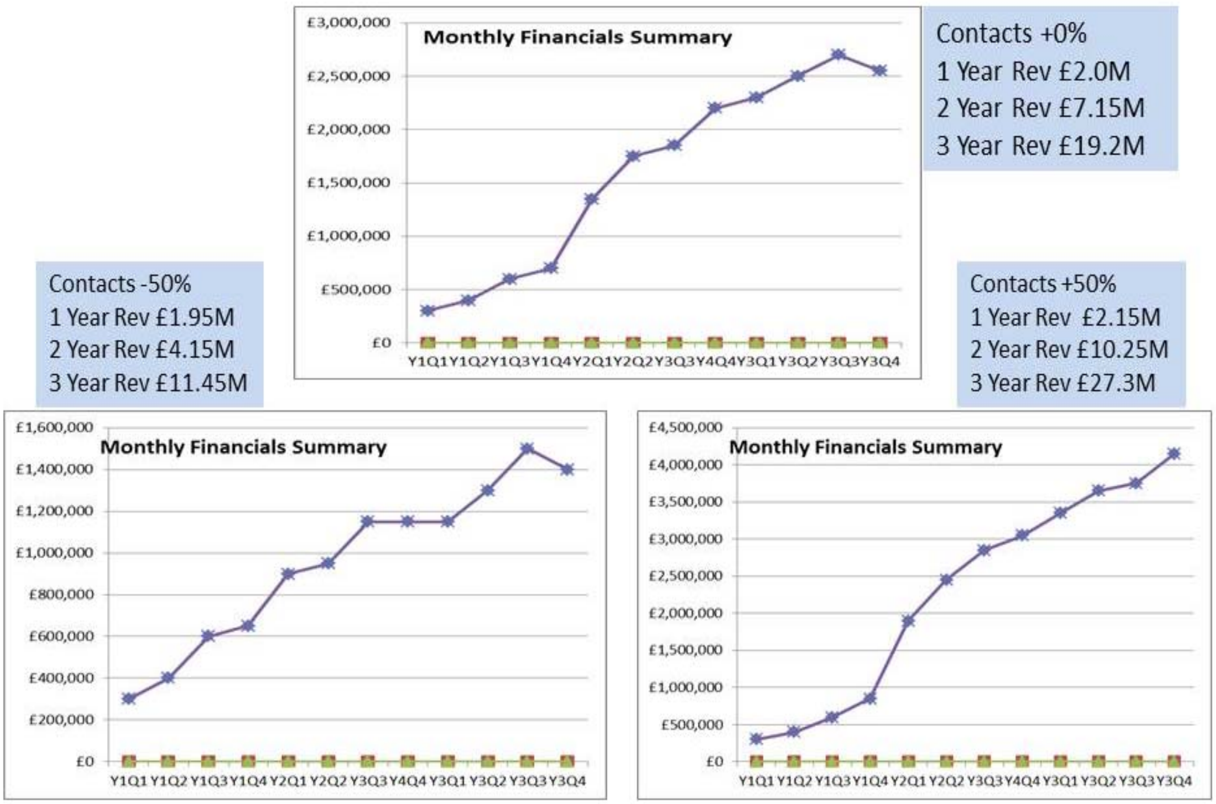
4. Know when to Generate Leads (and when not to!)

If you have a long sales cycle then the fruits of your labors will probably only show up towards the end of the year and most of them may be in next year. I could show you in the simulator that in these scenarios increasing lead generation activity by 50% only increases the sales revenue in the current year by a couple of percent. The secret is that if you have a problem with your sales performance then additional lead generation may not fix it unless you spot it very early and are able to address it near the beginning of your financial year!

5. Beware of “this year only” thinking!

The previous point leads some sales managers to neglect early lifecycle sales activity as the year progresses because it does not seem to do much for this year’s numbers. This might seem logical but it is in fact a very bad decision! The figure below shows that whilst neglecting lead generation may not make much difference this year it may make a massive difference in the following year.

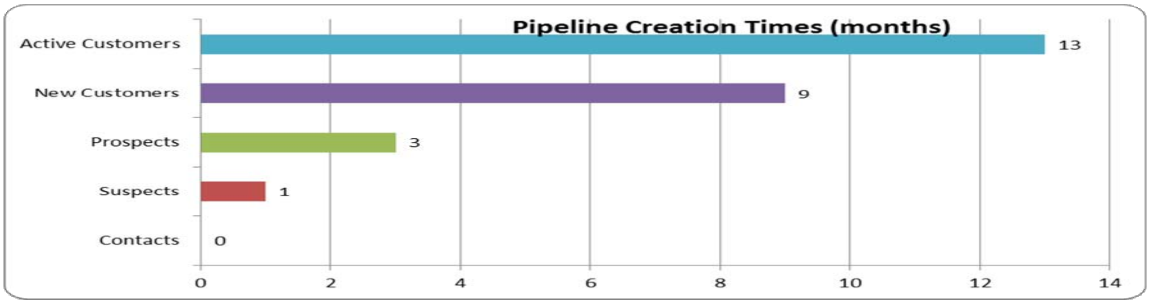
“This year only” thinking is a dangerous trap which ensures that you start each year with a large hole in your pipeline. The most successful sales organizations manage their sales not just on a 12-month basis but also on a “rolling 12 month” basis independent of their financial year ends!



6. Manage Sales Cycle Time or it will manage you…

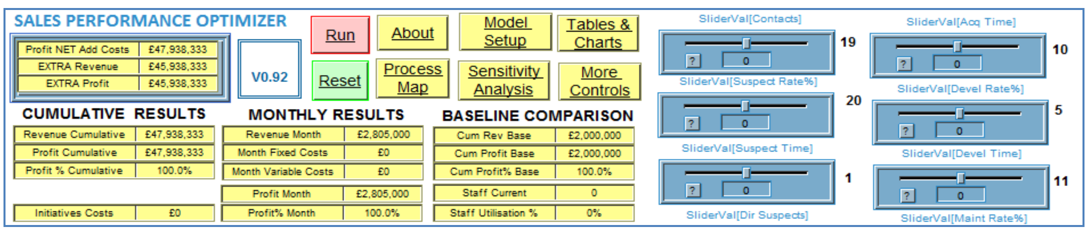
Do you know how long it takes to convert a cold contact into an active customer? In many cases this is actually greater than one year. Now if the bulk of your sales revenue is dependent on active customers rather than new customers then it may mean that none of your new business generation efforts will yield any results whatsoever this year.

So as well as knowing whether you have any “pipeline holes” you also need to establish the true *transit time* of your sales process. Once you have determined this what can you do about it? Obviously you want to reduce it but not at the expense of its **yield**. Also transit time can only be reduced if it is largely within your control. So, for example, converting cold contacts to suspects may be largely outside your control as you may not yet have relationships with the staff in these enterprises. However converting prospects to new customers or new customers to major customers is something you can have more control over. If you are trying to manage all your sales forecasting using excel spread sheets which are not designed to model “time” then you may find it difficult to get on top of transit times.



7. Use the right tools for the job – Simulation!

The final secret of successful sales optimization is deceptively simple. Instead of trying to do more things with your limited resources the best way to improve sales this year is to apply the same resources to different things. **It is all about Optimizing Sales Resources**. The things you move resources **TO** are the 3 or 4 "most critical levers" in your sales process identified from the 15-20 shown in Figure 1. So where do you get the resources **FROM** to do this? Simple - you take the resources away from your "least critical levers". These are the ones which if you relax make little difference to the numbers. However the only way to reliably spot most critical and least critical levers is to safely plug in **"what-if"** changes to your sales process in a simulator and see on the screen exactly what works and what does not.



Author

Ken Thompson is an expert practitioner and published author on high-performing teams, business networks, virtual technologies and social media. Ken also helps major organizations to develop customized interactive Business Dashboards and What-if Simulators to support Strategy Development, Performance Improvement and Team Learning.

To find out more about Ken's work visit http://www.bioteamsdesign.com

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