



WHY SHOULD A SALES PROFESSIONAL CARE ABOUT SALES BENCHMARKING?

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HOW DOES SALES BENCHMARKING HELP INDIVIDUAL SALES REPRESENTATIVES?

For a quota-bearing salesperson, waiting for others to make decisions is a strategy for failure in today's fast-paced business environment. Techniques like benchmarking, thought previously to be the sole province of corporate number crunchers, are really tools of use to the individual as well.

Sales benchmarking allows salespeople to better manage their most precious resource—time. It allows salespeople to focus on opportunities with the highest probability of success. Data-driven decision making enables sales reps to eliminate non-value-adding activities that consume selling time. Furthermore, it can assist individuals in making more informed decisions about which types of companies and sales leadership to work for. Overall, benchmarking in the sales profession provides leading indicators of potential future success, allowing salespeople to put the slogan, “Work smart as well as hard,” into action.

SALES BENCHMARKING FOR THE INDIVIDUAL AT THE CORPORATE LEVEL

To become leaner, organizations are requiring employees to assume added responsibilities, even as they reduce support resources. When market conditions dictate that these companies lay off employees to conserve cost, those who remain find themselves saddled with more responsibility for customer care, administrative minutiae, and seemingly endless demands for management status updates—but without appreciable improvement in compensation. Data-driven decision making at the rep level can replace support previously received from headquarters. For instance, individuals can free themselves from overdependence on the marketing department for leads, tools, or competitive information. Benchmarkers demonstrate a degree of self-sufficiency unique in the marketplace.

A salesperson skilled in benchmarking will be better prepared to succeed.

A SPECIFIC EXAMPLE OF BENCHMARKING FOR THE INDIVIDUAL SALES REP

Here is how a fictional salesperson, Jane Doe, can use sales benchmarking to improve personal productivity using the Sales Benchmark Index formula for sales success as shown below.

$$\text{Calls/Day} \times \% \text{ Closure} \times \text{Average Deal} \times \# \text{ Salespeople} \times 240 \text{ Days per Year} = \text{Annual Sales}$$

To begin, Jane needs to apply this model to her individual professional situation. To do this, she has to answer four questions:

1. What is her annual sales projection?
2. Is she on track to meet her quota?
3. How do her metrics compare with those of her peers?
4. On which inputs should she focus going forward?



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Question #1: Annual Sales Projection

To answer the first question, Jane determines that, based on her current performance, the input values needed to calculate her annual sales projection are:

- Outbound activity: ten calls/day,
- Close rate: five percent close/call, and
- Deal size: \$8,000/close.

Jane’s annual sales projection should be \$960,000 and is calculated as follows:

$$10 \text{ Calls/Day} \times 5\% \text{ Closure} \times \$8,000 \text{ Average Deal} \times 1 \text{ Salesperson} \times 240 \text{ Days per Year} = \$960\text{K Annual Sales}$$

Question #2: Quota Tracking

To answer the second question, we first need to know how big a bag Jane is carrying. Jane has a \$1 million quota, so, with \$960,000 in projected sales, she is already \$40,000 off-pace. And she hasn’t even started making sales calls yet! How can Jane close the gap? Jane could increase the outbound activity, close rate, deal size, or some combination of these three inputs. Below is a representation of what happens when each variable is impacted.

Increase Outbound Activity. Look what happens when Jane adds just one more call per day (from 10 to 11) to her task list. That change alone gets her over-quota by \$60,000.

$$11 \text{ Calls/Day} \times 5\% \text{ Closure} \times \$8,000 \text{ Average Deal} \times 1 \text{ Salesperson} \times 240 \text{ Days per Year} = \$1.06\text{M Annual Sales}$$

Increase Close Rate. Look what happens when Jane uses a slightly higher close rate (5.5 percent versus 5 percent). This change also gets her over-quota by \$60,000.

$$10 \text{ Calls/Day} \times 5.5\% \text{ Closure} \times \$8,000 \text{ Average Deal} \times 1 \text{ Salesperson} \times 240 \text{ Days per Year} = \$1.06\text{M Annual Sales}$$

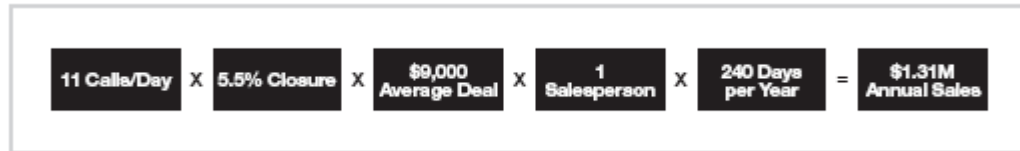
Increase Deal Size. Look what happens when Jane ups the average deal size by about 12 percent (from \$8,000 to \$9,000). That change gets her over-quota by the most—\$80,000.

$$10 \text{ Calls/Day} \times 5\% \text{ Closure} \times \$9,000 \text{ Average Deal} \times 1 \text{ Salesperson} \times 240 \text{ Days per Year} = \$1.08\text{M Annual Sales}$$



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Increase All Three. Look what happens when Jane assumes the trifecta of improvement—outbound (call) activity, close rate, and deal size. Taken together, these changes would probably get her into accelerators, as they put her \$310,000 over goal.



Question #3: Peer Comparison

Jane should start by doing some internal comparison, asking those working within her organization what their outbound activity, close rate, and deal size are. She should explore how a peer is performing better in a given area. Sharing best practices, even in a nonsystematic fashion, can boost sales performance. Once Jane obtains an internal sample set, she should begin looking outside the organization for comparison. One way to do this is to contact her internal sales operations group and ask for its support in obtaining relevant data. Or Jane might network through formal sales associations or participate in any number of Internet-based affiliate groups focused on the sales profession.

Question #4: Choosing an Input

Based on the scenarios Jane ran, she knows what needs to be done to close the gap to quota. Based on speaking with peers or reaching out to gather external data, she knows how her data stacks up against others'. Now it is time for Jane to reflect on all the data gathered to determine which inputs to focus on—outbound activity, close rate, or deal size—and what actions she needs to take to improve her success rates. The combination of variables selected should include those that will take her over-quota and make the biggest impact on her annual sales projection relative to the effort expended in making improvements.

WRAP-UP

When benchmarking, once seen exclusively as an enormous organizational effort, is used on an individual scale, it can reveal with relative certainty which specific actions will lead to the greatest gains. Sales benchmarking deployed at the sales rep level allows individuals to better allocate their time, focus selling activities on the best opportunities, select the best companies to work for, self-assess skills areas, improve on weaknesses, provide insight quickly on customer buying cycles, make decisions based on actual market performance rather than on generalizations, and test ideas with instant feedback.



Sales Benchmark Index is a strategic advisory firm that helps executive leadership understand how well their sales force is performing relative to peer group and world-class levels. For more about the discipline of sales benchmarking, please visit www.SalesBenchmarkIndex.com.

To order the related book Making the Number: How to Use Sales Benchmarking to Drive Performance, go to www.MakingTheNumber.com.