Best Practices of World Class Sales Organizations

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Executive Summary

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Best Practices of World-Class Sales Organizations is a sales research report unlike any you have read before.

Why Is This Report Different From All The Others?

Best Practices of World-Class Sales Organizations is focused on three areas either buried or absent in most sales research:

- *Unexpected Outliers* - Outcomes outside normal expectations as indicated by large deviations from the median.
- *Extreme Impact Factors* - Breakthrough indicators, not incremental improvement ideas.
- *Demonstrable Causes* - Explanations that provide decision-makers with answers, not speculation and simplistic observations.

Best Practices of World-Class Sales Organizations is written for early adopters and brave souls, the dedicated sales decision-makers who are not intimidated by change, measurement, and new ideas. This group will understand the impact, welcome contrary indicators, and embrace the unfamiliar.

Unexpected Outliers

What you do not know is more relevant than what you know. This counterintuitive statement reflects the fact that outliers can be exacerbated by their being unexpected. The strategy for World-Class sales organizations is to rely less on top-down planning and place maximum effort on experimentation. *Best Practices of World-Class Sales Organizations* underscores the risks we run by being deaf to the importance of outliers as a signpost to improved performance.

Extreme Impact Factors

Why do executives, thought leaders, service providers and practitioners seem to worry about pennies when dollars are there for the taking? How is it that sales operations and sales controller staff focus like lasers on the minutiae - data points that do not point to opportunities of significance? *Best Practices of World-Class Sales Organizations* provides insights into the influences that extreme impact factors can have on sales force performance.

Demonstrable Causes

Many sales organizations incorrectly measure what has already taken place rather than focus on predictors of future outcomes. The sales research that exists fuels this behavior. It is easy for researchers to say what has taken place last year. But that doesn't help achieve this year's number. We have taken a different approach and, throughout this report, highlighted the demonstrable causes that, if addressed, will lead to future sales.

Best Practices of World-Class Sales Organizations is meant for executives and decision-makers, the people who need to make things happen in sales. This is a visual report, packed with graphical depictions that highlight how you can exploit the opportunities posed by these three areas. Sales leaders can achieve breakthrough performance improvement in their organizations by leveraging these learnings.

What does it mean to be 'World-Class'?

Best Practices of World-Class Sales Organizations assesses performance on two levels – one that highlights World-Class organizations (based on the metric *Return on Sales*) and another that showcases World-Class individual sales reps (based on the metric *Sales Productivity per Sales Rep).*

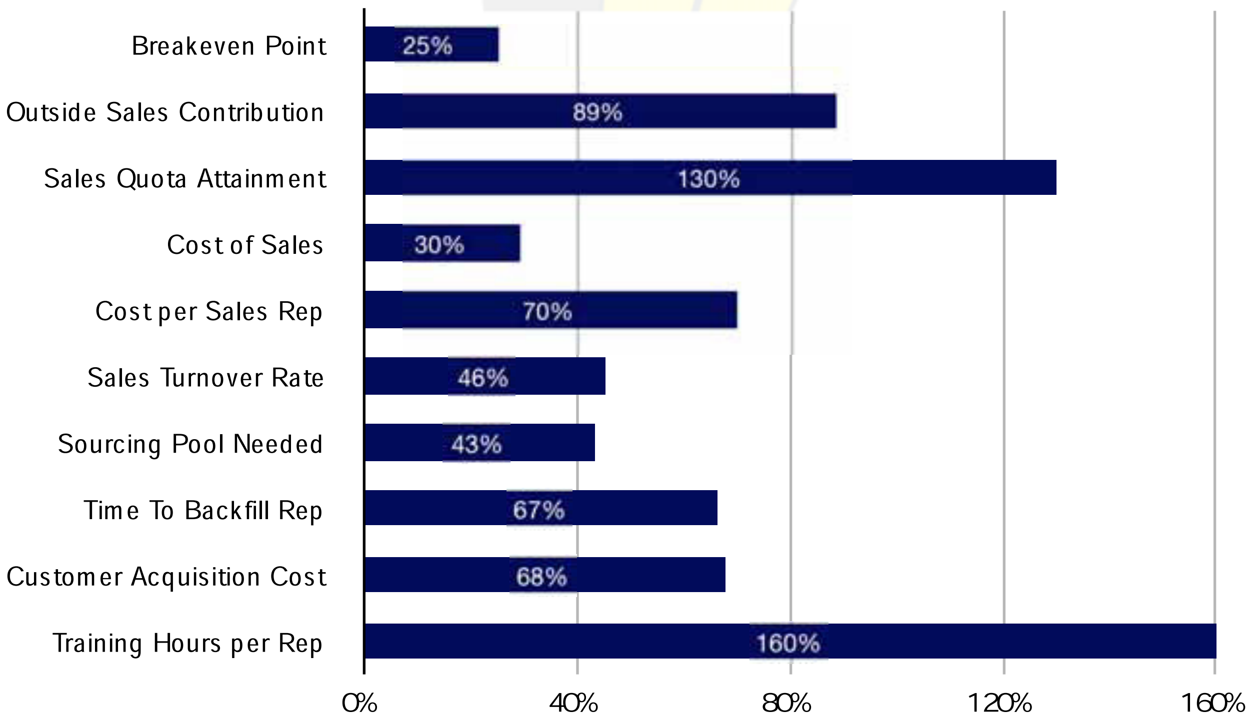
Best Practices of World-Class Sales Organizations should end the debate about whether there is a major difference between top-performing sales forces and everyone else. *Best Practices of World-Class Sales Organizations* found that both organizational and individual World-Class performance is separated from the 'benchmark' or 'median' performance by a 5x differential. This statistically significant separation emerges in metric after metric. There is a wide gulf indeed.

World-Class Performance - Organizational

World-Class organizations produce a median *Return on Sales* of 72% vs. a benchmark median of 14%. These organizations achieve this distinction by outperforming their peers in the ten key sales metrics below that lead to exceptional *Return on Sales* performance. Taken together, such organizations can be considered *World-Class* because they demonstrate excellence across a wide range of operational measures.

Metric	World-Class	Benchmark
Breakeven Point	$94,000	$372,000
Outside Sales Contribution	63%	71%
Sales Quota Attainment	65%	50%
Cost of Sales	8%	27%
Cost per Sales Rep	$93,000	$133,000
Sales Turnover Rate	16%	35%
Sourcing Pool Needed	30	69
Time To Backfill Rep	30 days	45 days
Customer Acquisition Cost	$19,000	$28,000
Training Hours per Rep	40 hours	25 hours

World-Class Organization Performance as a percentage of the benchmark for each of the ten metrics above is summarized on the following page. For example, companies that are World-Class in organizational performance commit 40 hours of training per rep per year vs. a benchmark of 25 hours. Therefore the performance against the benchmark is 40 / 25 or 160%.

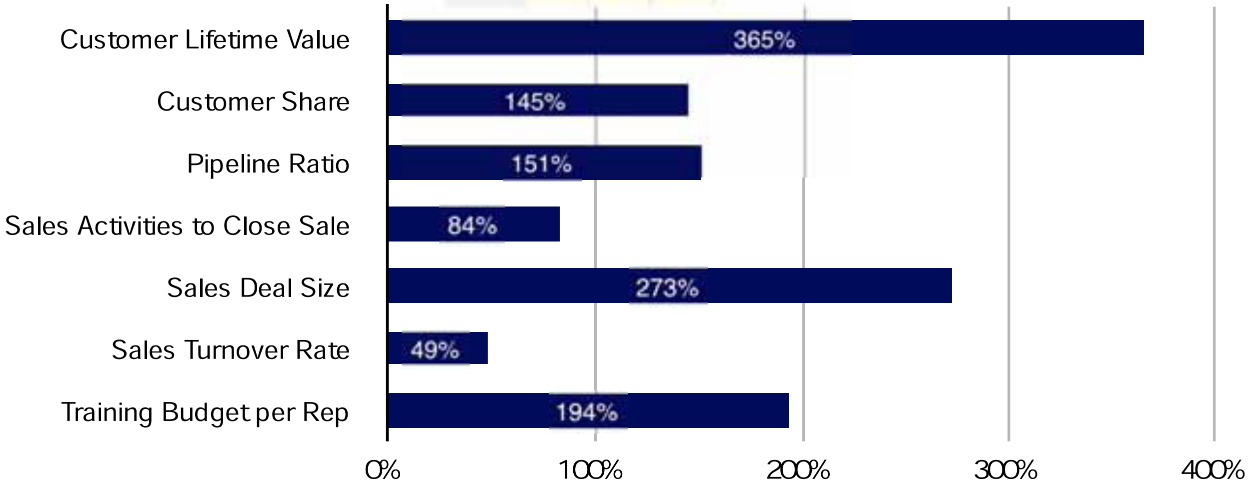


World-Class Performance - Individuals

Companies exhibiting World-Class Individual Sales Rep Performance produce a median *Sales Productivity per Sales Rep* of $1.5M vs. a benchmark median of $287K. These organizations achieve this distinction by outperforming their peers in the below seven key sales metrics that lead to exceptional *Sales Productivity per Sales Rep*. Taken together, such organizations can be considered *World-Class* because they demonstrate excellence across a wide range of operational measures.

Metric	World-Class	Benchmark
Customer Lifetime Value	$4,750,000	$1,300,000
Customer Share	55%	38%
Pipeline Ratio	1.33	0.88
Sales Activities to Close Sale	53	63
Sales Deal Size	$109,000	$40,000
Sales Turnover Rate	17%	35%
Training Budget per Sales Rep	$4,000	$2,059

World-Class Individual Sales Rep Performance as a percentage of the benchmark for each of the seven metrics above is summarized below. For example, companies that are World-Class in individual sales rep performance invest $4,000 to training per rep per year vs. a benchmark of $2,059. Therefore, the performance against the benchmark is 4,000 / 2,059 or 194%.



World-Class Performance - Summarized

Through understanding what companies exhibiting World-Class Organizational and Individual Sales Rep performance are doing, you can build a roadmap to earn yourself this distinction while reaping the rewards of exceptional sales performance along the way.

Top Takeaways

So what do these key findings tell us about the macro sales environment today? Here is a recap of each finding:

1. Legacy Sales Research Has Been Rendered Ordinary
2. Sales Process Improvement Is Giving Way to Customer Buying Enablement
3. Other People's Best Practices Close the World-Class Gap
4. World-Class Sales Organizations Track Leading Not Lagging Indicators

Finding #1: Legacy Sales Research Has Been Rendered Ordinary

The approach and findings of *Best Practices of World-Class Sales Organizations* indicate that the majority of legacy sales research is both unconvincing and unenlightening. It represents a collection of *grasp of the obvious* observations and regurgitation of metric results that change little from year to year. When trends do not show much change across the years, are they really trends? When sales metrics are reported but not connected to transformations of the corporate bottom-line, how useful are they? We predict that new approaches, patterned after *Best Practices of World-Class Sales Organizations,* will further disrupt the existing sales research industry.

Finding #2: Sales Process Improvement Is Giving Way to Customer Buying Enablement

This trend has an impact on self-aware sales organizations in many ways, one of which is the decision to place less emphasis on improving sales processes, per se, and more focus on facilitating customer buying. For example, there is no significant difference between performance of World-Class Organizations and the benchmark when it comes to Sales Cycle Length. Buyers are able to better dictate when they will buy and how long they want to self-educate. What World-Class organizations do is facilitate the buyer’s decision better so that their product/service is ultimately the one purchased on the buyer’s timeline.

Finding #3: Other People’s Best Practices Close the World-Class Gap

Sales leaders often display a built-in defect – they rely on conventional wisdom. Unfortunately, such focus on *what we know* is an impediment to driving change and improvement into the business. Leveraging other organizations’ best practices - those located outside your four walls – is a core competency of World-Class sales organizations. Through this approach, they unleash and enable major improvements to the income statement and operating income. This cadre of conscientious imitators are rewarded handsomely by embracing this concept and using it to their competitive advantage. Others should do likewise.

Finding #4: World-Class Sales Organizations Track Leading Not Lagging Indictors

Many organizations today measure lagging sales indicators. For example, stack ranking your sales force (best to worst) using the metric of *Sales Quota Attainment* would be a lagging indicator because it tells you what has already taken place inside the organization. Many such rear view mirror metrics studied and discussed in the past are increasingly inconsequential. While this is better than not measuring anything, it stops short of the end goal to predict what lies ahead.

Proactive sales leaders want to understand what factors are predictive and causal. Their sales management process supports such measurement. An example of this is the sales metric known as *Pipeline Ratio*. This leading indicator allows a sales leader to understand the breadth and depth of opportunities in which they are currently engaged. If this ratio trails the historical external average, it may suggest that quota in future quarters may not be attainable. If this ratio is superior to historical external averages, it may suggest overachievement is possible. Sales leaders should ask themselves, how many of the indicators I view look forward and how many look backward?

Now what?

Best Practices of World-Class Sales Organizations is written for early adopters - the dedicated sales decision-makers who are not intimidated by change, accountability, external measurement and comparison, or new ideas. This group will welcome the lessons that contrary indicators teach.

If you fit this description and read this report, you will be well-prepared to start the journey to World-Class performance. Should you have any questions about our findings, approach, or analysis, we encourage you to contact us at Sales Benchmark Index (www.salesbenchmarkindex.com) or CustomerCentric Selling®

Table of Contents

Staffing

Description

Covers a range of activities including relevant sales support, operations, pre-sales, administration, and customer service staff. Also incorporates sales rep and manager staffing manpower issues.

Included Sales Metrics

- Ramp Time to Full Sales Productivity
- Sales Rep to Sales Manager Ratio
- Sales Rep to Sales Support Ratio

Ramp Time to Full Sales Productivity

Process Area
Staffing

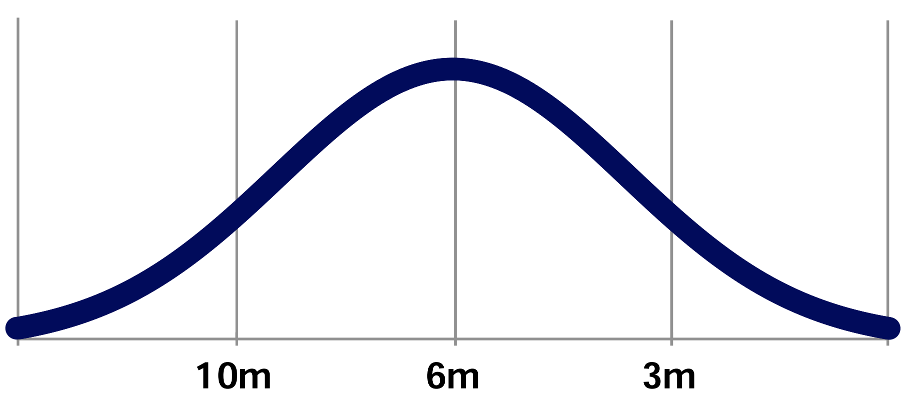
Definition
Average number of months between the new hire start date of a quota bearing sales professional and the point at which that sales professional reaches sales “full productivity,” which is determined as 100% of their monthly sales goal

Inputs
Ramp Time to Full Sales Productivity

Formula
N/A

Benchmark

Ramp Time to Full Sales Productivity



Ramp Time to Full Sales Productivity

Example

Acme has:

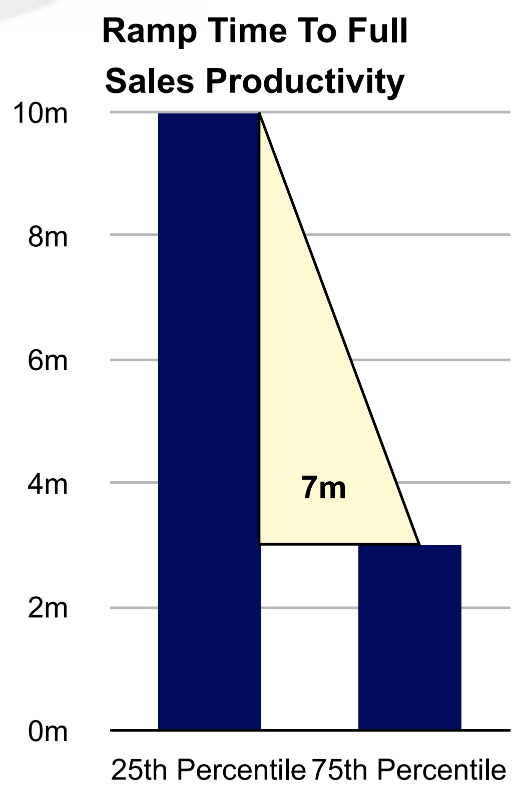
- 4 Reps who take 6 months to achieve full sales productivity
- 8 Reps who take 8 months to achieve full sales productivity
- 4 Reps who take 10 months to achieve full sales productivity

Therefore, Acme's *Ramp Time to Full Sales Productivity* is 8 months or ((4 * 6) + (8 * 8) + (4 * 10)) / 16.

Relevance

Organizations that perform best on this metric have a 7-month lower *Ramp Time to Full Sales Productivity* than do the laggard organizations and 3-month lower than their benchmark peers. Companies with World-Class Organization and Sales Rep Performance have a 5-month *Ramp Time to Full Sales Productivity.* What does this signify?

- With the Annual Sales Turnover approaching 40%, four out of every ten sales reps are directly impacted by *Ramp Time To Full Sales Productivity* each year. With a 6-month ramp, this has a huge effect on output.
- In considering Ramp Time To Full Sales Productivity, it is worthwhile to calculate how long it takes new sales professionals to sell enough to cover their costs by using the *Breakeven Point* metric.



- Some of the best ways to reduce *Ramp Time To Full Sales Productivity include a*n effective new hire on-boarding process, a CRM/SFA solution packed with historical sales intelligence, adequate sales support resources and a mentoring program.
- To achieve World-Class Organization or Sales Rep Performance, *Ramp Time to Full Sales Productivity* should be below the benchmark levels.

Sales Rep to Sales Manager Ratio

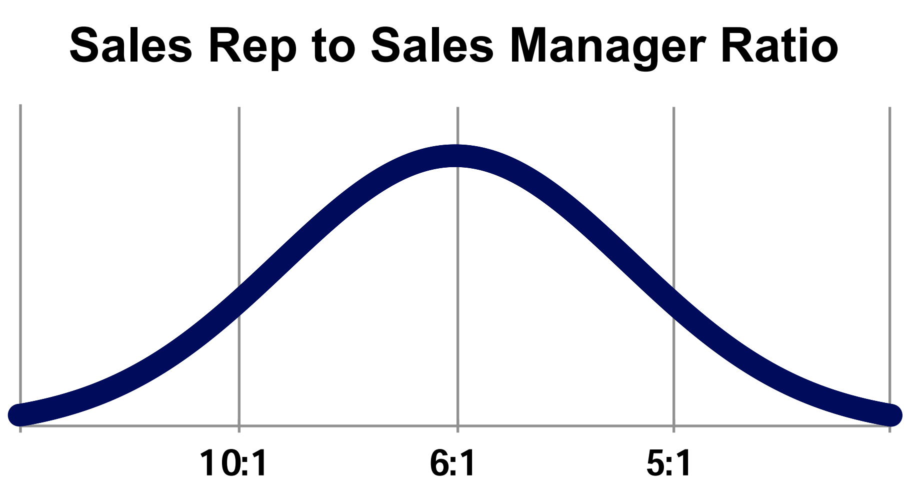
Process Area
Staffing

Definition
Number of sales professionals for each sales manager

Inputs
Quota Bearing Sales Force Size
Sales Managers

Formula
(Quota Bearing Sales Force Size) / (Sales Managers)

Benchmark



Sales Rep to Sales Manager Ratio

Example

Acme has:

- 1,000 Quota Bearing Sales Force Size
- 200 Sales Managers

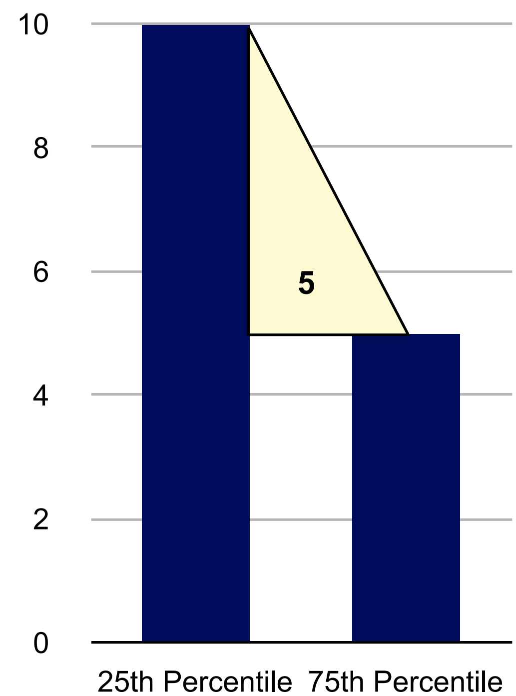
Therefore, Acme's *Sales Rep to Sales Manager Ratio* is 5:1 or (1,000 / 200).

Relevance

Organizations that perform best on this metric have five fewer sales reps per sales manager than do the laggard organizations and one fewer than their benchmark peers. Companies with World-Class Organization and Sales Rep Performance have a 6:1 *Sales Rep to Sales Manager Ratio*. What does this signify?

- Sales managers, like sales reps, are constrained by time and every sales rep needs the assistance of the sales manager to meet with customers, perform escalations, coach, etc. Therefore, the span of control within a sales team must be such that the sales manager can be effective in working with every member of the team. As demonstrated by World-Class Organization and Sales Rep Performance, the cost of this manager is more than covered by the increased effectiveness of the team. Companies that try to get by with a *Sales Rep to Sales Manager* Ratio of eight or more may save in overhead costs, but the performance of the team suffers as does the entire organization. This attractive trap must be avoided.
- To achieve World-Class Organization or Sales Rep Performance, *Sales Rep to Sales Manager Ratio* should be below the benchmark levels.

Sales Rep to Sales Manager Ratio



Sales Rep to Sales Support Ratio

Process Area
Staffing

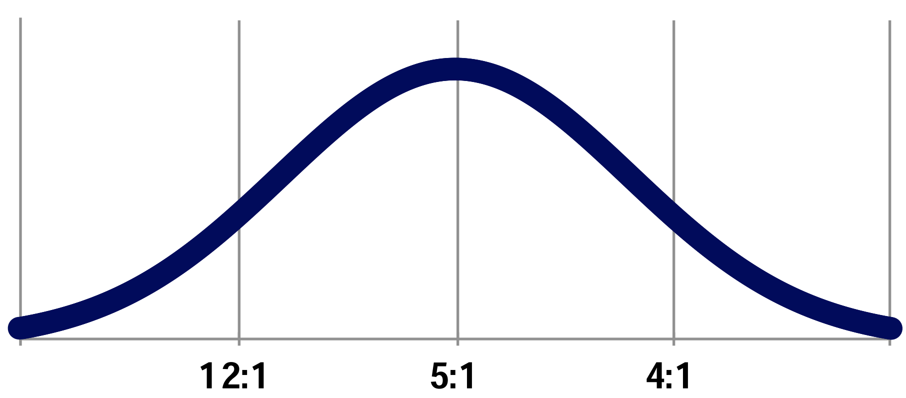
Definition
Number of sales professionals for each sales support resource

Inputs
Quota Bearing Sales Force Size
Sales Support Staff

Formula
(Quota Bearing Sales Force Size) / (Sales Support Staff)

Benchmark

Sales Rep to Sales Support Ratio



Sales Rep to Sales Support Ratio

Example

Acme has:
- 1,000 Quota Bearing Sales Force Size
- 100 Sales Support Staff

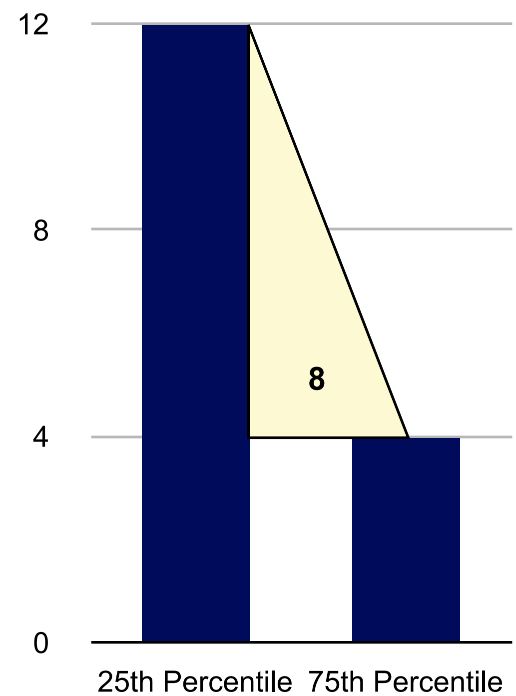
Therefore, Acme's *Sales Rep to Sales Support Ratio* is 10 or (1,000 / 100).

Relevance

Organizations that perform best on this metric have eight fewer sales support resources per sales rep than do the laggard organizations and one lower than their benchmark peers. Companies with World-Class Organization Performance have a 9:1 *Sales Rep to Sales Support Ratio*, while companies with World-Class Individual Sales Rep Performance have a 5:1 *Sales Rep to Sales Support Ratio*. What does this signify?

- The optimal *Sale Rep to Sales Support Ratio* varies greatly by industry and type of product/service being sold. Sales that are more technical in nature require more sales support resources, while sales of commodities or simple product/ services require fewer.
- The key to understanding if your organization has the right number of sales support resources is through a time study of how salespeople spend their time. If greater than 25% is spent on non-selling activities, you need to add additional sales support resources.

Sales Rep to Sales Support Ratio



- To achieve World-Class Organization Performance, *Sales Rep to Sales Support Ratio* is important as these companies perform well below benchmark levels but are effective in how these resources are deployed. For World-Class Sales Rep Performance, a higher *Sales Rep to Sales Support Ratio* leads to much greater output because the sale rep can focus on selling.