



July 2007

Sales Metric Ramp Time to Full Sales Productivity

Inquiry “We are hiring lots of sales people and are investing heavily in getting them productive as quickly as possible. Please help me set expectations on the speed upon which these new reps can start producing and offer some best practices in this area.”

Response The ramp time for full sales productivity measures the time it takes for a new sales person to reach 100% of the monthly sales goal.

A Basic Example of Ramp Time to Full Sales Productivity

Acme, Inc hires a new sales person in January. At full sales productivity, this sales professional is expected to close \$100,000 in new sales per month. Assume that this person’s actual sales performance is as follows:

- January: \$0
- February: \$55,000
- March: \$95,000
- April: \$110,000

In this case, the person’s ramp time to full sales productivity is 4 months.

The Opportunity Cost of Onboarding a New Salesperson

Sales executives are well-advised to complete this analysis for their own staff. The sales function, possibly more than any other, either through growth or attrition, must constantly invest in the tools, techniques, and processes that rapidly convert new (i.e. unproductive) sales reps into profitable (i.e. quota-exceeding) employees.

The time between a new salesperson’s start date and achievement of full productivity represents the opportunity cost of a company’s on-boarding process.



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Response (continued)

Average Values for Ramp Time to Full Sales Productivity

SBI recently re-compiled the benchmark for this metric and determined that the average Ramp Time to Full Sales Productivity¹ was as follows:

- 7.3% in < 3 months
- 50.7% in 3-6 months
- 18.8% in 7-12 months
- 23.2% in 12+ months

Drivers Affecting Ramp Time to Full Sales Productivity

These operating statistics can, of course, vary greatly by industry, within industry, and by geography. Other drivers, some of which are even qualitative but sometimes determinative, that impact this metric include:

- tenure of the sales person
- incoming territory knowledge
- new hire source (i.e. within or outside the industry)
- territory composition

SBI's Benchmark Advisory Members, in responding to a survey specific to talent management, offered additional contributing drivers² to longer than desired ramp time to full sales productivity:

Poor Objection Handling:	39%
Insufficient Competitive Information:	37%
Lack of Account Management Plan:	33%
Need for document repository:	38%
Lack of Historical data:	43%
Updated References:	39%
Customer Buying Trends:	40%

¹ Source for this information is the SBI Data Repository, data cut June 7, 2007

² Determined by counting those respondents who answered "Strongly Agree" to each of the questions



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Response (continued)

Fixing Flaws in Sales Staff Onboarding

The empirical data suggests that *there is a direct correlation to providing quick access to pertinent information and ramp time to full productivity* for sales people. Yet, most on-boarding programs focus on skills and product training. This is a mistake. A company can “hard wire” into the hiring process a level of skills coming when entering the company.

The average company spends \$2,200/yr training a sales person. The turnover rate in the sales representative job category is roughly 40%. This means there are many job candidates in the marketplace who have received sales skills training. It is prudent to leverage this investment made by others and hire to it, thus allowing you to reduce budget allotted to sales skills training.

Productivity Training

SBI recommends augmenting such ‘standard’ product training with what we refer to as Productivity Training.

Productivity training is concerned with teaching sales people how to do their jobs. When they are faced with a problem, understanding who to call, what systems to access, which resources to leverage, and ultimately where to find the answers quickly. The recommended methodology to measure the effectiveness of a Productivity Training initiative as it relates to ramp time to full sales productivity is the *Point-Quota System*.

The Point-Quota System

Point-quota system sets targets based on accumulating a certain number of points, rather than dollar units. Point quotas reward sales representatives for certain combinations of sales activities. For example, to encourage new sales hires to leverage the competitive intelligence group in marketing, executives might award five points for proposals that go out with detailed competitive comparisons. Sales managers might assign three points to each sales person that uses the objection handling section of the best practices portal and two points for documenting the campaign in the company’s account planning tool.



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Response (continued)

Point systems are useful when management wants to change the behavior of sales representatives who are new to the company. If an organization is in line with the above benchmarks, and it takes them six months for a new sales rep to be productive, repeating the current process is adding to the problem. By altering the process, focusing on how a new hire can perform their work, better results may be had.

Changing Behavior with The Point-Quota System – an Example

To illustrate, let’s look at an example and assume sales management wishes to improve new hire productivity by asking them to focus on objection handling, competitive positioning, account planning, and historical customer buying trends. Furthermore, the executives decide to award one bonus point for any “sales” above quota. The chart below illustrates the respective performance of two sales reps.

Sales Rep # 1				
Behavior	1 yr. point target	Actual	Quota Attain	Bonus
Objections	5	6	120%	1
Competition	4	5	125%	1
Account Plan	3	4	133%	1
Buying Trends	3	3	100%	0
Total			119.5%	3

Sales Rep # 2				
Behavior	1 yr. point target	Actual	Quota Attain	Bonus
Objections	5	4	80%	0
Competition	4	2	50%	0
Account Plan	3	2	300%	1
Buying Trends	3	9	200%	1
Total			157.5%	2

In such a point system Sales Rep #1 will be rewarded more than Sales Rep #2, even though Sales Rep #2 was 157.5% of quota, as opposed to the other rep’s being only 119.5% performance. Sales Rep #1 earned his bonus by beating his quota with all of the techniques directly related to ramp time to full sales productivity.



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Conclusion

Point-quota systems have the advantage of forcing the new sales reps to focus on the behaviors that management has determined will get them to productivity the most rapidly.

About this Document

Sales Benchmark Index offers this ongoing series of best practices discussion documents to compliment the sales benchmarking services we provide to each member. These documents help our members connect cause and effect and enable them to take the next step to address the deficiencies revealed through relevant peer group comparison.

We hope this document addressed the member's initial question. Any follow-up questions or further assistance should be directed to your Client Management Team. Please contact them at 888-556-7338 or visit us at www.salesbenchmarkindex.com.