

# Sales Force Sizing Tests



## ***Selling Activities Test***

### **Description**

The time spent by a sales force on various activities can provide insight into sales force sizing.

### **Sample Rep Survey**

For the following activities please indicate the percentage of time committed to the activity. All responses should total 100% at the end of this section:

Activity	Percentage of time commitment (0-100%)
Administrative (not order processing)	
Travel	
Prospecting	
Qualifying	
Establishing customer needs	
Solution proposal development	
Contract preparation, review and negotiation	
Order Processing	
Post-Sales support	

## ***Competitive Test***

### **Description**

Market share depends in part, on the “share of voice” that a company enjoys through its sales force size. Large sales forces maintain a high level of visibility within customer accounts and thus participate in more sales opportunities as a result. Sales force size can be optimized to maintain market share even in a period of sales force size reductions. An understanding of competitor sales force size and their resulting market share are key elements to this sizing test.

### **Sample Matrix**

Determine the leading competitors and the overall size of the market in revenue across all vendors. For each competitor and for your own company, document the sales force size and the relative market share in absolute dollar terms or as a percentage.

Company	Sales force Size	Market Share
Acme		
Competitor #1		
Competitor #2		
Competitor #3		

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## Customer Test

### Description

A company's customers can provide valuable insight into whether the sales force size requires adjustment. Your sales force may be too small if your customers complain that they are not sure who their salesperson is or they do not see them enough. A customer survey can be used to measure the current customer point of view.

### Preparation

Please collect any recent customer surveys that already capture this information. A customer survey should have the following characteristics:

- Brevity – fifteen or less questions
- Clarity – questions should lack ambiguity
- Non-influential – questions should not “lead the witness” or otherwise suggest a response

Your survey questions should align closely with your established activity goals and objectives for customer relationship management.

### Sample Questions

The following questions are a good basis upon which to build your customer survey.

1. Do you receive communications from your sales representative at the appropriate interval? (Y/N) – (Select Interval - Daily, Weekly, Monthly, Quarterly, Semi-Annually, Annually)
2. Does your sales representative follow up on your requests within a 48 hour period? (Y/N)
3. Would you prefer online ordering methods, telephone ordering methods or face to face salesperson ordering methods? (Select “Prefer Online Ordering”, “Prefer Telephone Ordering” or “Prefer Face to Face Salesperson Ordering”)
4. Do you prefer ordering from a service representative vs. a sales representative? (Select “Service Rep” or “Sales Rep”)
5. Have you considered switching to another vendor due to lack of sales support? (Y/N)
6. Do you derive value from your sales representative in product selection or purchase decision making? (Y/N)
7. Do you keep up to date on the latest product advancements and notifications via your sales person or some other means? (Choose “Sales person” or “Other Means”)
8. Do you look forward to meeting with your sales representative? (Y/N)
9. Is it clear to you who you should contact for ordering or discussing any of our products? (Y/N)
10. Who prompts you to increase or decrease the amount you order?

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## Financial Test

### Description

The cost of a sales force should not exceed the value it produces for the company. A break-even analysis can identify whether your sales force is too large or too small.

### Preparation

Please collect the following data:

#### Estimate the annual cost of a sales person

1. Calculate total annual sales person compensation including salary and bonus
2. Determine value of benefits as a percentage of total compensation
3. Determine Administrative and field support costs as a % of total compensation
4. Determine annual T&E, auto, phone, laptop costs for the sales people
5. Establish the total cost of a sales person by summing costs from points (1-4) and adjusting for number of sales people

Example:

Number of Sales People = 10

Total Salary and Incentive pay for sales representatives:	\$1,500,000
Benefits value as a percentage of total compensation of 10%	\$ 150,000
Administrative and Field Support costs of 40%	\$ 600,000
Annual T&E, auto, phone, laptop costs	<u>\$ 200,000</u>
Total costs	\$2,450,000

Total costs of \$2,450,000 divided by 10 sales people = \$245,000 annual cost of a sales person

#### Estimate the gross contribution margin

1. Determine variable product costs (all costs that vary with how much product is sold)
2. Determine total annual sales
3. Subtract variable product costs from total sales to establish the gross contribution
4. Divide gross contribution by total sales to determine gross contribution margin

Example:

Variable Product Costs = \$9.0M  
Total Annual Sales = \$27M  
Gross Contribution = \$18M  
Gross Contribution Rate = \$18M/\$27M = 67%

#### Calculate break-even sales

1. Divide the cost of a sales person by the contribution margin rate

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Example:

\$245,000 cost of a sales person divided by 67% contribution margin rate = \$365,671.60

Calculate average annual sales per sales person

1. Divide total annual sales by total number of sales people

Example:

Number of Sales People = 10

Total Annual Sales = \$27M

\$27M annual sales divided by 10 sales people = \$2.7M

Compare break-even sales with the average sales per sales person. Compute the Average Sales/Break-even Sales Ratio.

1. Divide average annual sales per sales person by the break-even sales amount

Example:

Average annual per sales person = \$2.7M

Break-even sales amount = \$365,671.60

Average Sales / Break-even Sales Ratio for a sales person is \$2.7M divided by \$365,671.50 = 7.38

In this case, a sales person generates gross margin of 7.38 times their annual costs to the company. Use the table below to compare the ratio with a particular level of sales carryover. Carryover is defined as Sales Cycle Length / 365, where Sales Cycle Length is defined in days.

The table indicates “years to break even” for any combination of Carry over and Avg. Sales/Break-even Sales ratio. Most sales forces are sized to breakeven within 6-18 months and thus a value of 0.5 to 1.5 indicates the right size.

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## Years to Breakeven

Average sales/break-even sales Ratio

Carryover

	10%	20%	30%	40%	50%	60%	70%	80%	90%
1.5	0.48	0.68	0.91	1.20	1.58	2.15	3.08	4.92	10.43
2	0.30	0.43	0.58	0.76	1.00	1.36	1.94	3.11	6.58
2.5	0.22	0.32	0.42	0.56	0.74	1.00	1.43	2.29	4.85
3	0.18	0.25	0.34	0.44	0.58	0.79	1.14	1.82	3.85
3.5	0.15	0.21	0.28	0.37	0.49	0.66	0.94	1.51	3.19
4	0.12	0.18	0.24	0.31	0.42	0.56	0.81	1.29	2.73
4.5	0.11	0.16	0.21	0.27	0.36	0.49	0.70	1.13	2.39
5	0.10	0.14	0.19	0.24	0.32	0.44	0.63	1.00	2.12
5.5	0.09	0.12	0.17	0.22	0.29	0.39	0.56	0.90	1.90
6	0.08	0.11	0.15	0.20	0.26	0.36	0.51	0.82	1.73
6.5	0.07	0.10	0.14	0.18	0.24	0.33	0.47	0.75	1.59
7	0.07	0.10	0.13	0.17	0.22	0.30	0.43	0.69	1.46
7.5	0.06	0.09	0.12	0.16	0.21	0.28	0.40	0.64	1.36
8	0.06	0.08	0.11	0.15	0.19	0.26	0.37	0.60	1.27
8.5	0.05	0.08	0.10	0.14	0.18	0.25	0.35	0.56	1.19
9	0.05	0.07	0.10	0.13	0.17	0.23	0.33	0.53	1.12
9.5	0.05	0.07	0.09	0.12	0.16	0.22	0.31	0.50	1.06
10	0.05	0.07	0.09	0.11	0.15	0.21	0.30	0.47	1.00

Matrix contains years to break even. Most sales forces are sized so as to break even within 6-18 months.

- Sales force may be too small
- Sale force is the right size
- Sales force may be too large

## Morale Test

### Description

A company's sales force morale is impacted by improper sales force size. High turnover in the sales force may indicate issues with sales force size. Wide spread complaints of lack of opportunity or an unsustainable workload are indicators of a sales force size imbalance. An employee survey or a simple assessment from front line managers can provide good insight into the morale of the sales force.

### Preparation

Please collect any recent sales force surveys that already capture this information. Your questions should align closely with your established goals and objectives for compensation and work-life balance.

### Sample Questions

The following questions are a good basis upon which to build your analysis of morale.

1. Title:
2. Tenure with Company:
3. Tenure In Current Role:
4. Do you feel confident you can achieve your "at plan" compensation targets this year? (Y/N)
5. Does your territory offer sufficient opportunity to achieve the revenue goal? (Y/N)
6. Do you have sufficient time to process orders during the busiest periods of order flow? (Y/N)
7. Have you lost responsibility for major revenue generating accounts within the past 18 months? (Y/N)
8. Does your territory require greater than a 25% time commitment to travel? (Y/N)
9. Do you derive 80%+ of your revenue goal from less than 20% of your accounts? (Y/N)
10. Would a reduction in the number of assigned accounts improve the likelihood you could increase revenue from the remaining accounts? (Y/N)
11. Do you have sufficient training to sell all the products "in your bag"? (Y/N)
12. Do you feel you have sufficient support to handle day to day challenges and obstacles? (Y/N)
13. How many hours per week do you spend on each of the following activities?
  - \_\_\_\_\_ Administrative (not order processing)
  - \_\_\_\_\_ Travel
  - \_\_\_\_\_ Prospecting
  - \_\_\_\_\_ Qualifying
  - \_\_\_\_\_ Establishing customer needs
  - \_\_\_\_\_ Solution proposal development
  - \_\_\_\_\_ Contract preparation, review and negotiation
  - \_\_\_\_\_ Order Processing
  - \_\_\_\_\_ Post-Sales support
14. Please mark any items that you have concerns with (if more than 5, select your top 5):

# Sales Force Sizing Tests



- Advancement Opportunities
- Compensation
- Goal Alignment
- Hours
- Inconsistent Treatment by Managers
- Job Design
- Job Expectations
- Office Support
- Product Availability
- Quality of Management
- Quality of Product
- Quota
- Sales Process
- Sales Support
- Sales Tools
- Service Support
- Teamwork Within the Sales Organization
- Teamwork Between Sales and Other Functions
- Technology
- Training
- Territory (size, # of prospects, etc)
- Other

15. Please explain why you chose your selection(s) in the question above.
16. Please rate these items as either “Strongly Agree” (SA), “Agree” (A), “Disagree” (D) or “Strongly Disagree” (SD).
- I will be able to attain quota this year.
  - My quota is attainable given my assigned territory.
  - Relationship with my direct Supervisor is good.
  - My Sales Manager is supportive and involved in my growth/training.
  - My General Manager is supportive and involved in my growth/training.
  - I believe in the Product.
  - I believe in the Service.
  - Expectations are clearly communicated to me.
  - I am compensated fairly for my performance.
17. Please rank your Sales Satisfaction on the following index:
- 1 – Dissatisfied (Thinking of leaving)
  - 2 – Somewhat Satisfied (Content but not thrilled)
  - 3 – Satisfied (Like my job)
  - 4 – Highly Satisfied (Like what I do and see a career path)
18. What one thing would make you more successful in your current role?