Holding Your Teams Accountable With a Service-Level Agreement

Now that you know what a qualified lead is, you're ready to go out and achieve your revenue goal. If the revenue goal you've defined is more than the revenue your sales team typically produces, don't worry — that's what sales enablement is for. In this section, you'll learn how to optimize your marketing and sales efforts so you can hit that goal.

The core of this part of your sales enablement strategy will be your sales and marketing service-level agreement (SLA), which will require marketing to provide sales with a certain number of qualified leads and require sales to contact those leads within a certain timeframe.

Want to know more?
Watch Holding Your Teams Accountable With a Service-Level Agreement (33:08)

The Sales and Marketing SLA

An SLA is an agreement between a service provider and its customer that guarantees a certain output. When it comes to sales and marketing, this is actually a two-way agreement, with marketing promising a certain number of leads to sales, and sales promising to contact those leads within a certain timeframe.

In this activity, you'll need your sales data for a full year, divided into quarters. You'll need to know:

- How many qualified leads did you generate?
- How many of them became sales opportunities?
- How many of those opportunities closed into customers?
- What was the value of each sale?

These numbers can be used to calculate the following key metrics:

- Lead-to-opportunity conversion rate (number of opportunities divided by total number of qualified leads).
- Opportunity-to-close conversion rate (number of new customers divided by total number of opportunities).
- Average deal size (sum of all deals divided by number of deals).

Compare different quarters of the year to see if these rates change or are steady. It's normal to have some seasonality in your sales, so be sure to take that into account as you calculate your SLA.

Fill in the numbers below:

What is your lead-to-opportunity conversion rate?	
What is your opportunity-to-close conversion rate?	
What is your average deal size?	

Now let's calculate your SLA:

What is your revenue goal? (NOTE: If your revenue goal is in annual revenue, divide it by 12 to make it a monthly goal.)	
How many deals do you need to close to achieve that goal? (Revenue goal divided by average deal size.)	
How many opportunities do you need to close that many deals? (Number of deals multiplied by opportunity-to-close conversion rate.)	
How many qualified leads do you need to generate that many opportunities? (Number of opportunities multiplied by lead-to-opportunity conversion rate.)	

That last number tells you the number of qualified leads marketing needs to send to sales each month. **That's the first half of your SLA**.

The other half is how quickly sales contacts those leads. Remember, you want your sales team to contact marketing's leads as quickly as possible. But you'll have to do some experimenting to discover what's reasonable to require of your sales team.

If you already have a set timeframe that sales is required to contact leads within, enter that into the SLA template below. Otherwise, **use 24 hours as a starting point**. Either way, always be on the lookout for ways to reduce this number. Reducing the amount of time it takes sales to follow up with qualified leads should be an ongoing discussion topic in your smarketing meetings, particularly in the early days of your SLA (see Section 4 of this guide).

Fill in the SLA template:

Every month, marketing will deliver _______ qualified leads to sales, and sales will contact each of those leads within ______ hours of receiving it.

As Mark Roberge said in the class, having an SLA like that puts you in the top 5% of companies. But you can be even better than that. Here's how:

Look at your lead qualification matrix again. Dig into your past data and see what percentage of leads in each category end up buying from you. Specifically, you want to see if your hand raisers close at a different rate than your other sales-ready leads. Chances are, hand raisers close at a much higher rate. If it's twice as much, you should allow your marketing team to count them as being twice as valuable. If it's three times as much, they should count as being three times as valuable. Whatever the case, if the conversion rates are different, you want to find a way to incentivize marketing to focus on generating the types of leads that close at a higher rate.

Mark Roberge recommends bringing in average sale value to do this. If you multiply the conversion rate of each bucket of leads by the average value of a sale made to one of those leads, you'll get the value of one lead in that category. Once you have this lead value calculated, you enter a world where you can put marketing on a quota, just like sales. That is the ideal state to get your SLA into.

It looks like this:

Every month, marketing will deliver $100,000 of lead value to sales, and sales will contact each marketing-qualified lead within 24 hours.

If you have the data to do this, run the calculations and then update your SLA here:

Every month, marketing will deliver _____ of lead value to sales, and sales will contact each marketing-qualified lead within _____ hours.

The Judicial Branch

To enforce the SLA, you need to organize your judicial branch. Your judicial branch will be a small group of leaders who review every lead that doesn't get contacted within the timeframe dictated by your SLA. The judicial branch will determine whether the lead was actually qualified and follow up with the appropriate team. If the judicial branch finds a lot of unqualified leads are getting passed to sales, use your smarketing meetings to reassess the lead qualification matrix until the problem is resolved.

For the judicial branch to be effective, it's paramount that its members are unbiased and focused on what's best for the company as a whole. That means that having the CMO or the SVP of Sales leading the charge is probably a bad idea, though both might be involved as members of the branch. The ultimate decision maker should be a COO or even CEO — someone whose primary interest is the success of the company and who can be trusted not to side with one team over the other.

Use the box below to brainstorm a list of people who should be involved in your judicial branch:

Marketing Velocity

If your SLA requires your marketing team to produce more qualified leads than they've typically been producing, the best thing to do is to audit the way you're using your marketing production process and look for ways to reallocate resources.

In the table on the next page, list all of the assets your marketing team currently produces (blogs, infographics, meet-ups, tradeshows, etc.). For each, indicate how many of those items you produce in a typical year, how many leads one item typically produces, and how many hours one item takes to produce.

For example: if you wanted to calculate this for blog posts, you would write "blog posts" in the "Item" column, the number of posts you publish each year in the "Volume" column, the number of leads typically produced by a single blog post in the "Leads" column, and how many hours it takes to produce a single blog post in the "Hours" column.

In the "Leads per Hour" column, divide the "Leads" by "Hours" to see how effective each item is as a function of the time it takes to produce.

In the "Total Hours" column, multiply "Volume" by "Hours" to see how many hours a year your marketing team is spending on each item.

Item	Volume	Leads	Hours	Leads per Hour	Total Hours

If you see an item that has a low “Leads per Hour,” ask yourself what would happen if you took the “Total Hours” spent on that item and added them to an item with a higher “Leads per Hour.” What would be required to make that change happen?

Sales Velocity

Just as you were able to calculate your marketing velocity, you can also calculate your sales velocity. The formula to do this comes from “Aligned to Achieve.” There are four metrics you need to identify and measure:

- **Number of opportunities.** *How many sales opportunities can a rep handle in a given time period?* For more complicated sales where the rep has to be deeply involved throughout the process, this number might be fairly low, but for more transactional sales, it can be fairly high. This number might also vary from rep to rep, based on how much experience they have.
- **Average deal value.** *How much does a typical sale close for?* This is a key metric to know when you’re initially calculating the SLA.
- **Win rates.** *What percentage of sales opportunities actually close into new business?* This is another metric you need to know to calculate the SLA, and it’s an important one for both sales and marketing to keep an eye on. If this rate is low, it could be that marketing is attracting the wrong kinds of people. Revisit your ideal customer profile and make sure it’s accurately reflecting the sorts of people who are most likely to close. Dig

into your sales team's lost deals and see if you can find common traits that don't exist among your customers.

- **Sales cycle length.** *How long does it take your sales team to turn opportunities into customers?* Remember, the goal of sales enablement is to make your sales team more efficient, so hopefully you'll be driving this number downward soon.

Once you know these numbers, you can calculate your sales velocity using this formula:

$$sales\ velocity\ =\ \frac{(number\ of\ opportunities) \times (average\ deal\ value) \times (win\ rate)}{sales\ cycle\ length}$$

Use this space to calculate your sales velocity:

# of Opportunites		Average Deal Value		Win Rate
	x		x	

Sales Cycle Length

SALES VELOCITY = ____________________

Additional Resources

- **"Aligned to Achieve"** by Tracy Eiler and Andrea Austin — This is the source of the sales velocity equation.