

MATHEMATICS FOR B2B-SALES

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*"A simple guide on how to supercharge your sales pipeline
with a modern approach to sales KPIs"*

SALES IS AN EFFICIENCY GAME

For a long time, we've been told that sales is a numbers game. Often times, a person making this claim is a sales team leader who wants to highlight the importance of phone activity to her team members. The more you call, the more opportunities there are in your pipeline and so on. However, lately many people have started to question this belief by arguing that quality is more important than the actual quantitative numbers in the sales equation.

This eBook offers you a modern way to analyze your sales pipeline. Do numbers still matter, or is quality really eating the numbers for lunch? How should sales directors and team leaders coach their people to focus on the things that really matter?

Based on our work with hundreds of B2B sales organizations, we have come to believe that sales is no longer just a numbers game. More than anything, sales is now an efficiency game.



This eBook offers you a modern way to analyze your sales pipeline.”

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THE TRADITIONAL SALES FORMULA



SALES VELOCITY =

*number of opportunities X
hit rate X
average deal size /
average sales cycle*

Most sales people are familiar with the formula “number of leads” x “win rate” x “average deal size”. All sales people are able to insert their own numbers into that equation and get their total sales as a result. This also works for team leaders and sales directors: By dividing the results with the average sales cycle, you get sales velocity, i.e. how much sales you or your organization is delivering in a certain time period.

Sales velocity is simple math. Let's take an example and see how it works.

Fictive company Visual.io is technology provider, who sells its own cloud based software designed to help marketers turn any data into visually appealing infographs. They are using two different sales tactics; inbound and outbound sales. Their VP of Sales has collected Visual.io's outbound and inbound key performance indicators (KPIs) from the last quarter.

OUTBOUND

direct sales

Sales people: **10**

Opportunities: **20 per person**

Hit rate: **10%**

Average annualized deal size:

8.000 EUR

Average sales cycle: **4 weeks**

INBOUND

marketing-driven sales channel

Unique visitors: **10.000 / month**

Conversion from visitors to sales opportunities: **2%**

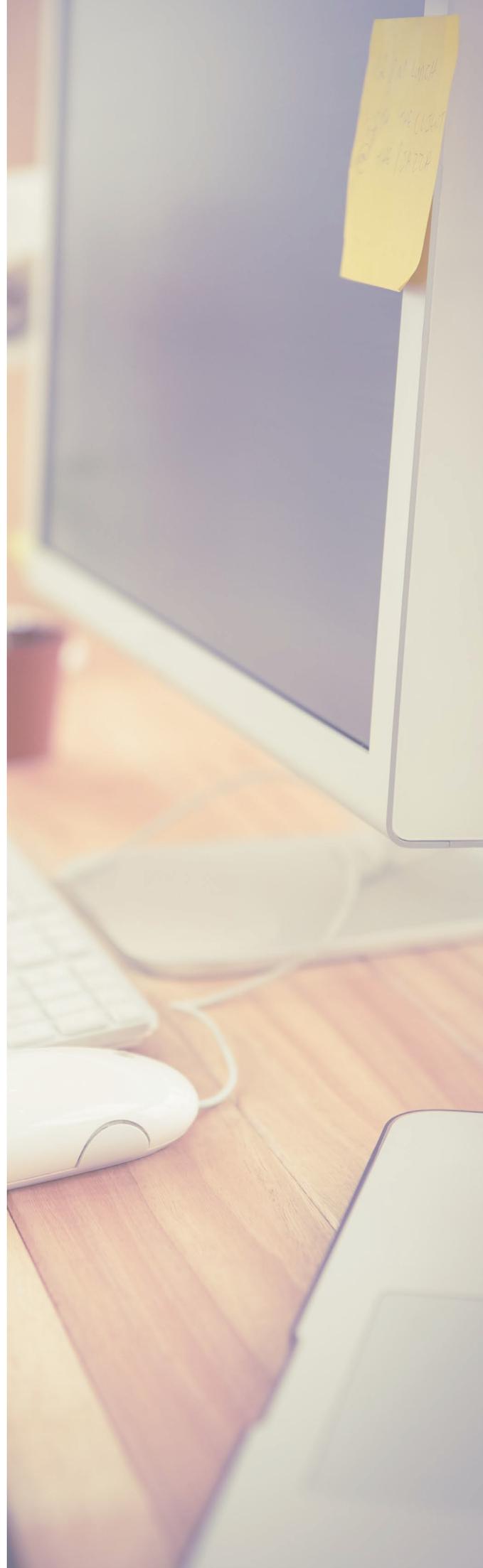
Conversion from sales opportunity to customers: **15%**

Average annualized deal size:

6.000 EUR

Average sales cycle: **4 weeks**

VP of Sales is using sales velocity equation to better understand their sales figures from the previous quarter.



KPIs	CURRENT	GROWTH TARGET 1	GROWTH TARGET 2
# of sales people	10		
Outbound opportunities/person	20		
Hit Rate	10 %		
Deal size	9.000 EUR		
Sales cycle	4		
Sales / week	45.000 EUR		
Visitors / month	10.000		
Conversion 1 (visitor à lead)	2 %		
Inbound opportunities/person	20		
Conversion 2 (lead à close)	15 %		
Deal size	6.000 EUR		
Sales cycle	4		
Sales / week	45.000 EUR		
TOTAL sales	90.000 EUR / week		
Growth %			

In this example, each inside sales rep (ISR) is working with 40 opportunities at the same time. Half of the opportunities are generated through sales people's outbound prospecting, and the other half is coming from the content marketing team.

In order to keep calculations nice and clean, we only use monthly and weekly numbers, and we assume all deals are closed within this time period. There are no left-over opportunities from previous time periods, and all the existing opportunities will be either won or lost during this time period. This way we eliminate the impact of sales cycle length from the formula.

As you can see from the table 1, both outbound and inbound channels are generating weekly sales of 180.000 EUR for Visual.io. Assuming there are four weeks each month, the monthly sales volume is 360.000 EUR.



WAYS TO IMPROVE YOUR SALES FIGURE

Most sales directors are constantly under pressure to improve sales numbers and meet growth targets set by the executive team. A skilled sales director can easily pinpoint several different ways to boost the sales figures. Here are 7 common ways how results can be improved. All of them work separately, but typically in the real world, adjusting one aspect will affect other results as well.

1. HIRE MORE SALES PEOPLE

This is dead simple. Most growth companies are constantly bringing in new sales people to meet and exceed their ever-growing revenue goals. This works as long as you have found a scalable sales model and your organization can predict generated per each new sales person.

2. INCREASE OUTBOUND OPPORTUNITIES BY ISRs

Adding more opportunities on the top of the funnel is probably the most common goal for any sales development project in the corporate world. If sales teams can handle more opportunities without affecting the close rate, average deal size and sales cycle, this is a no-brainer.

3. IMPROVE THE HIT RATE

When is the last time you provided sales training for your team? Too many of us tend to forget this, because changes in hit rate / close rate typically take more time and are easy to push down on priority lists. Especially if there's a big difference in individual hit rates between your top performers and average performers, a dedicated project aiming for improving the hit rate is an interesting option.

4. ATTRACT MORE VISITORS TO YOUR SITE

Most sales VPs are leaving this for their marketing colleagues. Only a small percentage of sales directors have a daily or weekly habit of checking website data from their google analytics or marketing platforms. And yet, it's one of the cornerstones of the digital sales funnel. If you have engaging content on the site and have found effective ways to convert visitors into sales opportunities, getting more people fitting your target group to visit your site will boost your sales very quickly.

5. IMPROVE VISITOR-TO-LEAD CONVERSION RATE

Have tons of visitors, but very few good leads? Well, you're not alone. Web site traffic alone is worthless, unless you can convert that traffic into marketing and sales qualified leads. Make sure the content you provide on the site is so appealing, and your Call-To-Actions so smooth, that visitors will have no other choice but to exchange their contact information for extra information.

6. IMPROVE THE AVERAGE DEAL SIZE

Most sales organizations are leaving money on the table. Provide training to your sales team on the concept of value-based selling, bundle your offering and go for the add-on sale. There are a lot of different tactics you can use to push your deal size upwards. Most organizations could also just raise their prices. Many studies have shown that customers don't really care about raising prices as long as you deliver what they are looking for.

7. SHORTEN THE SALES CYCLE

If there's a set number of opportunities one ISR is able to work on at any given moment, then shortening the sales cycle will have a big impact on your sales figures.



HOW TO DOUBLE YOUR SALES RESULTS

THE MULTIPLIER EFFECT

One day, the CEO of Visual.io walks in to the office and asks the VP of Sales to create a plan to double the monthly sales figures as soon as possible. The CEO tells the VP that he has read a lot of blogs about sales efficiency lately and is now convinced that a systematic sales development approach will allow them to double the monthly revenue figures.

We have two alternative paths. The difficult one and the modern one. Let's start with the difficult one, which requires us to reach the goal by improving only one factor in the sales formula.

You can try out the calculations yourself but in order to keep things simple and smooth, we have done the calculations for you on the next page.



KPIs	CURRENT	REQUIRED FOR 2X SALES IF ONLY ONE FACTOR CHANGES
# of sales people	10	30
Outbound opportunities/person	20	60
Hit Rate	10 %	30 %
Deal size	9.000 EUR	27.000 EUR
Sales cycle	4	NA
Sales / week	45.000 EUR	
Visitors / month	10.000	30.000
Conversion 1 (visitor à lead)	2 %	6 %
Inbound opportunities/person	20	60
Conversion 2 (lead à close)	15 %	45 %
Deal size	6.000 EUR	18.000 EUR
Sales cycle	4	NA
Sales / week	45.000 EUR	
TOTAL sales	90.000 EUR / week	
Growth %		

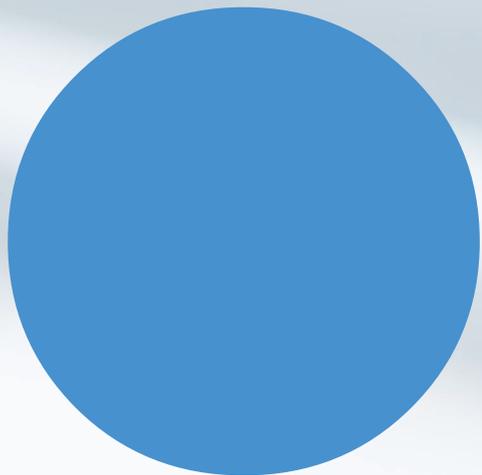
You can see, doubling sales requires tripling any of the individual equation factors. It is probably impossible to hire 20 new sales people all of a sudden, or increase the average deal size by 3X. An effective content marketing campaign might push the website traffic up, but reaching three times more visitors is easier said than done.

Now let's analyze the opposite approach and see how much we would have to increase each factor assuming we could deliver the same percentage improvement in all factors at the same time

KPIs	CURRENT	REQUIRED FOR 2X SALES IF ALL FACTORS IMPROVED AT THE SAME TIME
# of sales people	10	11.89
Outbound opportunities/person	20	23.78
Hit Rate	10 %	11.89 %
Deal size	9.000 EUR	10.702 EUR
Sales cycle	4	NA
Sales / week	45.000 EUR	
Visitors / month	10.000	11892
Conversion 1 (visitor à lead)	2 %	2.37 %
Inbound opportunities/person	20	23.78
Conversion 2 (lead à close)	15 %	17.84 %
Deal size	6.000 EUR	7.135 EUR
Sales cycle	4	NA
Sales / week	45.000 EUR	
TOTAL sales	90.000 EUR / week	
Growth %		

It may sound surprising, but an improvement as low as 18.9 % is enough to double sales results, even if we decide to leave sales cycle untouched. This really shows the power of sales mathematics and systematic development work. An improvement of less than 20% in each factor is enough to make a huge difference in the bottom line. That's what we call the multiplier effect.

HOW CAN TECHNOLOGY HELP

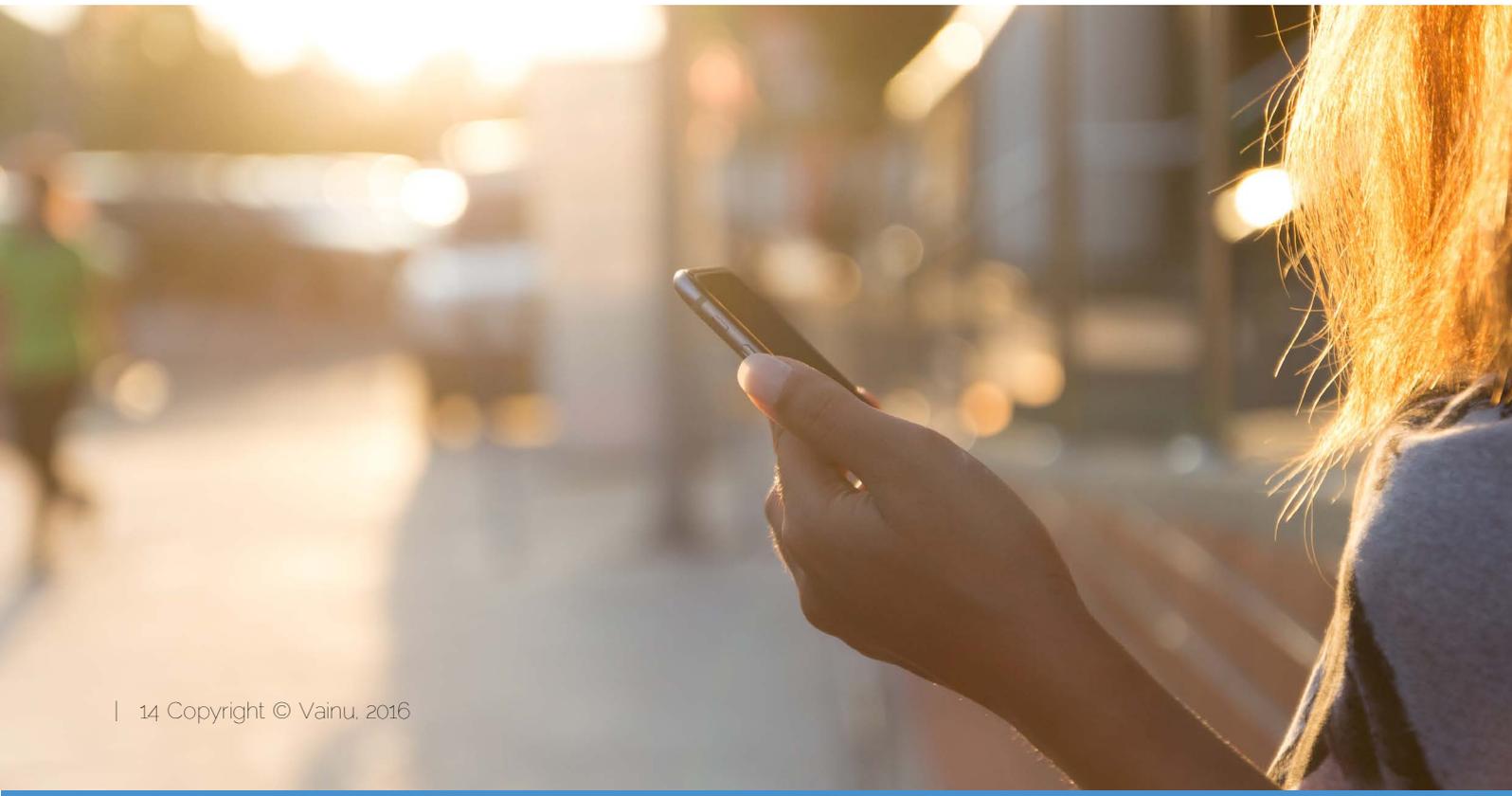


In the previous pages, we outlined 7 ways to improve your sales results and shared some basic tips on how to get started. In this section, we'll focus on sales technology. If you really think about it, every single product or service sold to sales departments aims to improve one or several of the factors in the sales formula. Otherwise, sales departments would not be interested in buying those products or services.

CRM solutions, for example, aim to bring these numbers into focus, and save people's time, allowing them to spend more time on sales (= increase the number of opportunities) and getting better insights (= improved hit rate and average deal size).

Marketing Automation solutions, on the other hand, are designed to streamline content marketing efforts and build smooth digital sales funnels. These vendors promise more website visitors, higher conversation rates and a better flow of inbound leads (=opportunities). Often times they also promise a "higher hit rate", since high quality content tailored to the right audience at the right time should have a positive impact on prospects' buying behavior.

On the next page we will give you a couple of sales software recommendations that are specifically tailored to improve a certain factor in the sales formula.



HIRE MORE SALES PEOPLE

- Jobylon
- LinkedIn
- TrainEngage (get them up to speed fast)

2. INCREASE OUTBOUND OPPORTUNITIES CREATED BY ISRs

- Vainu and other sales discovery platforms
- Leaddesk and other call center solutions
- Referral software platforms

3. IMPROVE HIT RATE

- Vainu and other sales intelligence platforms
- Sales presentation platforms

4. ATTRACT MORE VISITORS TO THE SITE

- Hubspot, Marketo and other marketing automation platforms

5. IMPROVE VISITOR TO LEAD CONVERSION RATE

- Hubspot, Marketo and other marketing automation platforms
- Giosg, Leadfeeder and other website analytics platforms

6. IMPROVE THE AVERAGE DEAL SIZE (BOTH OUTBOUND AND INBOUND)

- Sales presentation platforms

7. SHORTEN THE SALES CYCLE (BOTH OUTBOUND AND INBOUND)

- Adobe Document Cloud and other eSignature services
- Sidekick, Yesware and other sales intelligence tools

SUMMARY

In the modern world, the buying process is nonlinear. Potential customers are entering the sales funnel at different stages, and they jump back and forth between those stages. This new reality, however, does not mean that the sales mathematics formula is broken. On the contrary, it's more important than ever before.

Having a systematic and data-driven sales methodology is one of the most sustainable competitive advantages in the digital era. By knowing your sales velocity numbers and factors, you can double down on the projects or initiatives that are working well, and adjust the ones that are falling behind.

Every initiative you do in the area of sales development should have a clear impact on one or many of the following sales velocity factors:

- Increase the number of sales moments (meetings, demos, website visits etc)
- Improve your hit rate and conversion rate
- Increase your average deal size
- Decrease the length of the average sales cycle

Technology is not the answer for all your challenges, but, it can provide you an additional boost in most of these factors.

The next time you are faced with increased revenue and sales expectations from your top management, go directly to your sales velocity formula and start doing some calculations and scenario analyses. Achieving double digit growth in a short period of time might first scare many people off, but once you understand the multiplier effect achieved by improving all factors simultaneously, the goal suddenly seems a lot more obtainable.



VAINU IN BRIEF

Vainu is one of the fastest growing software companies coming out of the Nordics. Our SaaS software is the first B2B sales tool on the Nordic market that brings you better sales leads by enriching company databases with big data. Vainu helps your sales team identify future customers from millions of companies, and makes selling more fun. Our tool already has hundreds of customers in Finland & Sweden, and has been launched in Central Europe in spring 2016.

ABOUT THE AUTHOR

Mikko Honkanen is a Co-founder of Vainu with extensive background in building and managing international sales and marketing organizations. With the help of his experience from the Nordics, Central European and North American markets, Vainu has been able to achieve a sustainable growth rate of 15% month over month.