

## SALES INCREASE FRAMEWORK

A chicken doesn't stop scratching just because the worms are scarce

At the end of the year, the salesperson is trying to make \$Sales/Year as big as possible.

\$Sales/Year can be split into two parts:

$$\frac{\$Sales}{Year} = \frac{\$Sales}{Contracts} \times \frac{Contracts}{Year}$$

If you remember your school mathematics then on the right-hand side of the equation, Contracts will cancel with Contracts, leaving \$Sales/Year.

$$\frac{\$Sales}{Year} = \frac{\$Sales}{\cancel{Contracts}} \times \frac{\cancel{Contracts}}{Year}$$

In other words, if you wanted to double your sales you have a choice. You could go for bigger sales or more sales. That's it. There is no other way to do it.

Actually, it's not that easy because we don't win every sale we bid for. So, Contracts/Year can be split into two parts.

$$\frac{\$Sales}{Year} = \frac{\$Sales}{Contracts} \times \frac{Contracts}{Quotes} \times \frac{Quotes}{Year}$$

On the right hand side of the equation, Contracts will cancel with Contracts, Quotes with Quotes leaving \$Sales/Year.

$$\frac{\$Sales}{Year} = \frac{\$Sales}{\cancel{Contracts}} \times \frac{\cancel{Contracts}}{\cancel{Quotes}} \times \frac{\cancel{Quotes}}{Year}$$

In other words, if you want to increase your sales you have a choice.

- You can go for bigger sales if you can find them. (\$Sales/Contracts).
- You can get a better hit rate on the sales you go for (Contracts/Quotes).
- Or you can work harder i.e. quote more frequently.

That's it. There is no other way to do it.

Actually, it's not that easy because not everyone you approach is interested in a quote. So, Quotes per year can be split into two parts.

$$\frac{\$Sales}{Year} = \frac{\$Sales}{Contracts} \times \frac{Contracts}{Quotes} \times \frac{Quotes}{Approaches} \times \frac{Approaches}{Year}$$

On the right hand side of the equation, Contracts will cancel with Contracts, Quotes with Quotes, Approaches with Approaches leaving \$Sales/Year.

Hang on, what do we mean by Quotes/Approaches? It means we knock on 100 doors and 90 of them say, “Thank goodness you’ve arrived” not 3. We have a nose for where the business is in the first place.

In other words, if you want to increase your sales you have a choice.

- You can go for bigger sales if you can find them
- You can get a better hit rate on the sales you go for
- You can get a better Quotes/Approach.
- Or you can make more approaches.

That’s it. There is no other way to do it.

In any sales environment, some salespeople do better than others. Their \$Sales/Year is higher than their colleagues. That means that they are better than their colleagues in one or more of these areas.

- They are winning bigger sales
- Or they have a very high hit rate on the ones they do go for
- Or they have found some rich seam that they are exploiting, everyone they meet is interested in buying
- Or they are doing an enormous amount of prospecting

In turn, this variation means that one or more of these areas is very variable. It is interesting to ask salespeople to look at their territories and decide which of these areas is the most amenable to change.

Often, salespeople are doing an enormous amount of prospecting already. Asking them to work harder is counter-productive.

They need to improve the quality of what they do, not the quantity.

The techniques described in this document should help them dramatically improve the ratio Quotes/ Approaches. By targeting the right people with a sensible proposition, more of the people you see should be interested in doing business with you.

The techniques in this book should also make a dramatic improvement in growing \$Sales/Contract. We target the Big sale and the more senior executives who have the power to make the sales happen.

### **The Key Activities of Selling**

My franchisees, Advanced Selling Skills Academy, use this formula to describe the evolution of salespeople as they get more experienced.

#### *Approaches/Year*

This area is probably the hardest way to increase business.

When someone is new to sales, this area is the one they tend to concentrate on. Loads of activity. All quantity, little quality.

### *Quotes/Approaches*

Market research is the key to this area. Reference stories help to decide who would be best to approach. 5 out of 10 of the people we approach want to do business with us; not 1 out of 10.

As salespeople get more experienced, they seek out markets where sales are more likely. They capitalise on previous success.

### *Contracts/Quotes*

Qualification is the main technique in this area. If you can't win, don't bid. You need to read my follow on book! You win 9 out of 10 of the sales you work on; not 3 out of 10.

As experience increases, the number of sales they lose frustrates salespeople. Eventually, they realise that some sales can never be won! The best thing to do is withdraw from them altogether.

### *\$Sales/Contracts*

We make big sales by talking to big organisations and big people. Once we have learned how to sell, the best way to increase your results is to go for bigger deals. Doubling the size of the average contract doubles sales with no extra effort or skill.

Finally, the most experienced salespeople learn how to find bigger opportunities.

That's it. With a few changes in behaviour, we can dramatically improve our results. There's not so much to this selling, is there? And three of the key areas are the subject of this book; going for the bigger deals, going for the easy deal and going for enough deals.

### **Quality Quotes**

The formula is not mathematically precise because the various terms are not independent. For instance, time spent bidding for business gives less time for prospecting. However, it does help identify the big variables.

An example of this interdependence. It is very easy to get Quotes/Approaches very high. All you have to do is to call on someone and plead with them to let you quote!

"Sure," they will say.

But they have no intention of buying anything. Quotes/Approaches will be sky high. But Contract/Quotes will be rock bottom. And it is turning the quote into a contract that takes most of the time.

We don't just want quotes for the sake of quoting. We need Quality Quotes.

If a salesperson is not qualifying properly, the first term is much lower than it should be while the second term is much higher than it should be.

$$\dots \times \frac{\text{Contracts}}{\text{Quotes}} \times \frac{\text{Quotes}}{\text{Approaches}} \times \dots$$

By qualifying properly, salespeople would find fewer opportunities to quote but they would be much more likely to win those that they do quote.

$$\dots \times \frac{\text{Contracts}}{\text{Quality Quotes}} \times \frac{\text{Quality Quotes}}{\text{Approaches}} \times \dots$$

They will release a lot of time, which can be used to good effect either winning sales or making further approaches.

## Sales Management

One Sales manager liked this analysis. His sales people were largely in a volume business with many sales per year. So, we produced this document.

The idea was to sit down with a salesperson and examine the current ratios. These numbers could be written down the right-hand column. Then the manager could examine how to improve the results using the middle column. They could then make some assessment of the impact in the right-hand column. Multiplying up, they could see the overall impact on sales results.

Quite good in the right environment.

$$\frac{\$Sales}{Year} = \frac{\$Sales}{Contracts} \times \frac{Contracts}{Quotes} \times \frac{Quotes}{Approaches} \times \frac{Approaches}{Year}$$

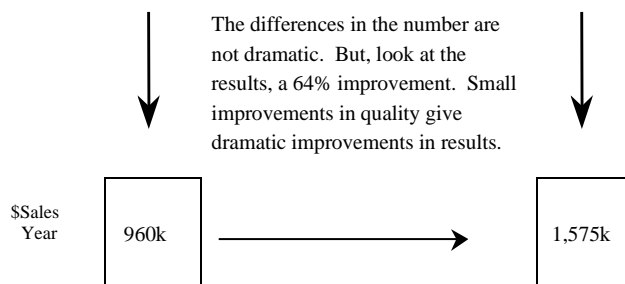
	Current Ratio	Disciplines To Improve The Ratio	Possible Result
$\frac{\$Sales}{Contract}$		<ul style="list-style-type: none"> <li>Selection of the Bigger Prospects to get larger and multiple sales</li> <li>Expanding the sales that are found</li> <li>Qualify out the small sales</li> <li>Believe your Price</li> </ul>	
$\frac{Contracts}{Quotes}$		<ul style="list-style-type: none"> <li>Salesmanship</li> <li>Qualification</li> </ul>	
$\frac{Quotes}{Approaches}$		<ul style="list-style-type: none"> <li>Market Segmentation</li> <li>Need Creation</li> <li>Generating Referrals</li> </ul>	
$\frac{Approaches}{Year}$		<ul style="list-style-type: none"> <li>Energy</li> <li>Enthusiasm</li> <li>Mechanism</li> </ul>	

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graph TD
    A["Current Ratio"] --> B[" "]
    C["Possible Result"] --> D[" "]
    B --> D
  
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## An Example

	Current Ratio	Disciplines To Improve The Ratio	Possible Result
<u>\$Sales</u> Contract	20k	Suppose we increase the sale size by just 5% by better targeting the bigger prospects.	21k
<u>Contracts</u> Quotes	1/5	We win 1/5 of the deals we bid for. Suppose we can improve our hit rate to 1/4 by better qualification.	1/4
<u>Quotes</u> Approaches	1/10	Suppose we can find more people who are likely to be interested by some territory research and get to 1/8. We kiss fewer frogs.	1/8
<u>Approaches</u> Year	2400	Suppose, we make 50 calls per week, 48 weeks a year. This number remains unchanged.	2400



Or we could get the same sales results, 960k, with just 30 phone calls a week!

### The Sales Manager's Target

For the sales manager's target, a little twist is needed to the formula. The more salespeople there are, in theory, the better the results should be. The total number of approaches is determined by the number of salespeople.

$$\text{\pounds Sales} = \frac{\text{\pounds Sales}}{\text{Contracts}} \times \frac{\text{Contracts}}{\text{Quotes}} \times \frac{\text{Quotes}}{\text{Approaches}} \times \frac{\text{Approaches}}{\text{Salesperson}} \times \# \text{ Salespeople}$$

So, Sales Manager's Results = Average Size of Sale x Average Hit Rate on Bids x Average Quality of prospecting x Average Quantity of prospecting by a salesperson x Number of salespeople.

### Belly to Belly

*See twenty people belly to belly each week.* This refrain was from Bill Stack, a sales manager in New Jersey.

In Canada, one company was not doing well. Worldwide, it was in general the second or third largest supplier. But in Canada, they were in tenth position. Three years earlier, they had recruited a senior manager from their biggest competitor to shake the corporation up, but to no avail.

Finally, they bit the bullet. They replaced the manager with the manager of their New York branch office. This manager had really made the New York area sing in the past.

The new man came in. He took one look at the situation in Canada and made his diagnosis. Nobody was making sales calls.

So, he set his programme in place. Whenever he found a salesperson in the Branch Offices for whatever the reason, he would kick him or her out of the office with dire threats about continued service. He instigated a weekly reporting system whereby each salesperson had to say how many calls made that week. He told the Branch Admin staff that they should set up meetings for the salespeople. He made them make telephone calls during the day.

If anyone complained, he would just say that these were the rules. If they did not like them then they could leave the company. Of course, many did leave but the results were dramatic. Sales really began to pick up.

Some companies can get into a bad habit of laziness. From inside the habit cannot be seen but it is like a cancer slowly destroying the organisation.

Reliance Security insists that each week its salespeople make:

- 40 prospect contacts (phone, email or letter)
- 8 meetings and
- 1 ½ proposals

These figures are tightly measured. Management knows that these numbers are not always achievable but the continuous attention to activity has been proven to drive sales up. At one time when they reduced this scrutiny sales flagged a couple of months later.