Sales Force Effectiveness Analytics

Presented by:
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Top 10 Sales Force Effectiveness Analytics

1. Sales Potential
2. Revenue/Profit Concentration
3. Retention/Penetration/Acquisition
4. Available Selling Time
5. Pipeline Adjusted Value & Close Rates
6. Competency Rating
7. Compensation Cost of Sales
8. Pay:Performance Correlation
9. Percent of Reps Achieving Goal
10. Voluntary Turnover/Engagement

Strategy/Focus

Capacity

Skill

Will
Sales management disciplines are interconnected and are built on business drivers and customer needs.

Too many companies look to sales compensation as the first answer to performance challenges. In most situations, many other answers exist.

Companies can improve sales performance by getting the most out of its investments in sales people, creating a rewarding environment for sales people and company shareholders.
Aon Hewitt uses a menu of 40 Sales effectiveness metrics to create a custom scorecard for a company based on strategy and issues

1. Market Size/Growth
2. Revenue Growth
3. Market Share
4. Sales Concentration/Pareto
5. Revenue per FTE
6. Accounts per Sales Professional
7. New Customers
8. Cost of Acquisition
9. New Customer Revenue
10. Customer Retention
11. Account Share
12. Penetration Revenue
13. R&D Spend (% of Revenue)
14. Gross Margins
15. Profit Leverage/Pareto
16. Marketing/Advertising Spend (% of Revenue)
17. Leadflow by Source
18. Opportunity Close Rate
19. Average Transaction Size
20. Sales Cycle Length
21. Probability-Adjusted Pipeline Value
22. Buying Criteria Gap Analysis
23. Price Realization
24. Percent Selling/Customer Time
25. Average Span of Control
26. Customer Satisfaction/Net Promoter Score™
27. Compensation Cost of Sales (% of Revenue)
28. Pay:Performance Correlation
29. Pay Differentiation
30. Goal Attainment Distribution
31. Market Pay Percentile
32. Competency Assessment Score (Average)
33. Sales Training Budget (per FTE)
34. Sales Training Hours per FTE
35. Offer Acceptance Rate
36. New Hire Ramp-up Time
37. Sales Force Tenure
38. Sales Force Engagement
39. Sales Force Turnover
40. Sales Incentive Plan Administration Expense
Estimating sales potential by account sets up a discussion about value and opportunity.

**Best Fit Line**

\[ y = 1253x + 2918 \]

- **Sales Potential**
  - $17,954
  - 12

- **# Physicians in Practice**
It is important to understand the profitability of each account and the cost of coverage.

![Graph showing the relationship between percent of accounts and percent of contribution $, with a cut indicating a point of diminishing returns for coverage costs.](image-url)
While segmentation based on size or potential alone is not ideal, it does begin to provide a basis for strategy and role specialization.
The ability to retain revenue, penetrate or acquire accounts translates strategy to reps, customers.
How sales people spend their time portrays capacity and directly impacts productivity.

Assuming 400 sales people spend their time in the following ways:

**Before Time Improvements**
- Selling: 40%
- Issue Resolution/Customer Support: 20%
- Travel: 5%
- Trng/Dev: 10%
- Admin Time: 20%
- Marketing Support: 5%

**After Time Improvements**
- Selling: 50%
- Issue Resolution/Customer Support: 15%
- Travel: 5%
- Trng/Dvlp: 10%
- Admin Time: 10%
- Marketing Support: 10%

By increasing sales time 40% to 50% a 400 rep company could gain an equivalent of 80 reps’ selling time (assumes 2,000 hours per rep).
Most companies examine the sales funnel, but not as many look at workload and cost.

<table>
<thead>
<tr>
<th>Stage</th>
<th>“The Funnel” – Strategic Accounts</th>
<th>Sales Hours / Lead</th>
<th>Total Sales Hours</th>
<th>Cost / Sales Hour</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accessible</td>
<td>100</td>
<td>1</td>
<td>100</td>
<td>$180</td>
<td>$18,000</td>
</tr>
<tr>
<td>Target</td>
<td>79</td>
<td>4</td>
<td>316</td>
<td>$180</td>
<td>$56,880</td>
</tr>
<tr>
<td>Prospects</td>
<td>58</td>
<td>8</td>
<td>464</td>
<td>$180</td>
<td>$83,520</td>
</tr>
<tr>
<td>Qualified</td>
<td>45</td>
<td>16</td>
<td>720</td>
<td>$180</td>
<td>$129,600</td>
</tr>
<tr>
<td>Proposed</td>
<td>38</td>
<td>64</td>
<td>2432</td>
<td>$180</td>
<td>$437,760</td>
</tr>
<tr>
<td>Closed</td>
<td>20</td>
<td>32</td>
<td>640</td>
<td>$180</td>
<td>$115,200</td>
</tr>
<tr>
<td>Retained</td>
<td>18</td>
<td>32</td>
<td>576</td>
<td>$180</td>
<td>$103,680</td>
</tr>
</tbody>
</table>

A total of 5,248 selling hours, or $945K.
A statistically valid, defensible talent assessment approach will help identify which reps can succeed in the sales model.

**Lower Fidelity**
- **Basic Ability Testing**: with tests measuring knowledge, skills, and abilities that are critical to a candidate performing well on the job.
- **Biodata Inventory**: questions about candidate’s previous work experiences.
- **Situational Judgment Inventory**: questions about how a candidate would react in realistic job situations.

**Mid-Range Fidelity**
- **Situational & Behavioral Interviews**: asks questions about similar situations in the past or how they respond to a hypothetical situation.
- **Role Plays**: involving inter-personal interactions with subordinates, superiors, customers, and peers.

**Highest Fidelity**
- **Simulations and Job Try-Outs**: incorporating a “day-in-the-life” simulation or job preview.

**More Engaging & Elevating**

Fidelity Assessments are a method of testing candidates more accurately and can become more sophisticated for those positions where experience becomes essential to success.
Development guides can help drive improvement in the key competencies determined to be most relevant by sales role.

Training and development recommendations are associated with specific sales competencies.

**Relationship Management**

**Behaviors**

- Builds Trust and Credibility
  - First Impressions can weigh heavily on the success of a relationship with a customer.
  - Keep focus on customer interests. If you see anything (i.e. news, articles, trends, etc.) that might interest the customer, relay the information to him or her. This information does not have to relate to Pepsi or beverages, but is simply interesting material or information that affects the customer (i.e. if your customer is 7-Eleven and there is an article in a magazine that highlights the successful turnaround of 7-Eleven, cut the article out and give it to your customer with a note of acknowledgment).

**On-the-Job Development**

- Create an ongoing list of different customer contacts: customer business style, customer preferences, customer length of time with the account, and any other important information that will help you to work more effectively with customers’ style.
- Start a monthly “lunch and learn” or informal knowledge-sharing team with your colleagues to discuss observations about consumer, industry, and account trends.
- Coaching on Margin Minder – use Margin Minder for all large accounts.
- Ask someone you trust to observe your non-verbal style and behaviors and give you feedback.
- Coaching from manager or someone who has established relationships with the customer in the past.

**Practical Tips**

- Be responsive to customers requests – provide answers to questions within 48 hours.
- Dress in accordance with the dress code. If you were the customer, what message would receive if your sales representative did not properly present herself or himself?
Understanding the total cost of sales coverage starts to rationalize goals and organization investments by potential ROI.

What drives compensation cost of sale?

Compensation Cost of Sales “CCOS” = Base Salaries Plus Actual Incentives / Unique Revenue

Drive Compensation Cost of Sale:
- Channel Leverage
- Sales Process Workload
- Headcount
- Resources Mix
- Pay Levels
- Quota Size
- Performance Distribution
- Pay Mix
- Accelerators
- Crediting Rules
- Talent Sources (internal vs. external, etc.)
- Turnover

Drive Unique Revenue:
- Company Size
- Company Growth Rate
- Average Account Size
- Customer Retention Rate
- Customer Penetration Rate
- Average Transaction Size
- Pricing/Discounting
- Sales Process Yield
- Quota Size
- Performance Distribution
- Talent Quality
- Ramp-up/Onboarding
Pay:performance correlation lets a sales leader know that the incentive plan is driving the right behaviors and attainment.

Global Account Rep Pay:Performance

\[ y = 1.0130x + 0.1076 \]

\[ R^2 = 0.8957 \]
Achievement of goal, or at least a sound distribution of performance, lets sales leaders know reps are being appropriately challenged.

Direct Rep Performance Distribution

Quota Performance

Number

Direct Rep Performance Distribution

Achievement of goal, or at least a sound distribution of performance, lets sales leaders know reps are being appropriately challenged.
Accurate, data-supported goals are often critical to determine which sales people are performing better.

Rep A
- $2 million in annual gross profit
- 5% annual growth
- 100 customers in a 500 customer territory
- Territory has $10 million in gross profit potential (20% share)
- Average discount 10%

Rep B
- $1.2 million in annual gross profit
- 10% annual growth
- 50 customers in a 250 customer territory
- Territory has $4 million in gross profit potential (30% share)
- Average discount 5%

Which rep is considered more successful in your organization?
Turnover results in several types of cost… recruiter search fees, lost productivity, reduced engagement

- There is an optimal amount of turnover
- If turnover is too low, companies may not be managing talent effectively
- If turnover is too high, companies may not be offering a competitive rewards package
- Sales force turnover trends higher than other functions, and costs more
Engagement can show turnover vulnerability and productivity hurdles in advance.

**Engagement Score**

- **Destructive Range**: 40%
- **Serious Range**: 30%
- **Indifferent Range**: 65%

- ★ Company International Overall 10 (55%)
- ◆ Company International Overall 09 (58%)
- ▲ Aon Hewitt Norm A (50%)
Sales effectiveness data can be more actionable when used by Sales Management in certain combinations.

<table>
<thead>
<tr>
<th>27. CCOS</th>
<th>31. Market Pay</th>
<th>39. Turnover</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Hold</td>
</tr>
<tr>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Raise Pay</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>Low</td>
<td>Hold</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>Add Staff</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Reduce Pay</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Re-structure</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>Low</td>
<td>Raise Talent</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>High</td>
<td>New Strategy</td>
</tr>
</tbody>
</table>
Additional analytics can be developed to address company-specific business issues as appropriate.
A comprehensive scorecard becomes more meaningful with a 360 degree set of analytics and relevant actions

<table>
<thead>
<tr>
<th>Guiding Principle</th>
<th>Metric</th>
<th>Current Status</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Plans should drive profitable growth</td>
<td>YOY Revenue Growth</td>
<td>18%</td>
<td>A</td>
</tr>
<tr>
<td></td>
<td>YOY Op. Income Growth</td>
<td>5%</td>
<td>C-</td>
</tr>
<tr>
<td></td>
<td>CCOS</td>
<td>8.2%</td>
<td>C</td>
</tr>
<tr>
<td>2. Plans should create win-win for company and individual</td>
<td>Pay:Performance R²</td>
<td>90%</td>
<td>A</td>
</tr>
<tr>
<td>3. Plans should attract top talent</td>
<td>First Year Success Rate</td>
<td>50%</td>
<td>B+</td>
</tr>
<tr>
<td>4. Plans should motivate sales people</td>
<td>Survey Response (% in top 2 categories)</td>
<td>40%</td>
<td>C+</td>
</tr>
<tr>
<td>5. Plans should retain sales people</td>
<td>Sales Force Turnover (Vol)</td>
<td>18%</td>
<td>C+</td>
</tr>
<tr>
<td>6. Plans should be simple</td>
<td>Number of Plans</td>
<td>72</td>
<td>D+</td>
</tr>
<tr>
<td></td>
<td>Number of Participants</td>
<td>1,450</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cost to Administer (People + Systems)</td>
<td>$6.8 million</td>
<td></td>
</tr>
<tr>
<td>7. Plans should reward high performers</td>
<td>Differentiation (top pay as percent of median)</td>
<td>302%</td>
<td>A</td>
</tr>
<tr>
<td>8. Goals should be achievable</td>
<td>Percent Achieving</td>
<td>43%</td>
<td>C-</td>
</tr>
</tbody>
</table>
My challenge for you…

1. Explicitly document the strategies laid out for the sales force in your organization
2. Map out customer segments and sales processes
3. Identify the critical measures for success in each area or step
4. Understand the issues and obstacles that are in the way
5. Select a set of analytics (from our list or another) that help do the following:
   - Make the case for change
   - Signal the time for change
   - Identify who should change
   - Clarify what change is required
6. Build the data sets required for these analytics
7. Socialize and communicate from the analytics
8. Act!
Scott Sands is a Principal and Sales Force Effectiveness Practice Leader located in Atlanta, Georgia. He works with senior executives in large, global companies to identify opportunities for revenue growth, select the proper sales channels, refine selling processes and messages for specific market segments, staff organizations with the right type and number of sales professionals, set fair but challenging goals, and design motivational incentives. He has 18 years of experience in industry and with leading professional service firms, including Briggs & Sands Consulting, Sibson Consulting, The Alexander Group, and Watson Wyatt. His recent client work includes: Fortune 1000 telecommunications, technology, pharmaceutical, insurance, banking, energy, and heavy manufacturing companies including: Adobe, Assurant, AT&T, Avaya, BAE Systems, BlueCross BlueShield, BT, Broadcom, Cisco, Cox Communications, CSC, Dell, Electrolux, EMC, General Electric, Graybar, Johnson & Johnson, McKesson, MetLife, Northrop Grumman, Qwest, Roche, SonyEricsson, Sprint, Symantec, Travelers, Unisource, Verizon, VeriSign, and WellCare. Scott is a frequent author and speaker at national conferences. His work has appeared in Workspan, Selling Power, SAMA's Velocity, and Sales & Marketing Executive Review. In 2006, he co-authored the WorldatWork's bestselling book Sales Compensation Essentials. Scott holds a bachelor's degree in Electrical Engineering and Mathematics from Vanderbilt University and a MBA with a focus in Marketing and Organization Effectiveness from The University of Texas. Scott oversees all dedicated Sales Force Effectiveness consulting resources in the Americas. He coordinates with global Aon Hewitt Talent and Rewards Consulting resources to ensure that this fast-growing segment delivers proven approaches, cutting-edge insight, and client business impact.

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Thank You.