

The Importance of Measuring Salespeople's Performance

By Daniel R. Siburg, CPA, CVA

Sales are the key to every company's success and the reason for every company being in business. However, often salespeople are left to their own devices, which can cause the demise of a company.

Set Sales Quotas for Sales Reps

Sales performance is the easiest goal to measure in a company. Simply stated, either sales reps hit their sales quotas or they miss their sales quotas. The problem comes when a company fails to set sales quotas for its sales reps and then wonders why sales performance is so low. The real question in this case is: How can ownership or executive management be disappointed in the company's sales performance if there were no established sales quotas and goals for the sales force? A company that has a well-developed process for setting sales quotas has an established method of determining individual sales rep performance and the ability to measure the company's overall sales performance too.

Sales Quotas Need to Be Challenging

A company needs to develop a realistic methodology for determining sales quotas for its sales reps and the company's sales performance overall. During both good and bad economic times, setting realistic sales quotas provides direction and motivation to the sales organization all the way down to the individual sales rep. Nothing is more demoralizing to a sales organization than having management set sales goals that can never be achieved. There is a fine line between having challenging versus unrealistic sales quotas, but if sales reps and the sales organization are hitting their sales quotas by the third quarter of the fiscal year, then the company runs the risk of having the sales reps and sales organization relaxing and playing around during the fourth quarter. A challenging sales quota is one that requires the sales rep and sales organization to stretch to obtain their sales quotas during the entire fiscal year and in the end rewards high achievers for reaching and exceeding their annual sales quota.

There is an infinite number of ways to set sales quotas for individual reps and the sales organization. I recommend having a systematic way of establishing sales quotas that is easy for everyone in the sales organization to understand and monitor. In addition to sales quotas, a company will need to monitor other aspects of the sales cycle from lead generation and qualifying good sales prospects, to monitoring the number of new customers and the retention of established customers.

Generating Sales Leads

While having the sales organization focus solely on achieving the sales quota may sound like the right idea, there also needs to be a significant effort focused on developing new sales leads. A company's sales organization always needs to be developing new sales leads, whether through marketing campaigns, attending industry tradeshows, or being part of industry organizations that relate to the existing customer base and potentially new areas of customer development. Sales organizations need to have a methodology of tracking how sales reps are developing new sales leads, monitoring how sales reps are qualifying new sales leads, and identifying which sales leads are the best sales prospects. While the process of taking sales leads to being a good sales prospect to becoming customers varies by the type of product or service a company is selling, an objective method of measuring lead conversion, qualifying prospects, and securing new customers will pay off.

Developing Good Sales Prospects into New Customers

If the sales reps and sales organization have a realistic method of determining which leads are actually good prospects, at this critical point in the customer development cycle sales reps need to know that they are being monitored and rated on their conversion ratio of prospects to new customers. It is the sales organization's responsibility to help the sales reps and the company to determine why good sales prospects fail to become customers. The lack of converting good prospects into new customers could be caused by the company trying to bring the wrong products to the marketplace, the products' pricing, or poor sales rep performance. One of the major reasons why good sales prospects fail to become new customers is that the sales rep simply fails to ask for the order.

Keep Selling to the Established Customer Base

A company needs to remember that the most expensive customer is one that needs to be replaced. Often sales organizations and sales reps forget about their established customer base. Ensure that your company's sales organization is required to routinely reach out to and visit with established customers. In many cases, a company's established, "old-time" customer starts buying from a competitor because the competitor's sales rep is staying in contact and paying attention to them, while your company's organization is only spending time developing new customers. A neglected customer will sooner or later become a lost customer.

There are companies that have products and services that are largely one-time sales, such as selling a large piece of industrial equipment or a computer hardware system. Even with large one-time sales, when the sales rep continues to stay in contact with the customer, the customer will remember to call your company when they need to make their next small or large purchase, because your sales rep has maintained the customer relationship.

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Conclusion

Every company knows that reaching sales quotas is more than wining and dining leads, prospects, and customers. A successful company knows that its sales organization and sales reps need to have a continuing effort to develop sales leads, determine what sales leads are actually good sales prospects, and then nurture those good sales prospects into actual customers while at the same time maintaining their established customer base. To help ensure that sales organizations and sales reps are reaching their sales quotas the complete sales process and cycle needs to be identified, developed, and monitored with challenging, yet obtainable sales quotas.

The Siburg Company, LLC is a boutique consulting firm specializing in the financial and operational consulting with an emphasis in mergers and acquisitions.

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Dan is the Managing Director of The Siburg Company, LLC and has experience as both a President and Chief Financial Officer. He helps companies improve operational functions to manage costs and increase profitability. Dan specializes in merger and acquisition strategies.

We invite you to call us to discuss your current business needs or to schedule a future appointment.

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