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BY RICK DAVIS

# Formula for Success

**TO BECOME A SALES LEADER YOU MUST BE ABLE TO CALCULATE WHAT ACTIVITY IS REQUIRED TO ACHIEVE YOUR GOALS.**



a fancy term meaning measurements. Business leaders in our industry are becoming more sophisticated about ways to measure patterns that relate to gross margins, overhead, labor, and a number of basic sales functions. Unfortunately, most of the data is analyzed from a historic perspective. Companies are measuring past sales performance but struggle to create predictions that can be used to set attainable and accu-

rate future goals. people virtually ignore many positive aspects of their own behaviors, such as a great week of sales activity that may yield positive long-term benefits, even if no immediate sales were achieved.

A "Sales Leader" takes responsibility for creating metrics that measure daily performance and short-term goals. If you take time to accurately measure your performance, not only will you improve your overall sales, you will generate long-term results that create newfound confidence in your career.

## It All Adds Up

To become a Sales Leader, you must recognize that traditional goal setting is based upon one simple objective: increasing sales. In reality, most salespeople emphasize the pursuit of increased sales with existing customers while failing to capitalize on the potential acquisition of new customers. To overcome this pitfall, you must always be vigilant in the search for new opportunities to truly grow your business:

**I**f you have experienced fear or anxiety regarding your sales performance, take heart: A systematic approach to goal setting will alleviate the pressure while ultimately improving your sales results. The key to success begins when you accept an irrefutable law of sales: "If you cannot measure it, you cannot control it."

One of the hottest new business buzzwords of this decade is "metrics,"

Traditional sales measurements focus almost exclusively on sales volume and gross margins. This places an inordinate emphasis on results and detracts attention from key performance metrics such as prospecting activity, closing ratio, client database size, and quote volume. Concentrating solely on results can create a mind-set of "win-lose" thinking in which sales-

# Sell Sheet

You must continually focus on prospecting to achieve more and conscientiously measure those prospecting efforts.

You can easily calculate what activity is required to achieve your goals by utilizing two simple algebra formulas (And you thought high school was a waste of time!).

Here's how it works: If  $Z_h$  equals your

## 1. Count existing business and project any expected changes before creating a prospecting goal.

Depending on the maturity of your market, sales experience, economic factors, and other criteria, the growth or decline of your existing customer base will vary. Look at every individual account in your

ing ratio ( $Y_h$  or  $Y_f$ ) is 10 percent, you will need \$3,000,000 in prospecting activity to achieve your sales goal ( $\$3,000,000 = \$300,000 / .10$ ).

**5. Break your goal into manageable segments.** This step in the process provides wonderful career-boosting results. When you break your goals into manageable segments, you are no longer faced with immense and daunting pressure. You are able to isolate short-term behaviors and goals that allow you to achieve a massive overall goal.

Divide your annual goal by 12 to create a monthly goal. In our current example, that would be \$250,000 ( $\$3,000,000 / 12$ ). Then divide your goal by 50 to create a weekly goal: \$60,000. Finally, divide your weekly goal by four (allowing for a day of paperwork and interruptions), to create a simple daily prospecting goal, which would be \$15,000.

If you feel you lack the ability to accurately project the value of each opportunity, estimate based on your experience and continually hone your ability to project the value of future sales opportunities.

**6. Write everything down.** The purpose of breaking down your goals is to create short-term objectives that keep you on track to achieve your larger goals. Use a spreadsheet or even a simple notebook to track daily and monthly activity in order to reach your larger goals. If you don't write it down, you really are not measuring it. Remember, *if you cannot measure it, you cannot control it.*

Future sales projections will become better and more accurate because of your ability to employ this simple program of tracking. If you conscientiously follow this plan for a period of months, eventually you will be able to track your closing ratio with accuracy. You will become more skilled at projecting future sales while establishing loftier (and attainable) objectives. The result will be a career in which you feel more secure and powerful. ■

## WITH THE RIGHT HISTORICAL DATA, YOU CAN CREATE CONFIDENCE IN YOUR CAREER AND ESTABLISH BETTER COMMUNICATION WITHIN YOUR ORGANIZATION.

past (historic) prospecting activity,  $Y_h$  equals your closing ratio, and  $X_h$  equals your resulting sales increase goal, then Formula 1 is  $X_h$  (sales increase) =  $Y_h$  (clos-

territory (or at least the accounts that represent the majority of your business) and realistically determine what changes you should expect. For example, assume that your territory generated \$2 million last year, but you have concluded that your existing customers will generate only \$1.9 million in the coming year.

**2. Establish your sales increase goal (the value  $X_f$ ) by using the data from step 1.** For example, assume your overall goal is \$2.2 million for the coming year. Your sales increase goal should reflect the overall increase plus the expected decline in prior year sales. Thus, to attain your \$200,000 increase in overall sales, you will need a goal that includes the \$200,000 plus the expected \$100,000 decline in existing customer purchases. Therefore, your sales increase goal ( $X_f$ ) becomes \$300,000.

**3. If you know your closing ratio ( $Y_f$ ), great!** If not, estimate a target closing ratio (we'll call that value  $Y_f$ ) until you have enough historical data to calculate the true value. Because you may not know your historic closing ratio, a good rule of thumb is to start by assuming you will close approximately 10 percent of the *new* business you prospect.

**4. Calculate required future prospecting activity (the value  $Z_f$ ).** Using the formula for  $Z_f$ , you are now ready to create a prospecting goal. For example, if your prospecting sales increase goal is \$300,000 and your clos-

### Sales Goal Equations

$$\text{Formula 1: } X_h = Y_h \times Z_h$$

therefore

$$\text{Formula 2: } Z_f = \frac{X_f}{Y_f}$$

ing ratio) x  $Z_h$  (prospecting activity).

This formula, which accurately tracks *historical* performance, also can be used to predict *future* performance. Divide both sides of the equation by  $Y_h$  to create Formula 2. In this case, the equation reads:  $Z_f$  (*future* prospecting activity) =  $X_f$  (*future* sales increase goal) /  $Y_h$  (closing ratio). The benefit of the second formula is that your performance is no longer based upon results that seem out of your control. Your success is based on one sole metric, your willingness to pursue a target prospecting objective ( $Z_f$ ).

### One Step at a Time

With the right historical data, you can create confidence in your career and establish better communication within your organization. Based on the two formulas presented above, here are six steps to put you on the road to collecting the right metrics to meet your overall sales goals.