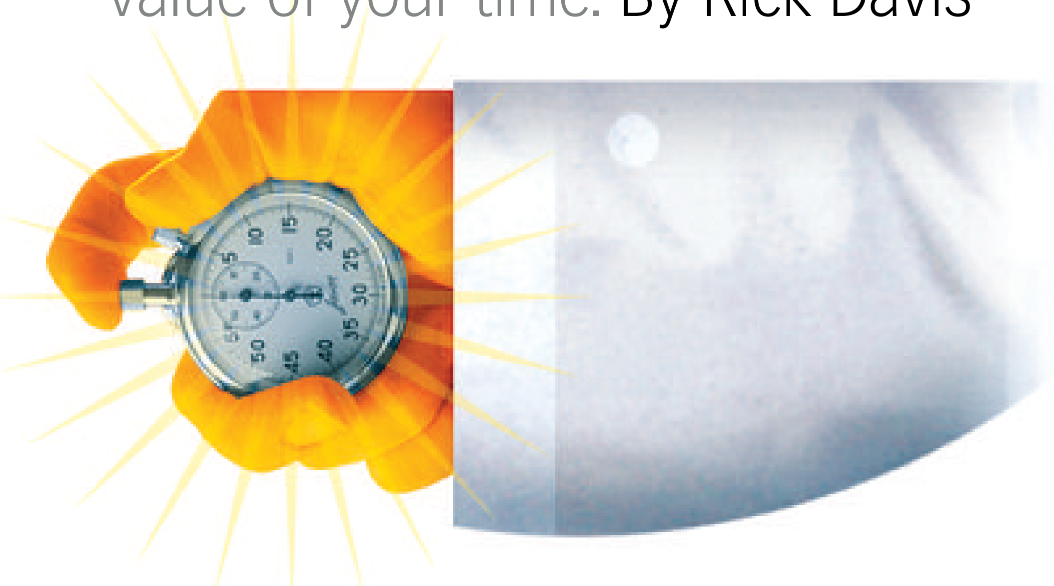
Time Well Spent

Measure and improve your sales performance by calculating the true value of your time. By Rick Davis



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You've heard hundreds of times the old adage that "time is money." But how much money? That is the question too many salespeople leave unanswered. To truly measure your performance, improve your efficiencies, and increase the bottom line, you must learn to calculate the worth of your time.

Typical evaluations of sales performance take the form of call reports that are regularly exchanged between salespeople and their sales managers. The problem is that this reporting method is merely a baby-sitting device that few salespeople find truly useful for measuring performance, much less a useful tool to measure career productivity. More significantly, while these reports may produce qualitative forms of information—e.g., names of customers visited, objectives, conversation topics, and the like—they rarely yield quantitative aspects of sales performance.

Quantitative measurement is essential for creating objectivity and determining available opportunities for performance improvement. Perhaps the best way to begin quantifying performance is to calculate a salesperson's "worth of time," an incredibly simple evaluation that requires only two pieces of data—sales volume and the number of sales calls made. Once a salesperson has taken the few minutes to make the calculation, powerful performance improvements can be implemented.

As an example, let's assume a salesperson sells $3,000,000 in products and services a year and makes an average of six sales calls per day. Factoring in 250 workdays a year, divide the sales volume by 1,500 calls per year and you can determine that this salesperson is worth $2,000 per sales call. In other words, V=v/n, where V = value per call, v = sales volume, and n = number of sales calls.

This formula, in spite of its simplicity, can provide remarkable insights into sales performance and, more significantly, can expose opportunities for performance improvement. It can be used to determine ways in which a salesperson can improve territory management and planning skills, as well as ways to calculate the value of a customer and methods to improve the value of each individual sales call.

With this information it also becomes easy to theoretically plan future sales. How? Because if this formula is true, then the opposite is also true. That is, V x n = v. In other words, the number of sales calls a salesperson plans to make multiplied by the value per sales call will predict future sales.

Process for Improvement

A salesman who wants to sell more knows that he can do three things: make more sales calls, increase his value per sales call—or do both. This realization leads to instinctive adjustments that improve time management skills and overall performance. Fitting more sales calls into the day, for example, requires a salesperson to improve territory management and daily planning to reduce windshield time and increase face-to-face time.

Improving the value of each sales call takes a bit more observation, planning, and resolve. Start by

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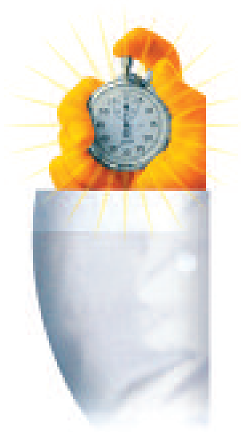

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using the time/value calculation in other ways to determine the worth of time invested with individual customers.

Consider the example of a $250,000 account that, not surprisingly, requires a significant investment of time. A quick calculation reveals that, in fact, it is possible for a salesperson to devote too much time to this large-volume account. If a salesperson is worth $2,000 per sales call (as in the earlier example) and averages one sales call per day to this customer in the normal maintenance of the account, this customer would be costing the salesperson $500,000 in sales time (250 annual sales calls times $2,000 per call) while yielding only $250,000 in business.

A second account purchases $50,000 a year, but requires only one sales call per month to maintain. This account costs the salesperson only $24,000 (12 times $2,000) in time while yielding more than twice that amount in annual sales!

If the salesperson made sales calls to the large-volume account more productive and was able to cut down those calls to every other day, the time cost would be reduced and it also would free up time every other day to call on others. The process of measuring the value of time proves that time really is money and that time valuation is a concept that every salesperson must consider.

A salesperson can easily apply this technique to any of his or her individual accounts and can utilize the formula to calculate the value of time in a number of ways. For example, a salesperson could calculate the value of time for an individual account by dividing the account's sales by the number of sales calls devoted to each customer. In this case, the value of each sales call to the large-volume account is $1,000 ($250,000 in annual sales divided by 250 annual sales calls) while the value of each sales call to the smaller-volume account is $4,167 ($50,000 divided by 12).

In order to create more understanding of your own sales behavior and the value of time, try the following:

1. Change your reporting methods. Too many sales managers and salespeople focus on call reports that become little more than creative writing assignments. And they're no picnic for the manager to read, either. Instead of burdening each other with these types of reports, strive to communicate in objective numerical terms. This will lead to more opportunities for coaching and performance improvement.

2. Count. The simplest thing a salesperson can do is simply count the number of sales calls made in a given day, week, and month. As this count is accurately developed, opportunities for improvement will instinctively appear. But until you take the time to honestly tally the number of sales calls you make, you will never really know the true value of your time.

3. Analyze. After you have begun the process of counting, you should start analyzing the data and strive to find ways to improve your process and therefore improve the value of your time. If you determine you are spending too much time with one customer, you'll know that you need to gain more sales from that customer, perhaps by selling additional products, or you must strive to make your communications with that customer more efficient to cut down on the number of sales calls required. But you will never see these opportunities until you analyze your current performance.

Keep in mind, the exercise of evaluating your time is purely mathematical, but it leads to intuitive realizations. After you have calculated the value of your time, you will learn to "feel" when you are investing too much time on non-productive tasks. One thing is certain: If you don't calculate how you have historically used your time, you'll never be able to improve the value of your time in the future. ■

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