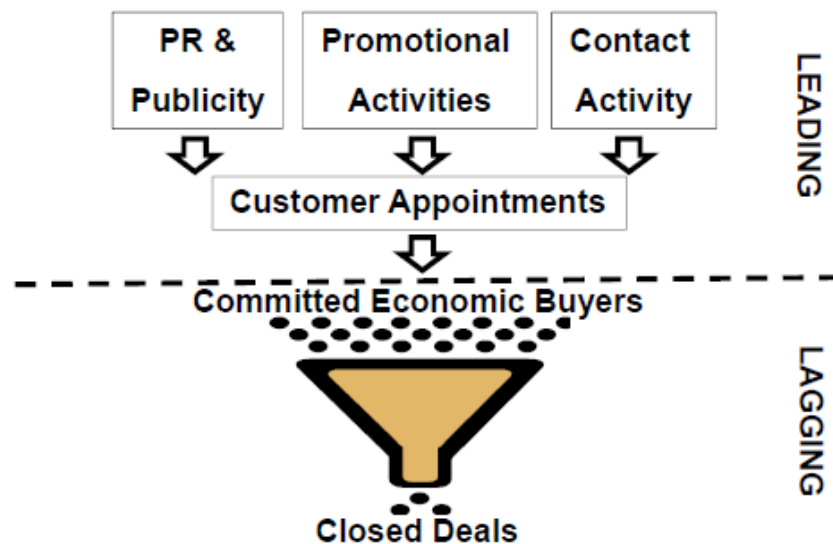


GROWTH TIP #2 – Look Above Your Funnel for Predictive Sales Metrics

As we begin to emerge from the recession, sales leaders are focusing on predicting the magnitude and speed of their company's recovery. Most are rigorously analyzing traditional sales metrics: pipeline volumes, quota attainment, sales cycles, average deal sizes and win/loss percentages. Those leaders applying best practices, however, are focusing on metrics at the very inception of the sales process.

While valuable for helping to manage the sales force, many of these traditional metrics are not the most powerful in forecasting sales growth. The issue lies in the fact that traditional metrics often are **lagging indicators** that don't enable corrective action to be taken until opportunities have worked their way through several stages or exited the sales pipeline. By this point, valuable time has elapsed, costs have been incurred, and the opportunity for corrective action has passed, leaving gaps in the pipeline which create intense pressure to close the remaining opportunities.

The most predictive metrics – the **leading indicators** – can be found above the sales pipeline and measure activities at the very beginning of the sales process which ensure that an adequate number of Committed Economic Buyers¹ enter the pipeline to keep it flowing optimally.



You are familiar with the pipeline analogy – put enough Committed Economic Buyers into the pipeline and you will eventually begin to see Closed Deals coming out the other end. However, what is needed to create viable pipeline opportunities? Customer appointments. Working backwards, what drives customer appointments? Marketing and lead generation activities: public relations, publicity, mailings, advertising, networking, referrals and so on. It is our observation from our client experiences that the highest performing sales organizations monitor and manage these early activities religiously. As a result, not only are their forecasts more accurate, but they are also positioned to intervene early and ensure that opportunity levels remain high enough to win in today's volatile market.

¹ A Committed Economic Buyer is someone who has a qualified need which his company is committed to fulfilling, views your company as a qualified solution provider, and possesses budget and decision authority.

To use these leading indicators to your advantage, we recommend beginning by tracking marketing and lead generation activities on a dashboard. Through experimentation and iteration, you'll begin to understand which activities are most effective in generating appointments and the required level and frequency of those activities.

Opportunity Generation Activity	Sample Metrics
Public Relations & Publicity	<ul style="list-style-type: none"> • # Speeches/qtr vs. target • # Published articles/yr vs. target • # Quotes/mentions articles vs. target • # Press releases vs. target
Promotional Activities	<ul style="list-style-type: none"> • # Mailing campaigns vs. target • # Email campaigns vs. target • # Newsletters/bulletins vs. target • # Impressions online/print advertising vs. target
Contact Activity	<ul style="list-style-type: none"> • # Prospecting calls vs. target • # Meetings with referrers vs. target

As your understanding of Opportunity Generation activity improves, you'll be able to develop a mathematical algorithm we call the **Sales Opportunity Index™**. In essence, the Sales Opportunity Index™ predicts the number of Sales Opportunities that will result from any given mix of Opportunity Generation activity. Decrease your customer mailings while increasing the number of press releases and the Sales Opportunity Index™ will calculate the resulting level of Sales Opportunities. Increase the frequency of email campaigns while decreasing the number of online advertising impressions and the Sales Opportunity Index™ will calculate the resulting level of Sales Opportunities. The Sales Opportunity Index™ provides the tool for companies to dial-up/dial-down Opportunity Generation activities to meet desired levels of sales.

In addition to tracking Opportunity Generation activities, it is critical to monitor **Sales Capacity Utilization™** which compares the number of completed customer appointments against the number of appointments that could be completed given the nature of selling in one's industry and the capacity limitations of sales people and the overall sales force. Sales Capacity Utilization™ is a critical measure, particularly early in the development of the Sales Opportunity Index™ when companies have a tendency to invest more heavily in Contact Activity to drive Opportunity Generation and frequently find out that they lack the capacity to follow through on the volume of opportunities.

SALES CAPACITY UTILIZATION™

PHYSICAL SALES CAPACITY = (# appointments physically possible per day)*(# field selling days per week)

SALES CAPACITY UTILIZATION™ = (# actual appointments completed per week)/(Physical Sales Capacity)

IF Sales Capacity Utilization™ < 60%

THEN a breakdown likely exists along the continuum of Sales Strategy, Sales Organization and Sales Execution

IF Sales Capacity Utilization™ > 90%

THEN the sales organization is understaffed to support the level of business opportunity in the marketplace

What we like about **Sales Capacity Utilization™** is that it quickly helps to pinpoint issues. Here is an example of how the ratio can be used effectively:

<i>If Sales Capacity Utilization™ is weak due to:</i>		<i>Then the true root cause may be:</i>
Insufficient leads to fill capacity	→	Weak Opportunity Creation
Time lost to travel	→	Territory misalignment
Selling time spent performing customer service	→	Weak deployment and post-sales processes
Too much time spent on customer follow-ups	→	Ill-defined roles, responsibilities, hand-offs
Low Salesperson engagement	→	Poor coaching, performance management, and/or compensation plans

Every industry has its unique sales success factors. However, what is universal are the advantages gained from assessing the health of your sales efforts at the earliest juncture. How powerful would it be to know *exactly* what you need to do to hit your quarterly numbers before the quarter even starts? This is possible by truly understanding the leading indicators impacting your business. Gone are the days of the mad scramble witnessed at quarter end.

If you would like to discuss this concept in more detail, please contact Tom Knight or Erik Birkerts at (866) 549 -3191. For additional insights on developing and implementing growth strategies, visit us online at www.evergreengrowthadvisors.com and participate in our research on *Growth Practices* which can be accessed under the *What's New* section on the first page of the website.