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Management

A Study of Various Metrics Which Impact Sales Force Effectiveness

Abhijit Chandratreya
Manager (Training and Research), Indira Institute of Management, Pune

ABSTRACT
Sales metrics are a collection of individual and organizational performance indicators and ratios. They are calculated from collected data that describe the start-up's historical and on-going sales processes.
These metrics are very important in determining the sales force effectiveness of any organization. The study is conceptual in nature and tries to find out the various methods / metrics which are applied by the organizations while calculating the effectiveness of the sales activities.

KEYWORDS : sales force effectiveness, metrics, comparison of metrics, organizational performance

INTRODUCTION

Sales effectiveness refers to the ability of a company›s **sales** professionals to "win" at each stage of the customer's buying process, and ultimately earn the business on the right terms and in the right timeframe. (https://en.wikipedia.org/wiki/Sales_effectiveness)

Sales metrics are a collection of individual and organizational performance indicators and ratios. They are calculated from collected data that describe the start-up's historical and on-going sales processes. Sales metrics are used to understand the effectiveness of marketing and sales activities and the efficiency of the sales process. Developing sales metrics is necessary for managing the sales team; these metrics are also vital for those individuals who manage a sales funnel (https://www.marsdd.com/mars-library/sales-metrics-and-the-sales-process-for-early-stage-tech-startups/)

In this article, the author has tried to bring together various metrics and measuring instruments which are being used in today's competitive market which lead to higher performance by organizations and also increase the effectiveness of the sales force team.

DISCUSSION

In 2013, authors (Mintz, 2013)proposed a conceptual model that links firm strategy, metric orientation, type of marketing-mix activity, and managerial, firm, and environmental characteristics to marketing and financial metric use, which in turn are linked to performance of marketing-mix activities. An analysis of 1287 marketing-mix activities reported by 439 U.S. managers reveals that firm strategy, metric orientation, type of marketing-mix activity, and firm and environmental characteristics are more useful than managerial characteristics in explaining use of marketing and financial metrics and that use of metrics is positively associated with marketing-mix performance. The results help identify conditions under which managers use fewer metrics and how metric use can be increased to improve marketing-mix performance.

The definition of success or effectiveness for an organization is frequently not a simple task: Not only are the criteria of business success complex in most situations, they also frequently change over time. A good metric is a criterion on which the success or failure of a particular aspect of the organization's strategy and concomitant objectives are judged. The development of reliable, valid business metrics that are related to the organization's strategy and objectives is essential for organizational success. One conceptual framework that assists an organization in setting strategy and measuring organizational effectiveness along the vectors of financials, customer relations, internal business processes, and learning and growth is Balanced Scorecard.(Wienclaw, 2016)

Business Metrics The development of objective, meaningful business metrics is essential to the success of the organization. Meaningful metrics are important because without them, one does not know whether or not one's goals are being met. In addition, metrics provide a factual basis for providing quantifiable feedback to show the status of organizational objectives and goals from the various perspectives reflected in the strategic plan. The collection and analysis of business metrics also can be used as diagnostic feedback to guide the organization in continuous improvement of its various business processes, including the identification of trends in performance over time. In addition, the routine collection of data from business metrics can be invaluable in business forecasting methods and the development of models and decision support systems to help managers and other decision makers make the most efficacious decisions as they lead the organization into the future. Good Metric Criterion A good metric is a criterion on which the success or failure of a particular aspect of the organization's strategy and concomitant objectives are judged. Criteria are dependent variables or predicted measures (e.g., if we do institute an incentive system, we will produce more widgets) that are used to judge the effectiveness of the organization's processes, policies, and activities in relation to meeting an objective. Good criteria are relevant: They are related to an organizational objective and are a valid measure of the status of that aspect of the organization. In addition, good criterion measures need to be reliable, yielding consistent measurements time after time. For these reasons, subjective measures such as ratings are less desirable than quantitative data. For example, although one could poll the company's executives to see how well they thought the business was doing, it is rather unlikely that they would each have the same subjective measure in mind when giving an answer. Similarly, subjective measures tend to be nebulous and change over time. Therefore, it is always advisable to get hard data that can be measured and that do not depend on the subjective judgments of people.

The article (How do you work with the CEO or CMO to identify which metrics matter most?, 2012) offers views of executives on the identification of most effective business metrics. According to Chad Latz, president of the global digital practice at company Cohn & Wolfe, questions related to business issues and objectives are required for setting key performance indicators. Bill Ogle, chief marketing officer at Motorola Mobility Inc. states that purchase decisions of consumers are influenced by their demand of technology.

Performance Metrics

Marketing practitioners are under increasing pressure to demonstrate their contribution to firm performance. It has been widely argued that an inability to account for marketing's contribution has undermined its standing within the firm. To respond to this pressure, marketers are investing in the development of performance measurement abilities, but to date, there have been no empirical studies of whether the ability to measure marketing performance has any actual effect on either firm performance or marketing's stature. In this study of senior marketing managers in high technology firms, the authors examine the effect of ability to measure marketing performance on firm performance, using both primary data collected from senior marketers and secondary data on firm profitability and stock returns.

They also explored the effect of ability to measure marketing on marketing's stature within the firm, which is operationalized as chief executive officer satisfaction with marketing. The empirical results indicated that the ability to measure marketing performance had a significant impact on firm performance, profitability, stock returns, and marketing's stature within the firm. (O'Sullivan, 2007)

Marketing performance measurement is the assessment of "the relationship between marketing activities and business performance" (Ambler, 2001)

The survey and investigations of (Percy, Cravens, & Morgan, 1997) have revealed that there is nothing marginal about the differences between companies in sales organization effectiveness. The effective sales organizations are growing and prospering in difficult industries and the others are not. The real differences between the most effective and the least effective sales organizations come when we examine: sales force compensation strategy the characteristics of successful salespeople, and the underlying drivers of sales force performance. Arising out of these comparisons, we conclude that effective sales organizations focus throughout on developing and fostering customer relationships. This said, exploiting these capabilities and driving sales force performance to achieve high effectiveness in the marketplace is also importantly associated with the critical sales manager role; and, the "right sizing" and sound design of the sales organization.

CONCLUSION

Even now the revenue earned per representative is the most important sales performance metric. However, there are various other performance metrics which should be focussed on.

Managers, if they fulfil their roles efficiently, can have a major role in the control of sales performance and activity metrics. If they focus on the areas within their control, they can certainly bring about an improvement in the sales performance and increase revenues for the organization.

To conclude the study few of the metrics which need to be focussed on to improve sales force effectiveness are outlined below.

1. TIME SPENT SELLING

It is necessary to actually work out how much time the sales person spends on actual selling. This will help the manager in identifying whether there are any issues that are diverting the attention of the sales person from actual selling and thereby their performance.

This can be done by eliminating various roadblocks. One of the major roadblocks is the time taken to search for information or clients. The organization should have active links on their website where the prospective client can log in and enter their requirement. Based on the location and requirement , suitable sales person can then be sent to discuss the requirement with the client. This will lead to quick response time and improves sales performance.

2. LEAD RESPONSE TIME

Due to the rapid pace of business today and increase in competition, it is not just that if the organization designs lead generation software and become complacent. Most of the organizations have already installed some kind of lead generation software. To clinch the deal it is imperative that the response time from lead to closure is short. Once a lead is generated

Business today is moving at an increasingly rapid pace. The rise of inbound marketing means companies are becoming more focused on online tactics to generate leads. However, research has shown that the life span of an online lead can be quite short. Speed of response is key.

Companies that try to contact a lead within an hour of the initial query are seven times more likely to qualify the lead than those companies that waited even an hour longer. Companies that wait a full 24 hours before contacting the lead are 60 times less likely to qualify the lead than those who responded within the first hour.

Quick response time can boost the performance of your sales team considerably. Chances are your company is making a considerable investment in marketing to build an online presence, and develop collateral to drum up leads. Ensure this investment pays off by responding to leads quickly and efficiently.

3. MARKETING COLLATERAL USAGE

According to the AMA (American Marketing Association), 90% of marketing content goes unused by sales. At the same time investment in content marketing continues to rise and now counts for 16% of overall budget according to according to the Information Technology Services Marketing Association. This kind of inefficiency can have a major impact on your team's sales performance.

Implementing next generation sales content management software is one way to boost the performance levels of both sales and marketing. Prioritize software that closes the sales marketing loop and allows you to measure marketing collateral usage. Think about introducing systems and processes that allow marketing leaders to push relevant content directly to sales reps.

4. OPPORTUNITY WIN RATE

Keeping track of opportunity win rate gives you some insight into the ability of your reps to close a deal. Closing ability is quite a large part of sales performance. Some of your reps might be great at networking and working a deal through the pipeline only to consistently fail when it comes to closing.

By keeping an eye on this metric you can work with reps who consistently post low opportunity rates. Sometimes sitting in with these reps on a call, or providing coaching can make all the difference. If the rep's performance continues to suffer due to low opportunity win rates, you could think about transferring the rep to a new role as a sales development representative (SDR) where they can use their strengths to move leads through the pipeline.

5. AVERAGE DEAL SIZE

The average size of closed won deals is a metric which can quickly flag deals that may not be worth pursuing. One of your priorities as a sales manager is to ensure your reps are spending their time as wisely as possible. You might also learn that reps are veering towards smaller deals because they are easier to close instead of pursuing the most important opportunities.

If your average deal size is smaller than you would like, take some time to assess your company's lead generation efforts and why they are producing leads that end up in smaller deals. Liaise with marketing about ways lead generation can be tweaked to boost sales performance.

6. SALES CYCLE METRICS

The average length of time it takes your reps to close a deal is another key metric when it comes to measuring the performance of your sales reps. You should also look to measure the average time it takes a deal to pass through each stage of the sales pipeline. With this metric, you will quickly be able to flag deals that are less likely to close by the amount of time they are taking to progress.

You will also be able to identify sales bottlenecks and take action. Perhaps your reps need some expert coaching, or if the deal looks like it could amount to a huge time investment but the likelihood (based on average sales cycle duration) of a win is quite low, it might be time for your rep to invest their time in deals that are statistically more likely to convert. By arming yourself with this important sales cycle information, you can quickly eliminate sales bottlenecks and give direction to your team on how they should invest their time.

7. COST OF SALES TO REVENUE RATIO

This sales performance metric reflects the overall efficiency of the sales division. Total costs include salaries, commissions, and expenses for your sales organization. Over time this metric can help you gauge the level of investment needed to reach a certain performance level. You will be able to tell how much of an investment it took your company to reach annual revenue. Measure your cost of sales to revenue ratio against the industry average to see how your levels of sales productivity stack up.

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