A GUIDE TO SOLVING SALES PRODUCTIVITY TRAPS

Firms can earn big by effectively measuring sales productivity.

This report is brought to you by Cien, makers of the AI-powered sales productivity app.

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Executive Summary

As market competition intensifies, sales productivity is fast becoming a key factor for organizational success.
Optimizing sales productivity requires increased operational awareness from marketing and sales.

Sales leaders can understand these deeper dynamics. With artificial intelligence, it is easy to know the incremental value created by their company's marketing and prospecting activities. Once measured, sales leaders are able to better allocate their time and resources and unlock the productivity gains within their sales organization.

Competing with Sales Productivity

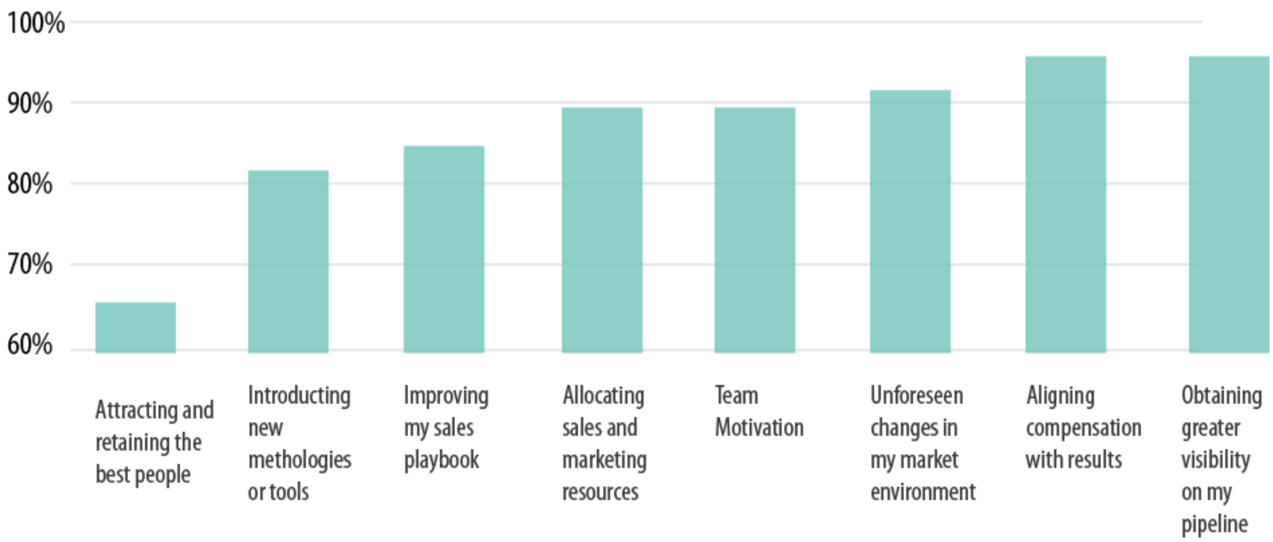
Sales has never been easy. But soaring customer acquisition costs, increased price pressures and greater sales onboarding costs have led many sales leaders to think that the process has gotten more difficult in recent years.

Sales isn't actually harder now than it used to, it has gotten more refined. Increased global competition and access to new data have upped the standard of sophistication for competitive sales operations. Since throwing more money at marketing and sales is an unsustainable path for many firms, leaders around the world are improving sales through an increased return on marketing spend, fine-tuning lead scoring and opportunities, automating sales qualification, and many other initiatives. Optimization is the name of the game.

Research confirms this trend. A Cien study found that improving sales productivity is the top priority for sales leaders in 2018[1]. New organizing principles such as high velocity sales and account-based marketing are introducing a degree of specialization and sophistication with a common goal: extract as much value as possible from a company's sales and marketing resources.

[1] A Global Study on the Future of Sales and Artificial Intelligence, Cien Inc. 2017.

As a Sales Leader, what are your biggest concerns for 2018?



Source: Global Study on the Future of Sales and Artificial Intelligence, Cien Inc, 2017

Many firms struggle with this added sophistication, however. Complex sales processes, ambiguous data and rigid customer relationship management (CRM) systems make optimization hard; firms cannot move beyond simplistic sales optimization because they don't have the right metrics and can't easily generate them.

For most firms, getting better operational intelligence is the start of meaningful sales productivity optimization.

Measuring Sales Productivity

If you can't measure it, you can't improve it.

Why did David sell more than Richard last year? Was it due to the quality of the leads he received from marketing, the territory he was assigned, his work ethic, or simply a winning smile?

Measuring sales productivity matters. If sales organizations aren't able to distinguish the top performers from the laggards--and tease out the true causal dynamics of the sales process--resources are allocated improperly and sales are lost. Valuable leads are handed to the wrong people, needed training goes unnoticed, marketing adjustments are missed, business processes remain un-optimized.

Historically, sales representatives were measured by the total volume of sales signed. This is still a commonly used indicator of sales performance in many organizations, unfortunately.

Using total sales volume as a measurement for sales productivity can be misleading at best and counterproductive at worst.

This is because total sales volume per sales rep is a simplistic measurement that doesn't reveal the underlying dynamics of where marketing and sales are strong or weak. Marketing may be handing weak leads to a strong sales professional, for instance, making the sales person look worse than his skills allow. Or a rep might be closing sales and generating a high total sales volume, but half the cross-sell opportunities for his prospects go unrealized while another sales rep could better uncover these hidden opportunities.

Total sales volume simply does not capture enough operational intelligence for sales productivity optimization.

Many sales managers know this. The problem is that measurement beyond sales quota achievement is hard; firms must account for lead, pipeline, human and market factors that come into play. The data for this operational intelligence is there in CRM systems, but it often is incomplete, inaccurate or insufficiently structured. So sales teams tend to measure on a few key performance indicators, and CRM data is used primarily for forecasting purposes.

Getting beyond these simplistic metrics is important for the operational intelligence that businesses need for improved sales productivity. This requires looking at both marketing output and sales productivity.

Measuring Marketing Output for Sales

The productivity of a sales team depends in part on the amount and quality of the leads sent by marketing. While measuring lead volume might be easy, assessing quality is not.

Typically, the value of leads generated by marketing are calculated based on average values such as average customer lifetime value, average lead conversion rate and average cost per lead. As with total sales volume by sales professional, this simplistic measurement is done because more precise assessment is not easy.

This traditional way of measuring the value of a lead doesn't provide any color on the quality of the lead, however. It fails to account for a lead's propensity to close, the prospecting effort required to convert it, and the expected deal size for the lead. This simplistic accounting excludes important operational intelligence for optimizing sales productivity.

Rather than rely on average value of lead, it's important to rank or score leads by willingness to buy. Most sales and marketing organizations rely on lead scoring to do this, but lead scoring fails to capture the quality of a lead so it is a blunt metric for sales optimization.

Instead, leads should be assessed based on the following three elements.

Lead Fit: *Does the lead have the attributes of a typical paying customer?*

This metric is determined by looking at firmographic information such as company industry, size and growth, technographic information such as incumbent technologies already implemented in a company, the demographic of the buyer, and the lead's previous purchasing history.

Lead Interest: *Has the lead exhibited an interest in the product or service?*

For Lead Interest, look at lead data collected through marketing efforts. How did the prospect find out about your company? Is this an inbound or an outbound lead? How has he or she reacted or responded to your marketing campaigns and prospecting efforts? How much time did it take the lead to respond? What web pages and sales documents has the lead viewed?

Lead Potential: *Does the lead offer upsell and cross-sell opportunities in the future?*

Calculate the potential sales value of a given lead by looking at the upsell and cross-sell opportunities exhibited by the lead. Also look at the influence the lead has in the buying decision, and the influence they wield in the purchasing decisions of the market overall.

From these three elements, firms can assess the quality of a given lead and use that information for a better understanding how sales people are utilizing or not utilizing the leads they are given. This operational visibility also helps optimize marketing operations for greatest impact.

The 3 Drivers of Lead Quality

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Assessing a Sales Professional’s Productivity

Better understanding marketing output goes a long way toward optimizing sales productivity, but equally important is assessing the incremental value created by a given sales representative.

With a more accurate assessment of each member of the sales team, firms can allocate leads to the appropriate person, train those who are falling behind in a given sales skill, and better track individual performance.

Four areas help define the competency of a given sales executive.

1. **Professional Attributes:** *What is the professional status of the sales executive?*

To score professional attributes, look at the level of industry experience, social relationships, rank they occupy in the sales team, and salary level. A sales executive who receives an annual salary of $1 million a year, for instance, is hardly effective if they close only $500,000 worth of contracts.

2. **Individual Behavior:** *How strong are the executive’s sales fundamentals?*

Assessing the fundamental competencies of a sales professional requires judging the subjective “charm factor” and traits ranging from haircut to smile, but it also includes attributes such as work ethic, closing ability and product knowledge.

3. **Quantity and Quality of Activity:** *How does the sales professional utilize his or her time?*

A sales representative with good skills but poor time management might be less valuable than a slightly less competent representative with high quality activities, so assess along the quality of the sales person's communication, their use of the proper channels at the right time for prospect interactions, and time spent selling versus attending client meetings.

4. **External Factors:** *Are there external factors affecting sales productivity?*

A number of factors outside the control of a sales professional can have an impact on performance, so it also is important to consider macro factors that might impact the sales quality of a given sales person. These can include team mood and staffing changes such as the departure of a key manager or layoffs, buying cycles and seasonality that affect sales opportunities, as well as market forces and competitive pressures that might influence the productivity of a given sales professional.

Four Attributes to Look at When Measuring a Sales Professional's Productivity[2]

Professional Attributes: *What is the professional status of the sales executive?*

Individual Behavior: *How strong are the executive's sales fundamentals?*

Quantity and Quality of Activity: *How does the sales professional utilize his or her time?*

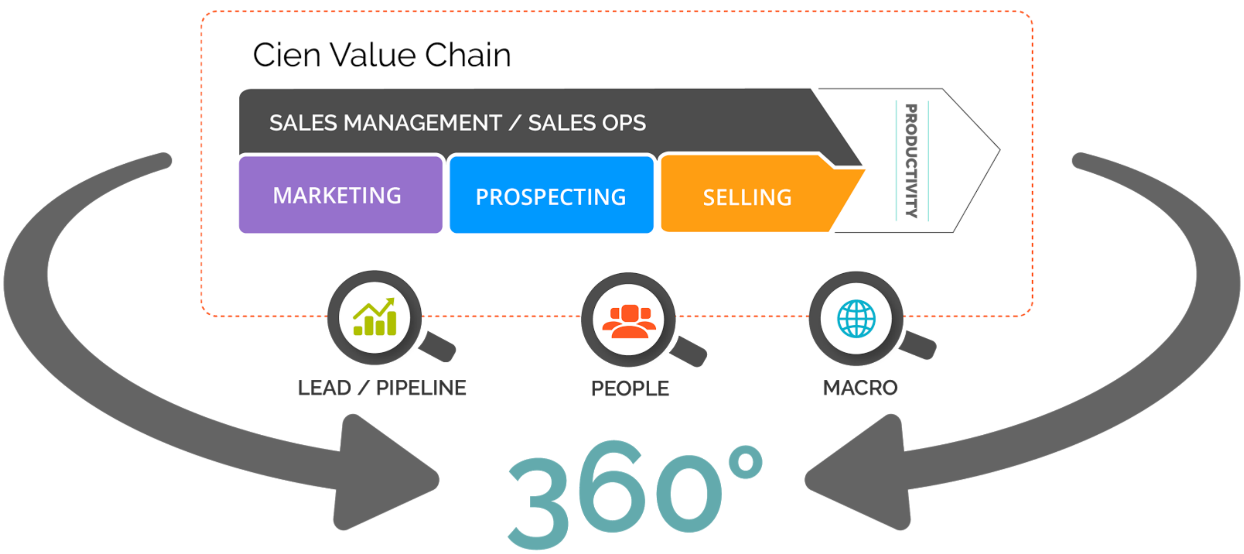
External Factors: *Are there external factors affecting sales productivity?*

Judging the effectiveness of individual reps and making adjustments is at the heart of sales productivity optimization, but it requires a comprehensive, holistic view of each rep in the sales team. A handful of sales metrics such as total sales volume or closing percentage don't tell enough of the story for effective optimization.

Optimizing Sales Productivity with Better Metrics

When firms have better operational intelligence through a 360º view of the factors that go into sales performance, there are numerous ways that an organization can boost sales productivity. Three of the most common sales process optimizations are allocating resources based on actual performance, assigning leads to the right salesperson, and educating reps who need additional training.

Optimization #1: Allocate Resources Based on Actual Performance



One of the biggest optimizations that organizations can make is understanding which parts of the business are generating the most value towards the sales process and allocating resources accordingly. This comes from recognizing the true revenue contribution of each salesperson, and understanding the actual role that the marketing department plays in generating quality leads or handing off contacts that require more development.

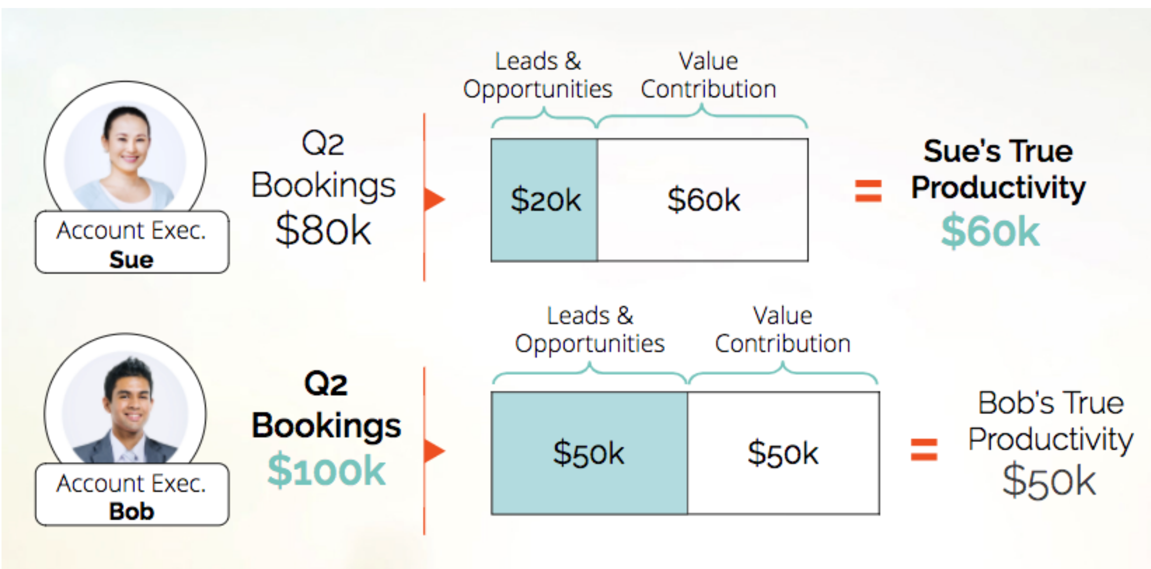
A mistake that many firms make is assuming that the people generating the revenue are the same ones who are closing the sales. This is not always the case, however.

Let's take an example.

Imagine two sales reps Bob and Sue who work in the same team. At the end of the quarter, Bob has signed $100,000 worth of bookings, and Sue $80,000. Without a clear picture of the team's effectiveness, Bob appears to be the highest performing salesperson.

When a firm is able to take into account the true dollar value generated by lead generation and sales development efforts, it is able to compare the lead value received by a sales professional with the added value the salesperson has contributed to it.

In Bob and Sue's case, it's possible to calculate the value of leads they received and compare it with the actual value they signed. And it turns out that Bob actually received $50,000 of leads and pipeline value from marketing, while Sue only received $20,000. Bob actually contributed less to the business than Sue, even though at a superficial level his numbers were higher.



As this example shows, the best sales person on the team isn't necessarily the one who has signed the most contracts, it is the ones who has added the most value to the leads and opportunities received by the marketing and sales development teams.

It may be that other sales professionals appear to sell more because they've received more valuable leads from marketing, or because they work a territory that has greater demand than another rep. External market factors such as a local competitor leaving the market might also distort the picture of sales person's performance.

Optimization #2: Assigning Leads to the Right Salesperson

A second common optimization for improving sales productivity is assigning leads to the salesperson best equipped to turn it into a won deal.

Many firms don't understand which sales professionals are actually producing the most sales value because they are unaware of the true contribution of every team or person in the sales process, as noted above. This skewed assessment leads many firms to assign some of the best leads to salespeople who are less likely to maximize the sales opportunity.

Building on our previous example, if Bob is less effective than Sue, all other things being equal, then for every dollar of potential revenue created by marketing, than allocate more leads and opportunities to Sue so that she can close more business

Before

	Leads Received	Value Added	Bookings
Sue	$20	$60	$80
Bob	$50	$50	$100
Total	$70	$110	$180

After

	Leads Received	Value Added	Bookings
Sue	$35	$105	$140
Bob	$35	$35	$70
Total	$70	$140	$210
Improvement		27%	17%

With a better understanding of salesperson performance, organizations can optimize sales productivity by allocating the best leads to the most productive sales professionals or those who can maximize the sales volume for a lead by having the best product knowledge or closing effectiveness. This can generate incremental sales value without increasing marketing expenses or sales headcount.

Optimization #3: Train More Effectively

Training sales professionals who need the most help is a third optimization that comes from having the right operational intelligence.

Sales staff bring substantial value by closing challenging leads, but they also can destroy quality leads and produce a negative sales value.

Negative sales value often comes from insufficient product knowledge, low work ethic or inadequate closing skills. When firms are able to recognize actual sales rep performance and get visibility into the strengths and weaknesses of an rep, there's scope for improving sales productivity through additional sales training.

Spot training might revolve around boosting product knowledge in the case of a salesperson who doesn't close leads that have been flagged as high quality, or a sales manager might check in with a particular sales rep and enroll them in a performance management program if the value the rep is creating is low and a poor work ethic has been identified.

In Bob's and Sue's example above, more leads and opportunities have been deflected from Bob to Sue as a result to better lead and opportunity assignment. This frees up time for Bob to improve his product knowledge or sales pitch rather than working on leads someone else in his team is better placed to be closing.

With better awareness of the true contribution of each sales professional, spot training for those who need it can have a huge impact of overall sales productivity.

Artificial Intelligence Makes it All Possible

Improving sales productivity requires better operational intelligence. The problem, as stated above, is that most firms cannot effectively analyze their business data comprehensively enough for this insight.

The good news is that advances in statistical science, machine learning, natural language processing and AI allow businesses to exploit sales data and CRM records for new levels of understanding previously not possible.

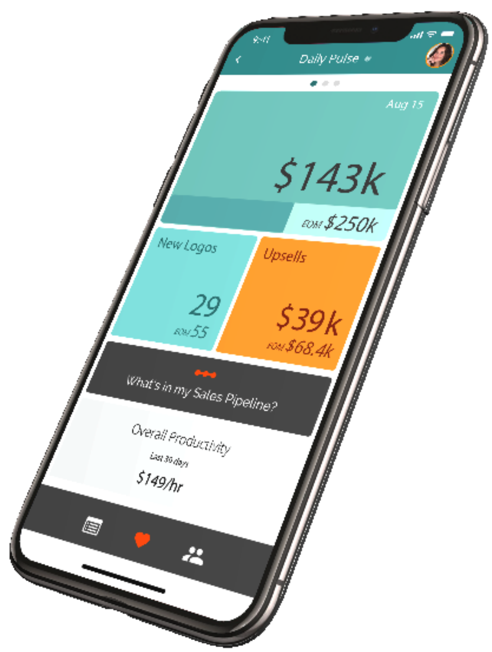
With AI, companies are now able to measure and account for the exact value created by marketing campaigns, the value generated by a sales development team's prospecting, and the qualification efforts, distinguishing them from the value created by the sales professional who converted those qualified opportunities into signed contracts.

By looking at the multiple factors that make up a sale, artificial intelligence allows firms to break out the individual productivity of every sales person in the organization. From this, companies can immediately generate more revenue by allocating higher value leads to the most effective sales reps and train those reps who are underperforming.

Apps like Cien deliver the AI-powered intelligence needed for this more sophisticated sales productivity optimization.

Conclusion

The immediate sales productivity increase generated by measuring the quality of leads and the sales people involved can be significant. Sales leaders often are drawn into a micro-level view of the sales process, however, and this can make it challenging to identify the adjustments needed for optimization.



Poor operational intelligence holds back many organizations from optimization that leads to increased sales productivity. This need not be so, however, thanks to advances in artificial intelligence that can extract critical insights from sales and marketing data. Because artificial intelligence can understand all types of data, it can deliver better sales metrics than have been traditionally available. This in turn can drive increased sales productivity.

Moreover, increasing a team's sales productivity also has other benefits such as ensuring a better capital efficiency, increasing the return on marketing spend and gaining market share from competitors.

About Cien

Cien gives sales teams an edge by using the power of artificial intelligence to increase the productivity of their teams. The app takes into account human and behavioral elements to detect problems and predict outcomes, giving sales leaders the visibility and control they need to measure the real added value of their teams. For more information, visit www.cien.ai.

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