4 KPIS YOU SHOULD BE USING TO COACH SALES PERFORMANCE

LEADG2

by THE CENTER FOR SALES STRATEGY

Intro

If you can't measure it, you can't manage it. We've all heard it, and we all know it's true. But with so many different metrics a sales manager can measure, how do you know which ones are essential for your business?

Your time—and the time of your salespeople—is ***valuable****.*

You can't afford to waste it measuring things that don't impact results. At LeadG2, we have worked with hundreds of sales teams over the past 30 years, and we have discovered that there are four metrics that are essential for improving sales productivity and performance:

1. Sales Activity
2. Conversion Rates
3. Retention Rate
4. Revenue Performance

It's important to make sure that everyone on your team knows not only what's being tracked, but also the criteria and definitions associated with each metric.

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1. Sales Activity

The ability to manage and coach your sales team is heavily dependent on data that allows you to measure performance against benchmarks. Accurate activity data helps you understand whether benchmarks are achievable and which activities are helping to close sales. Tracking sales activity can help you develop an effective training program and improve the success of your sales team.

Types of sales activities you could track include:

- Number of appointments set. How productive a salesperson is could oftentimes be correlated to the number of legitimate appointments they have with prospects each week where they are uncovering needs and presenting solutions.
- Number of client meetings. This is an area where salespeople can service clients, upsell, get testimonials, check in on business, and further provide value--all critical to renewals and building new business.
- Calls per opportunity. Are the calls made by your sales team resulting in opportunities?
- Sales velocity. Track the size, progression, and speed of your sales pipeline over time.
- Activities per sales win. Track the number of calls or meetings needed to close a sale.
- Revenue per conversation. How do calls translate into sales?

Let's take a deeper look at the first two on this list:

Number of appointments set

Why it's important: By tracking the number of appointments set as compared to just revenue goals, you can gain insight into which techniques are most effective and ensure your salespeople are busy doing what's most important.

For instance, if a salesperson is falling short of their revenue goals but have a high level of quality appointments set, then you'll want to examine what is going on at these meetings as a possible answer to why business isn't closing. Are they not able to overcome early objections? Could they improve their presentation skills? Is it closing the deal that is the problem or getting the second appointment?

Client meetings

Why it's important: Capturing data on the quality—not quantity—of client meetings allows you to measure which relationships are the most valuable and helps the company to achieve renewal, referral, and other goals. Not every organization can, or should, have salespeople interacting with customers post-sale but if it does make sense for your organization then we highly recommend it be a metric you track and measure.

When we talk about quality client meetings we mean covering topics like:

- What's working and what's not
- Asking new needs analysis questions
- Exploring new ideas for needs or solutions
- Getting to know each other to strengthen the relationship
- What future plans they have
- If they are happy and asking for the testimonial or referral

2. Conversion Rates

Not all salespeople struggle in the same areas, so it's important to track a variety of conversion rates to determine the strengths and weaknesses of your sales team.

Some of these include, but are not limited to:

- Lead to Sales Qualified Lead (SQL). How many prospects or leads that have been identified actually turn into a truly sales qualified lead?
- Sales Qualified Leads to Discovery Meeting / Needs Analysis. Are your salespeople able to turn highly qualified leads into an actual meeting?
- Discovery Meeting / Needs Analysis to Opportunity/Proposal. If your salesperson has 10 needs analysis meetings, how many will, on average, turn into a proposal? By knowing this, you can start to determine how many meetings they need to reach their revenue goals.
- Lead or SQL to Customer. How many prospects (or SQLs) must be identified in order to get one new customer, on average?
- Opportunity to Customer. How many proposals must be presented in order to get a new customer, on average? Again, this can help you set KPIs that will drive you toward success.

By measuring conversion rates, a manager can determine where there may be weaknesses and implement strategies for improvement. Once you understand the needs of your salespeople, you can put in place plans to help improve conversion rates, grow sales, and develop individual coaching plans. Salespeople may struggle in different areas. You may have a salesperson who fails to meet appointment goals, while another struggles with converting opportunities to customers.

This kind of data can help you identify the types of activities in which sales reps have been engaged, the results of their activities, which of these activities are converting leads to opportunities, and follow-up activities. It can also help you identify changes in a salesperson's performance and analyze reasons for underperformance.

Tracking conversion rates can also be exceptionally helpful when it comes to setting individual leading indicators or KPIs. By knowing how many leads a salesperson needs to call on in order to get to a proposal, or how many proposals are typically presented in order to close new business, you can start to do the math.

For example, if you know that a particular salesperson can get an appointment set with about 50% of the sales qualified leads they call on, and that of those they typically end up presenting a proposal to 40% and converting about 80% of proposals into a customer. Then, you might say:

- *If they are expected to close 8 new pieces of business each month,*
- *They'll need to present to 10 prospects each month.*
- *And so on…*

As an added bonus, when a sales team is aware that conversion rates are being measured, it can trigger improvements that will lead to increased sales, and a CRM makes it easy to see the improvements in each salesperson's performance. This isn't because they are being micro-managed, but because if communicated properly they, too, will start to narrow in on gaps in their sales process where they can improve.

It provides a way for you and the salesperson to understand the results of their activities as reflected in the data so you can work together on ways to improve.

With accurate tracking, any organization can do this--and should. The importance of knowing individual conversion rates and as a whole shouldn't be overlooked. While tracking in a spreadsheet is certainly one way to do this, using a CRM platform can certainly be a game-changer here in eliminating extensive data entry and time commitments to get the data.

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3. Retention Rate

Customer Retention Rate (CRR) is the percentage of your clients, or customers, that return and purchase again. If yours is the type of business where customers buy repeatedly or on a regular schedule, an important metric to track is what percent of your customers buy again compared to how many drop off.

Customer Retention Rate = ((E-N) ÷ S) x 100

- E is the number of customers at the end of a given period
- N is the number of new customers acquired during that period
- S is the number of customers at the start of the period.

By subtracting the number of new customers acquired (N) from the number of customers at the end of the period (E), you can determine the number of customers retained. Divide the result by the total number of customers at the start of the period and multiply by 100 to express as a percentage.

Getting customers to buy from you again can greatly impact revenue, and most of us can agree it's easier to renew an existing client than to have to constantly find and convert new business. Knowing your retention rate though is only half the battle. What do you do with this information?

First and foremost, you work to improve it--or simply decide it's good enough, and work to retain this. While this is certainly a sales metric for many organizations, sales is not the only variable that affects retention.

Some other things to look at include:

- What happens to the customer after the contract is signed?
- How much are they contacted during their partnership vs. when you're just ready to renew them?
- Do relationships play a big role in renewals and how?
- Are you delivering on your promises and providing recaps?
- Are expectations being managed well from the beginning and throughout the entire process?
- Do you provide outstanding customer service from every department that touches the client?

Servicing, delighting, and growing your customers is an important but oftentimes overlooked part of the sales process. Be sure it isn't being forgotten by your salespeople.

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4. Revenue Performance

Tracking revenue performance is vital to the success of any business. In tracking sales, it's important to go beyond measuring in terms of whether sales are better than the sales for a previous period. A more useful metric is to track sales against goals or budget.

Here's the formula for calculating revenue performance:

Percent to revenue goal = (Actual sales revenue ÷ Goal for revenue) x 100

Every sales organization should know their sales revenue performance, as well as that of their individual salespeople (and teams if applicable). At the end of the day, you can have a lot of productive activity that you are tracking, but you need to be able to also hit your goals. This is something that both salespeople and managers should be measured against. Ensure that the data you're using is accurate and up to date and is providing a true picture of your revenue performance.

Lastly, on this note, it's important to evaluate how your organization is actually determining goals. Are they arbitrary? Are they realistic? If you are using them to motivate competitive salespeople, be sure that is taken into account when judging performance based off of their percent to revenue goal. Don't let poor budgeting or goal setting impact the success of your sales team by missing out on the chance to applaud their success.

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Conclusion

By tracking these KPIs regularly and accurately, you'll be able to get a more solid understanding of how your salespeople are doing, what's working, and where your bottlenecks are. Of course, this isn't an all-inclusive list but should give you plenty to think about and to implement within your own organization.

Want to talk to someone about your sales process? Need help improving these KPIs or tracking them? Let's talk!

Click Here to Schedule a Call

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