DO THE MATH: HITTING A HOME RUN WITH YOUR MARKETING AND SALES GOALS

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In Michael Lewis' 2003 book *Moneyball* and the 2011 film adaptation, the Oakland Athletics were faced with a severe financial disadvantage trying to bid on players against wealthier teams such as New York and Boston. It wasn't until general manager Billy Beane hired Paul DePodesta, a number-crunching economics major, as his assistant that math was introduced to the art of scouting.

The team abandoned traditional protocol and, instead, used a mathematical approach to pick players that other teams had rejected based on superficial flaws. This formula, which was based partly on the total number of runs needed throughout the season and measured a player's ability to get on base, allowed the Athletics to pick up players with undervalued skills at a bargain price, making the team highly competitive with a small budget. The team won 20 consecutive games and set an American League record.

Using the same idea, it is possible to hit marketing and sales goals by applying a mathematical model that allows you to start using a more scientific, repeatable approach. This process helps you to reduce the inefficiency of decision-making by outlining a clear-cut path from your annual sales growth projection to the number of new contacts you must reach out to monthly.

First Things First

Similarly to Beane and DePodesta, you need to know where you want to end up to create a path to get there, but instead of total runs, you will need to know your projected annual growth in dollars. Starting with your projected annual growth, divide it by the value of your average sale.

Here is an example using the fictitious company called Bullpen Box Company. The company is planning to increase sales by $2 million next year, and its average sale comes in at about $167,000. This means Bullpen Box Company needs to close 12 sales to reach its goal.

$$\$2{,}000{,}000 \div \$167{,}00\,0 \approx 12$$

What Are the Key Stages in Your Sales Process?

The next step is to determine how many key stages are in your sales cycle. In the example of Bullpen Box, we are going to use a four-stage approach for the sake of simplicity—initial contact, qualification/meeting, proposal, close.

Once you have your sales cycle stages determined, you need to know what your conversion rate is at each stage. If you don't know, make an educated guess, and going forward, track it and make adjustments as needed.

Close (Goal = 12)

Using our example, Bullpen has a closure rate of 60 percent for the qualified leads (QL)/meetings that it sends proposals to. This means that to have 12 closures, it needs to send proposals to 20 QLs annually.

$$12 \div 0.6 = 20$$

Proposal (Goal = 20)

Bullpen moves 50 percent of its QLs/meetings to the proposal stage. Therefore, to send out 20 proposals annually, it must qualify 40 prospects.

$$20 \div 0.5 = 40$$

Qualification (Goal = 40)

For a prospect to move through the funnel and become a QL, it must do one or more of a determined set of actions, such as requesting a meeting, sending an RFQ, attending a webcast, etc. There may be many other steps between qualification and proposal that are relevant to your business and that you track, so you might have additional steps that would use the same math.

Bullpen qualifies 10 percent of the prospects after initial contact, so it will have to reach out to 400 prospects annually to hit its goal.

$$40 \div 0.10 = 400$$

Initial Contact (Goal=400)

With a goal of 400 annual prospects, Bullpen will need to reach out to 33 to 34 new prospects per month.

$$400 \div 12 \approx 34$$

It should be noted, this isn't a one-and-done process. It might take anywhere from eight to 14 or more touches over a two- to six-week period to convert a prospect. To borrow baseball idioms, it is important that you keep your eye on the ball and follow through consistently.

Caveats to Consider

The length of your sales cycle will greatly impact your annual closures in the first year, and you will need to make adjustments to account for this. If you have a four-month sales cycle from initial contact through close, you won't see your first closure until April—assuming your fiscal year follows the calendar year—which means you may have closed only eight deals by the end of the year. If your sales cycle is over 12 months, obviously, you won't see conversions to sales from this process in the first year. Looking at your whole program to find ways to compress your sales cycle may help.

If you have estimated your conversion rates based on industry averages, or where you think they should be, and you are falling short of your goals, you will need to re-evaluate some aspects of your program. Some questions to ask include the following:

- Are you targeting the right prospects?
- Have you reached the correct decision-makers and influencers?
- Does your messaging resonate with them?
- Do you understand their needs and how your product or service fills the need better than your competitor's?
- Have you identified the most effective marketing strategies and outlets (e.g., trade shows, cold calling, advertising, direct mail, etc.) to introduce your products and services?
- Do you have a repeatable process and skilled resources in place to effectively execute your new business development activities?
- Do you have defined performance metrics to evaluate success and identify areas of improvement, as well as a process for making and evaluating improvements?

Monitoring Performance and Compensation

To show the impact on your pipeline from your sales team's activities, tracking is mandatory. The Athletics couldn't have implemented a mathematical approach without having historical data (statistics). There are plenty of lead and pipeline activity tracking software products available on the market, but we have found a simple spreadsheet works well.

Tracking can be done by sales rep, company, or some other segmentation. At a minimum, the following must be tracked:

- The number of prospects touched every month—in Bullpen's scenario it should be 33–34.
- The number of touches it takes to convert to a QL.
- The number of prospects that have been qualified—three to four QLs per month are required for Bullpen.
- The number of QLs moved to proposal stage—for Bullpen that number should be on average two per month (20 annually).
- The number of closures and the dollar amounts of each, either per proposal or annually—Bullpen needs on average one per month with an average value of $167,000. If average sales are coming in lower, the numbers will have to be adjusted to reach the annual sales growth goal.

The keys to success with tracking are consistency and accountability. The person responsible for managing or overseeing the process is continually interfacing with their salespeople to ensure the numbers are being executed as planned and they are held accountable to these monthly.

Motivating your sales team to hit their monthly goals can be challenging. One school of thought is that hitting sales goals is a requirement of the position, but our experience has been that additional monthly monetary compensation helps to keep the sales team focused. Bullpen Box Company's sales team understands the monthly number of touches needed, and they know they have to deliver four QLs as a result. If they hit their numbers, they receive a monthly QL bonus. If exceeded, there is an additional bonus.

The reason we suggest the monthly bonus structure is because if we look at our historical data, we know if we consistently hit the monthly goals, we will hit our annual goals. We also believe in the compensation concept of "show me how you will pay me, and I will behave accordingly." This compensation structure supports that belief.

Like the Athletics, you have to get men on base to score—or in this case, move prospects through the sales funnel to hit your goals. Continually tracking your prospects and leads as they move through the funnel, holding salespeople accountable, and making adjustments to your goals are fundamental to your success.

If you are looking for a starting point to monitor your process, we can provide you with a free lead tracking spreadsheet template. Simply email Todd Zielinski from Athena SWC at *tzielinski@athenaswc.com* to request a copy of this template. Happy selling! ■

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