To Help Salespeople Perform, Analyze Their Sales Numbers

By John C. Hafer

You can manage your portfolio of salespeople to beef up your assets and maximize your profits.

Selling costs include such items as sales salaries, commissions, travel and entertainment. If one individual, product or territory goes awry, these costs can quickly get out of line and make the whole unit look bad. The sales manager needs a quick, easy way to find the culprit and make the needed correction without disrupting the people, products or territories that are functioning well.

One tool to assist sales managers in managing selling costs is called portfolio analysis. As academic and ominous as this sounds, it really amounts to thinking of salespeople as assets -- much like those in a stock portfolio.

Some salespeople are good, solid cash generators, not high fliers but dependable low-risk investments. Some are stars. They come through with the best sales and are innovative and outstanding leaders. Some are dogs. They're more trouble than they're worth with out-of-line costs, low sales and other assorted problems. Some are problem children, in need of guidance.

The trick is to identify who fits into which category so the manager can take appropriate action. Here's how sales managers can use ratios to manage their portfolios of sales personnel, just as money managers use ratios to manage their portfolios of assets.

How To Get Started

To calculate the ratios needed to apply portfolio analysis to the sales force, you need simple numerical information. First, list the number of units sold, number of orders placed and dollars of sales each salesperson has attained. Next, list each salesperson's expenses and calls. Then list the number of accounts each salesperson is currently serving. Then, using your numbers, reproduce Table A.

Table A

Monthly Summary by Salesperson

Name	Units (U)	Expenses (E)	Accounts (A)	Orders (O)	Sales (S)	Calls (C)
Al	450	450	45	10	$57,150	160
Bob	578	268	67	12	$73,406	120
Cathy	356	570	56	45	$45,212	200
Don	245	400	50	23	$31,113	170
Ed	890	625	35	60	$113,030	175
AVG.	**504**	**463**	**51**	**30**	**$63,982**	**165**

Making The Data Give Up Its Information

From the data in Table A, you can calculate several significant ratios to assist in analyzing this portfolio of salespeople. Let's look at these ratios for each of our five salespeople. In Table B note that, for comparison, we have also calculated the average ratio of the entire group. Now take a look at how these tables have enabled us to pinpoint our stars and our dogs.

Table B

Monthly Ratio by Salesperson

Name	U/C (Units/Call)	U/O (Units/Order)	E/S (Expenses/Sales)	O/A (Orders/Account)	C/O (Calls/Order)	C/A (Calls/Account)	S/C (Sales/Call)	S/O (Sales/Order)
Al	2.8	45.0	.08	0.2	16.0	3.6	$357	$5,715
Bob	4.8	48.2	.09	0.2	10.0	1.8	$612	$6,117
Cathy	1.8	7.9	.12	0.8	4.4	3.6	$226	$1,005
Don	1.4	10.7	.16	0.5	7.4	3.4	$183	$1,353
Ed	5.1	14.8	.03	1.7	2.9	5.0	$646	$1,884
AVG.	**3.2**	**25.3**	**.10**	**0.7**	**8.2**	**3.5**	**$405**	**$3,215**

So What is the Data Telling Us?

Al: Al is below average in both his sales and units per call. Although he is second in his units per order and his expenses are in line, he is inefficient. Al places 16 calls before he gets an order. The group is averaging 30 orders for the month, but Al has only achieved 10 orders. His performance is weak. Note that Al's performance would be acceptable if he were a new salesperson or were dealing with a new territory.

Bob: Bob's units per call is above average. He is writing large orders on average, and he is keeping his expenses in line. But like Al, Bob is not being efficient. He is only getting 12 orders from his 120 calls.

Cathy: Cathy is having her problems. She is calling on her accounts almost four times per month, but she is selling an average of only 1.8 units per call. She is also writing the smallest orders. Her expense to sales ratio is slightly above average. Her sales per order is only running slightly over $1,000, compared to an average of $3,200.

Cathy is simply writing a lot of small orders. This may be because her customer base is made up of small accounts, but it may also signal that she is selling only the small and easy-to-sell items. Making 200 calls could mean she is busy making calls instead of spending time selling. She is making about 10 calls per day, while the other salespeople are making around eight. She may think the route to success is in making a lot of calls, rather making sure she handles her calls efficiently.

Don: Don is a mess! He is out of line in every category except the calls per order. He only sells about one unit per call when everyone else averages about three. It takes him seven calls to get an order, which is better than the group average of 8.2, but only because Al and Bob's numbers are so bad. His sales per call is the lowest and probably contributes to his having the highest expense ratio of 16 percent.

Ed: Ed sells the most units per call and seems to be pretty efficient. It takes him the fewest calls (three) to get an order, and his sales per order figure puts him in third place. His expenses as a percentage of sales are by far the lowest at 3 percent, so it looks as if he is managing his expenses pretty well.

What Ratios Can Do For Sales Managers

Ratios, like the ones given as examples here, allow the sales manager to make better decisions. Some of the salespeople used as examples could trace their problems to their territories. Others may be candidates for additional training, coaching or such control measures as quotas. Some are making too many calls, while others are making too few. Some may have trouble closing sales, and others are selling only the big accounts. Using ratios allows managers to target specific areas in which specific salespeople need help.

Ratios can also form the basis for performance appraisals and goal setting. By having such data available, and by using it to update the sales staff, the sales manager lets salespeople know their standings with respect to the group, the quota or branch sales targets. In some cases, by seeing progressive performance, the salesperson can make the necessary self-corrections often without the manager's

suggestions. Used in this way, managers and salespeople together have quantitative, identifiable and instantly recognizable information to use in planning or performance appraisals.

Finally, such ratios can serve as the basis for disciplinary actions and terminations. Using numerical data about performance is the basis for unbiased personnel decisions. This can be particularly powerful if using such ratios has been a part of the quantifiable goals laid out for and accepted by employees. Their power comes into full view because they make quantifiable evidence in dealing with EEOC problems. If the salesperson has not been living up to his or her numbers and has been given the proper warnings along with the opportunity to improve, then disciplinary actions can be justified and supported.

Some sales managers fail to appropriately document their discussions with salespeople through follow-up memos or personal notes. Keeping numerical ratios like the ones discussed here can be simple and effortless.

The ability to more easily quantify the decision-making process allows sales managers to be more efficient at planning, organizing, controlling and coaching. Using ratios will give the innovative sales manager more time to manage individuals to higher levels of performance.