Setting Sales Quotas

Printed in Strategic Marketing: Issue 5, 2009

Do you know what the three main sales performance areas are to track**? Ian Rheeder** reminds sales managers where to focus their attention.

(Words: 910, excluding references)

Of all the promotional tools, face-to-face selling is the most costly to reach your target audience, but done well, it's also the most cost effective vehicle. But, the sales function has changed so dramatically over the last couple of decades that a sales manager trained in the 1990s needs to forget some old tricks and learn a few new ones. Apart from the style of selling having changed from high-pressure tactics to a more high-trust style, technology needs to be embraced to compete with more techno-savvy global competitors. To improve the sales process, technology applications include the intelligent use of CRM, account planning, quota allocation, forecasting and pipeline management. Interestingly though, adopting this new technology is why it takes a new sales consultant so long to be productive, but once they're trained, they fly. The change has been so radical that Rick Canada at Motorola says "The traditional sales force is a dinosaur – a remnant of past success."

Being accountable for the top-line, the Chief Sales Officer (CSO) must design and redesign the organization to match the sales and marketing strategy. The CSO needs to have a firm grip on the entire organization's business plan and understand how each function operates. When you think about it, a hands-on sales manager is also the most likely person to feed the executive team with the most valuable customer insights. Selling is therefore no longer a single function mindset, but the department needs to work extremely closely with everyone in the customer-facing team. In a customer-centric organization a sales manager should be skilled enough to collaborate with all departments. Today's successful sales managers and sales people should really be marketers that have as much information to assist them to offer a complete solution. Recent surveys recommend that a business-to-business sales person should really see themselves as management consultants who sell a complete solution that is much wider than their product range. For example, landing a new key account is usually the easy 'selling' part; it's the marriage after the honeymoon period that is much more challenging which needs to be monitored. A key account manager should for example have service level targets and be alert to cross-selling and up-selling to loyal customers.

In their featured article, "The Ultimately Accountable Job" Jerome Colletti and Mary Fiss recommends: "At least 15% of a Chief Sales Officer's time should be spent establishing and communicating a *clear course for accomplishing* the current year's business plan. Sales will always be the ultimately accountable job. No other function bears such exposed responsibility for delivering on the numbers." [1] Once you have a motivated team, knowing what targets to aim for will dramatically improve your strategic prowess as a sales manager. Knowing what their quotas are and how to achieve them will also further motivate the sales team. So what are the three main sales performance quotas to track?

1. Sales Volume Quotas:
When a sales force does not have control of the profit margins they sell at, a popular target is Sales Volume. Volumes can be tracked by either total *rand value* and/or *units sold*. If your product range is strongly affected by the oil price or the exchange rate, then unit sales are appropriate to track. If the selling price is fixed, then definitely track sales rand value.

2. Profit-based Quota:
When sales people *have* control over the price they negotiate, and also have a wide range of solutions to sell into a market, the sales manager needs to carefully track and incentivise selling at the highest possible price. Because of profit margins being squeezed during a recession, a combination of both profit and sales volume is popular to track.

3. Activities Quotas:
Daily, weekly, monthly and quarterly activities, which produce *future* results, can be tracked to get the lazy sales person to do what needs to be done. Typical activities for 'hunters' and 'farmers' would be number of calls, proposals, installations, service calls and demonstrations. A word of warning though, these activities may be done in a mere 'tick-the-box' fashion, and thus may not result in sales targets being met, so a triangulation of all three quotas is necessary. Service feedback has also fast become a standard 'quota' to track for a key account manager's performance appraisal. Michael E. Porter, the celebrated strategist and Harvard Business School Professor highlights that 'activities' are the bridges between strategy and implementation.[2] That is to say, activities are the secret bridges between a plan in your head and desired results. But beware – adults also want to know *why* they do certain activities. Any activity that is forced upon an employee should easily be linked back to the overarching sales strategy and their personal sales targets; this way a salesperson can manage their targets and be in control of their performance bonus. If there's a direct line of sight between everything they do and their quotas, they tend to do it.

In closing, remember that behaviour is not random; it's caused. Be careful of targets that are too individualistic, but remember to run the sales force as a team. Whatever quota you choose, keep motivating your team by giving them regular feedback; go on sales calls with those who are above quota and share your findings with those who are below quota.

References:
1. Colletti, Jerome; Fiss, Mary: "The Ultimately Accountable Job. Leading Today's Sales Organisation", HBR, July-Aug 2006, pp. 125-131
2. Porter, Michael E: Competitive Advantage, 1998, p. xvii

IAN RHEEDER IS A STRATEGY FACILITATOR AND CONSULTANT AT MARKITECTS, A MARKETING AND SALES CONSULTANCY. HE CAN BE CONTACTED AT IAN@MARKITECTS.CO.ZA