



THE BENCHMARK

KEVIN KEHOE

The author is the owner-manager of 3PG Consulting. Contact him at kkehoe@earthlink.net.

4 steps to a sales-driven operation

Making a profit today relies on your ability to sell. In the old days, the key to profit was production management. Sales were easier to come by: You answered the phone and delivered a proposal. If we're honest, we would admit we were not really great salespeople; we were just great gatherers.

Today, the customers make the rules — and we must learn to become hunters to survive. Hunting requires specific skills and systems many of us have yet to develop. Reviewing the key ones here may help the development process.

1 Price competitively

With lots of contractors chasing work, gross margins are predictably falling. This will continue, and when the economy recovers, it will only marginally recover. Stop target fixating on the gross profit margin percentage when bidding, and instead focus on accumulating total gross profit dollars.

Table 1 provides an example of the revenue impact of this necessary strategy. The skill we need to develop is the ability to sell more and use pricing to be more successful in closing. In a hunting environment,

bringing home enough meat is more important than having it all be prime cut.

2 Be proactive

Distinguish yourself by getting to the customer first and getting back to them quickly. There is no way around this. Get more active.

Someone in your business must sell full-time. You need to relieve them out of measuring, estimating and pricing duties so they can focus on lead generation and closing activities. Salespeople

TABLE 2: SALES BY MARKET SEGMENT

Sales/Salesman	2007	2009
Grounds maintenance	\$500,000	\$1,400,000
Design/build	\$1,000,000	\$2,400,000
Bid build	\$3,000,000	\$5,500,000

glued to computers can reduce selling time by 40% to 60%. Consider this: A sales person may cost you \$60,000 per year; 60% of their time is \$36,000. You can hire data entry staff for less than that. When game is scarce, you have to hunt longer and harder.

3 Set higher sales goals

The top industry salespeople sell a lot more than average salespeople. Yes, they have a competitive price and staff support, but they do it because they are expected to do it. See Table 2 for the top earnings by salespeople per market segment.

Most salespeople simply achieve what is expected, if that. By setting higher goals for leads, bids and closes — and then tracking and measuring these weekly — a salesperson can increase his or her performance significantly.

Most limitations are self-imposed. We must challenge our sales teams to achieve more. Good hunters do not hunt for subsistence only; they go for as much as they can kill and build surplus.

4 Simplify your proposition

Salespeople must be able to state in 50 words or less the answer to this question: "Why should I hire you? You are more expensive than the other guy."

Justifying any pricing premium requires a firm grasp of the customer's deepest concerns, the benefits they seek, and your product/service features that deliver the goods.

Remember, customers don't want the lowest price; they want the best value. Hunt where this idea is appreciated, and leave the rest to the low-price guys.

TABLE 1: REVENUE IMPACT

Gross profit dollars needed	Gross profit margin	Revenue dollars needed
\$500,000	50%	\$1,000,000
\$500,000	40%	\$1,250,000
<i>Difference</i>		25%