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The first two rules of selling

The phone doesn't ring as much anymore. Does this mean there's no demand for your services? No, of course not. But it does mean that the days of simply answering the phone to sell work are over.

There's no way around it: You need to invest in a *sales organization*. A sales organization is built around an investment in *staffing* and *systems*. The question is, "What is the best way to make this investment?"

Spend enough money

The cost of making a sale is spread all over your profit and loss (P&L) statement, and therefore hard to see. There are salaries for staff (salespeople, designers and estimators), plus perks (benefits, vehicles, computers and phones), advertising expenses (phone books, direct mail, brochures, Web site and fliers), and promotional spending (events, gifts and entertainment).

Let's look at the cost of making a sale by segment using three $2 million companies as a comparable baseline. Maintenance contractors spend 8% of revenues; design/build contractors spend about 10%, while bid/build contractors invest the least at 4% of revenues. While the relative mix of these costs varies, the total level of investment is consistent within each segment.

The first rule of selling is to invest enough money to create revenue.

Get more productive

The cost of making a sale is primarily staffing-related. This is because the most effective customer channel is what marketers call the *direct channel*. The primary tool in this channel is the sales representative.

Because sales reps are expensive, the key to your sales force return on investment (ROI) is to increase efficiency and monitor velocity. Efficiency is measured as dollars sold per dollars bid, and velocity as the total dollar volume bid per month. In other words, staffing and systems must be designed to bid more — and do it faster.

A *pipeline report* is the primary management system essential to achieving this objective. Many contractors use a simple Excel database as the backbone of their system. The report is used weekly (and at times daily) to prioritize the four basic sales activities:

1. Lead generation
2. Appointment setting
3. Estimating/design, and
4. Presentation/closing.

Pipeline management addresses a problem that plagues many sales reps: ineffective prioritization and use of time.

In addition to the system, staffing specialization is required. Too often, sales reps burn too much time on activities where they are less effective. It makes little sense for a sales rep to measure, design, draw, estimate and wordsmith a proposal, for example. It is far more efficient to instead offload 70% to 80% of these activities onto administrative and production functions. Offloading can increase velocity 50% or more.

Many good sales people are inefficient at prospecting new leads, but very good at closing. Investing in a prospecting function that does little else but cold calling and appointment management can increase efficiency (close rates) 5 to 10 percentage points.

The second rule of selling is to divide and conquer the channel.

The payback for these strategies, of course, must be increased sales per sales rep. I have observed that deployment of these strategies can increase the production of sales staff 40% to 50%, making it possible for a grounds maintenance sales rep to sell more than $1 million in new contracts, and design/build sales reps to close in excess of $2.7 million in design/installations.

Because the customer is less likely to come to us, we have to go to them.