Conquer Local Community Session

Friday, November 18, 2022

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(Rough) Agenda

Introduction - Ian Jones	*Who am I?*
Background and my "why"	*A potted history and "why" I love what I do...*
Customer segmentation	*It's never too early to start segmenting prospects and customers to understand where you should be spending time to maximise your sales efficiency and drive customer satisfaction*
Introduction - Jacob Sirrs	*Who am I?*
Finding efficiencies in your go-to-market	*A few hints and tips to help you engage, close and grow customers more efficiently and effectively*

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This is me...

Ian Jones

VP of Revenue

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Efficiency in your sales motions and go-to-market

What is sales efficiency…

“Sales efficiency means driving the most sales possible from the resources at your disposal. In other words, the more sales you make with fewer resources, the more efficient you are….”

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How to calculate sales efficiency...

$$\frac{\text{SALES REVENUE}}{\text{COST OF SALE}} = \textbf{SALES EFFICIENCY}$$

Calculating sales efficiency is easier than most people think…Simply divide the sales revenue by the cost of making those sales to get your sales efficiency ratio.

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How to calculate sales efficiency…

SALES REVENUE = Sales revenue is easy to understand…its the sum of your sales. It can be calculated on a customer or book of business basis, by sales person or team, buy customer type, geography, time period

COST OF SALE = Calculating cost of sales is a little less distinct or objective…but essentially, this is any expense (direct or indirect) you incur during the sales process. This could include employee costs (salary, benefits, insurance, etc.) Overheads (rent, energy, etc.), sales software, employee training, cost of raw materials or products…the list goes on

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pro tip

Sales **efficiency** and **effectiveness** are sometimes used interchangeably, but they are not the same.

Sales efficiency measures sales performance in relation to the cost of the resources that are applied to the attainment of sales performance (measured as sales revenue acquired). The more revenue generated relative to the cost of achieving those sales, the more efficient they are.

Sales effectiveness measures the ability to convert prospects throughout the various stages of the customer journey. Effective salespeople/teams will have higher conversion from one stage of the customer journey to the next…ineffective salespeople/teams will have lower conversion rates.

Channels impacting your Modern Customer's Journey

Stimulus

Print Media
Dailys Papers
Weeklys Papers
Magazines
Billboard
Local Word of Mouth

Search

Organic Search
PPC
Maps
Directories
Apps
"Near me"
GPS

Research

Blogs & Articles
Reviews
Social Media
Word of mouth

Purchase

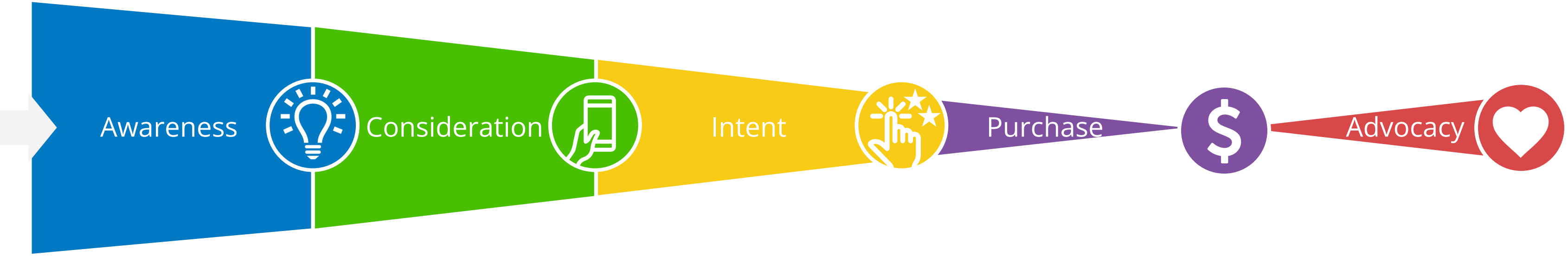
Website
Online booking
Purchase via app
In-store purchase

Salesperson
Marketing Materials

Experience

Post-purchase expectations vs. reality
Social Post
Write a Review
Blog
Word of mouth

Sales Efficiency V's Sales Effectiveness



Prospecting

A prospect is an individual or organization that fits a seller's criteria to be a potential customer

Qualification

A potential customer that has been reviewed by the marketing team and satisfies the criteria necessary to be passed along to the sales team

Proposal & Negotiation

A potential customer that has been engaged by the sales team and has a clear understanding that the proposition meets their needs

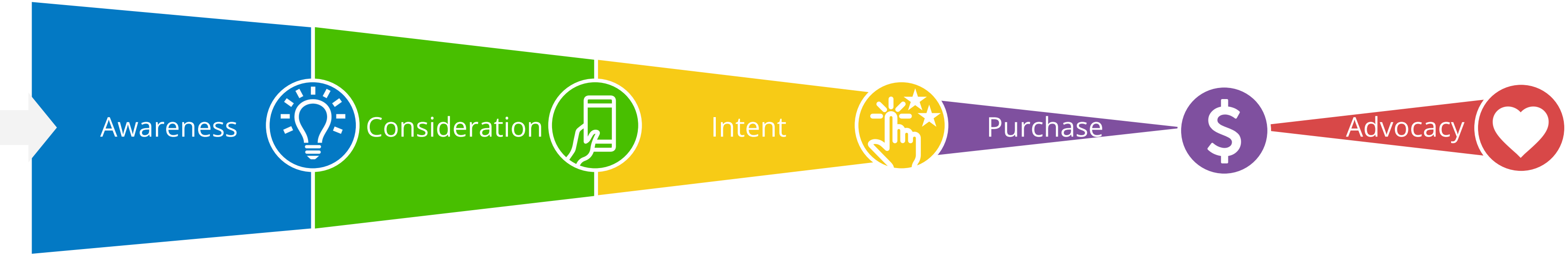
Closing

A new customer!!

Retention

An existing customer what is growing and acting as an advocate for your business, products and services

Sales Efficiency V's Sales Effectiveness



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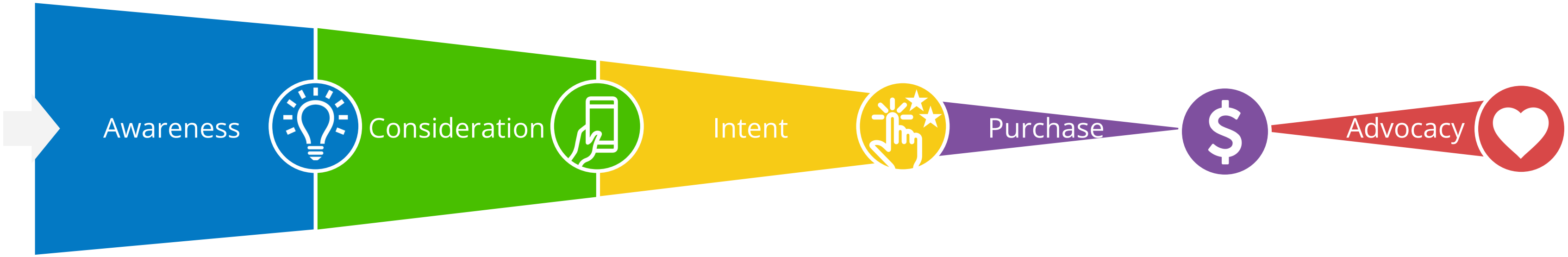
25%

20%

40%

50%

Sales Efficiency V's Sales Effectiveness



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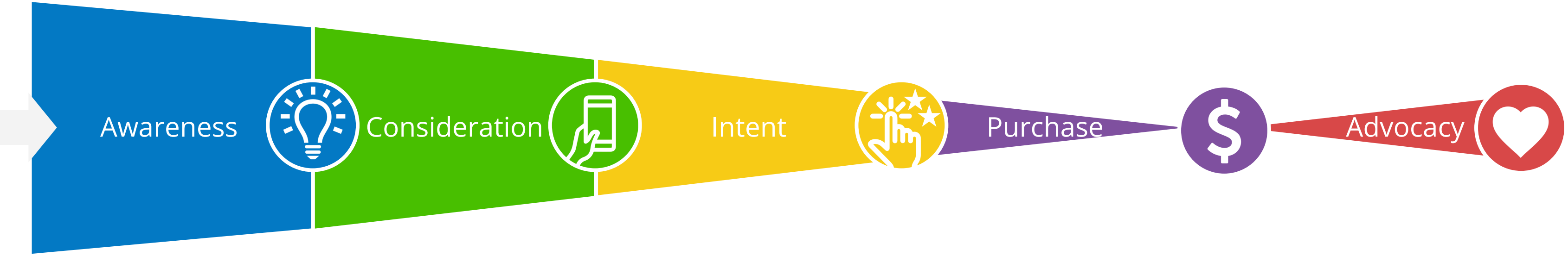
Sales Efficiency V's Sales Effectiveness



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$$\frac{\$5{,}000}{\$3{,}000} = 1.66$$

What does good look like?

Sales **efficiency** and **effectiveness** are sometimes used interchangeably, but they are not the same.

Let's start by defining a bad sales efficiency ratio. That's any ratio lower than 1. If you have a sales efficiency ratio less than 1, you're spending more to generate sales than those sales bring in. That may not be an issue in the short term. But unless something changes, it means your sales and marketing practices aren't sustainable.

A ratio greater than 1 means you have a positive ROI. Any ratio between 1 and 3 is pretty good — and obviously, the higher, the better.

A sales efficiency ratio over 3 is exceptional. It means your sales motions are extremely efficient and usually indicates you have excellent product market fit. But don't get too carried away. Such a high sales efficiency ratio could mean you are underinvesting in sales and marketing and missing out on much more potential revenue.

Why is sales efficiency important?

Sales **efficiency**, in its purest terms, lets you know if you have a viable business. It provides a snapshot of whether or not your entire sales and marketing motions are generating a positive ROI….or not. Few other sales metrics provide such a fundamental understanding of your company’s performance.

Just because your team makes sales and hits their quotas doesn’t mean your business is profitable. You could be spending far more on marketing, leads, tools, and wages than your reps currently bring in…it lets you know if you have the balance between investment and return in the right window.

It can tell you when to stop digging into metrics and just “do more”

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How to improve sales efficiency…

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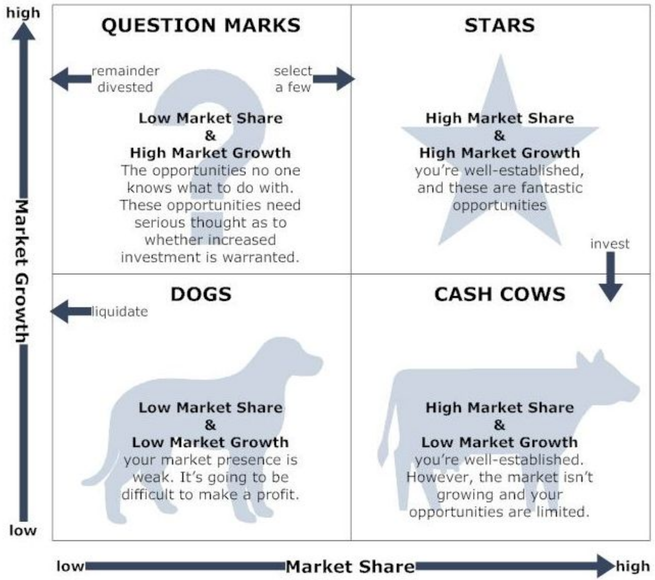
Tip #1 Customer segmentation

In my experience it is a (very) common mistake for a business to spend too much time with the wrong prospects and customers…and not enough time with the prospects and customers that matter most and have the highest propensity to help you grow your business

The growth-share matrix

The growth–share matrix (aka the product portfolio matrix, Boston Box, BCG-matrix, Boston matrix) is a chart created in a collaborative effort by a group of Boston Consulting Group employees in the 1970s. The purpose of the matrix is to help businesses to analyze their product lines and be better informed to make decisions regarding how they allocate resources. It is most commonly used in brand marketing, product management, strategic management, and portfolio analysis…but with a small tweak to how we use the tool we can shift its focus from internal to external and use it to segment our customers and help us to allocate resources to those customers in a more efficient way.



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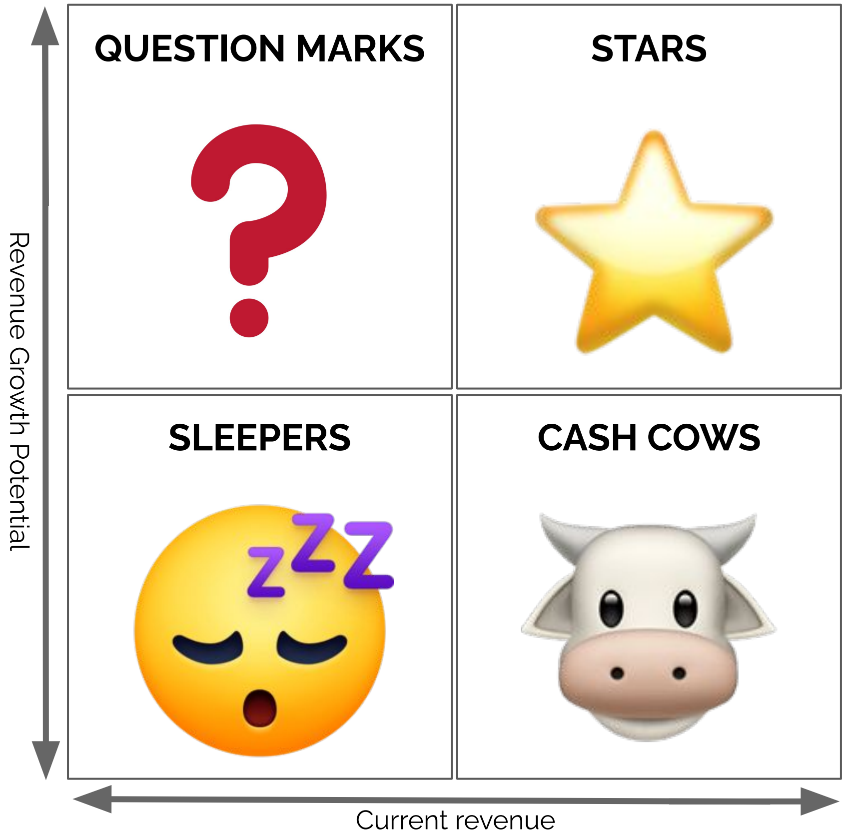
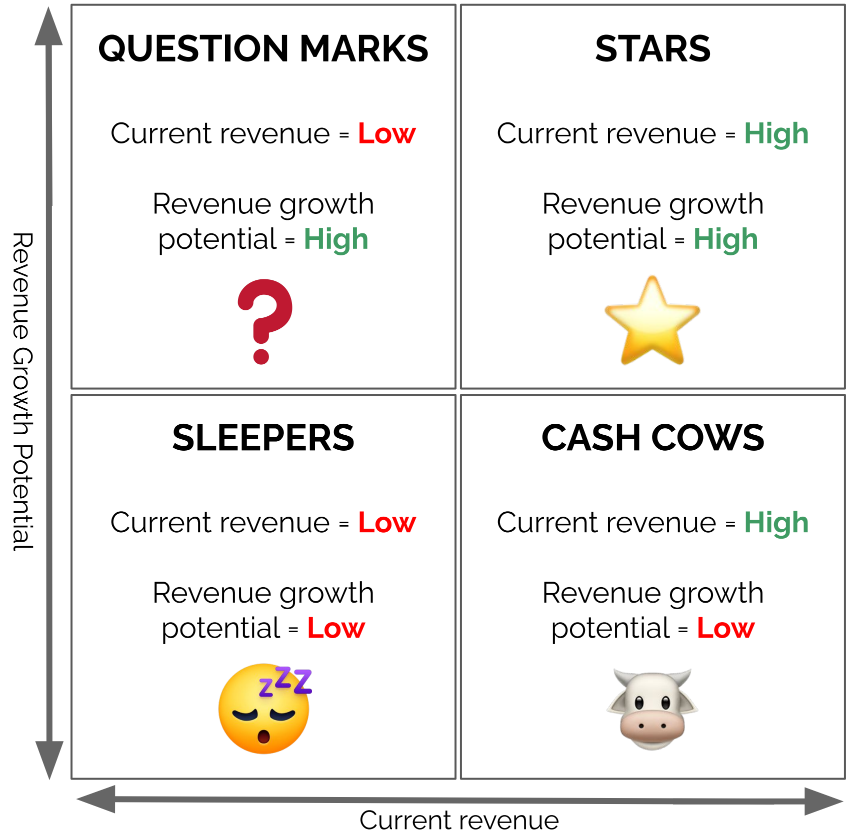
The revenue - growth matrix

By changing the horizontal axis to be current revenue and the vertical axis to be revenue growth potential you can use this matrix to segment your existing customer base and see where you should be focusing your time and resources to maximise sales efficiency.



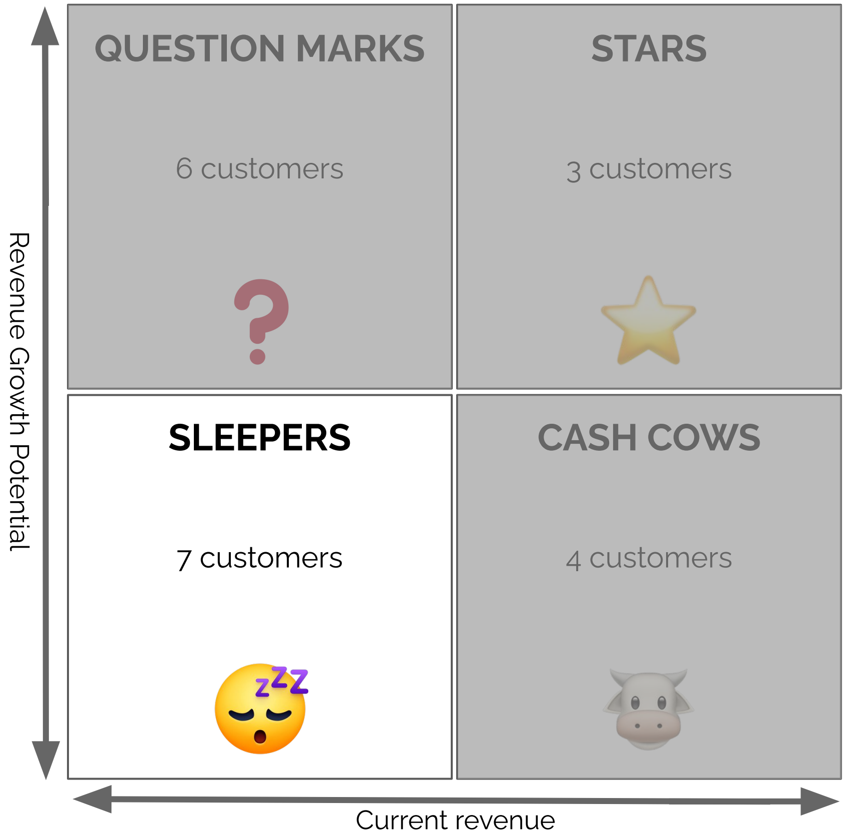
How to use it...

Define your criteria for each of the axis. What is “high” and “low” for Existing Revenue
What is “high” and “low” for Revenue Growth Potential?



Sleepers...

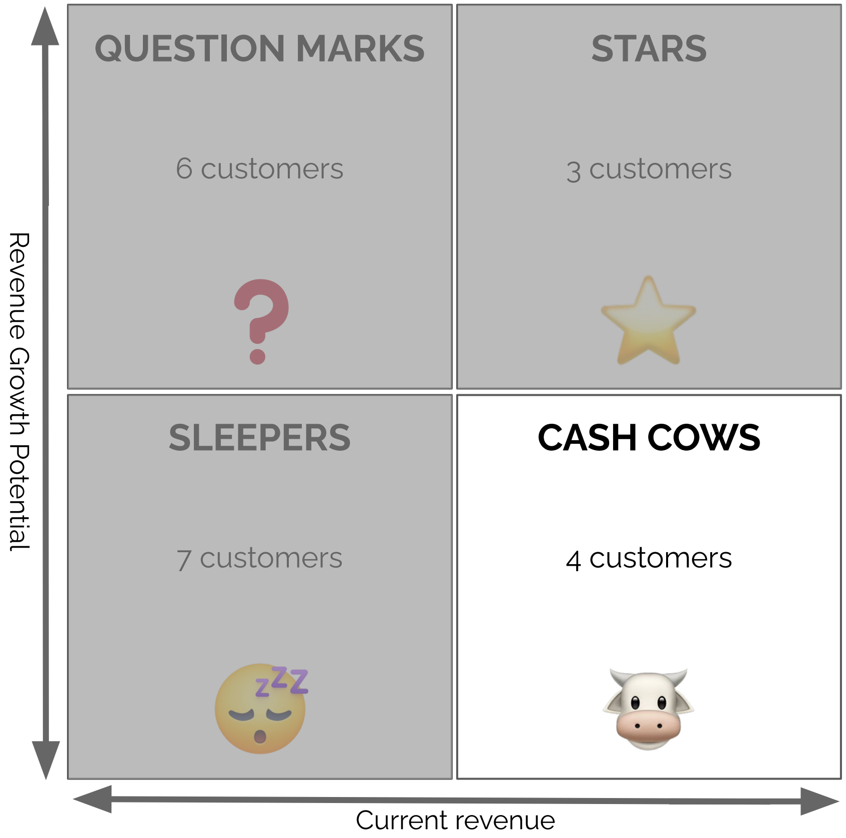
It didn't feel right to call customers "dogs"
Sleepers is potentially/sometime too generous a term…they can be more like a newborn
Often the biggest time thief in your portfolio of customers



Cash Cows...

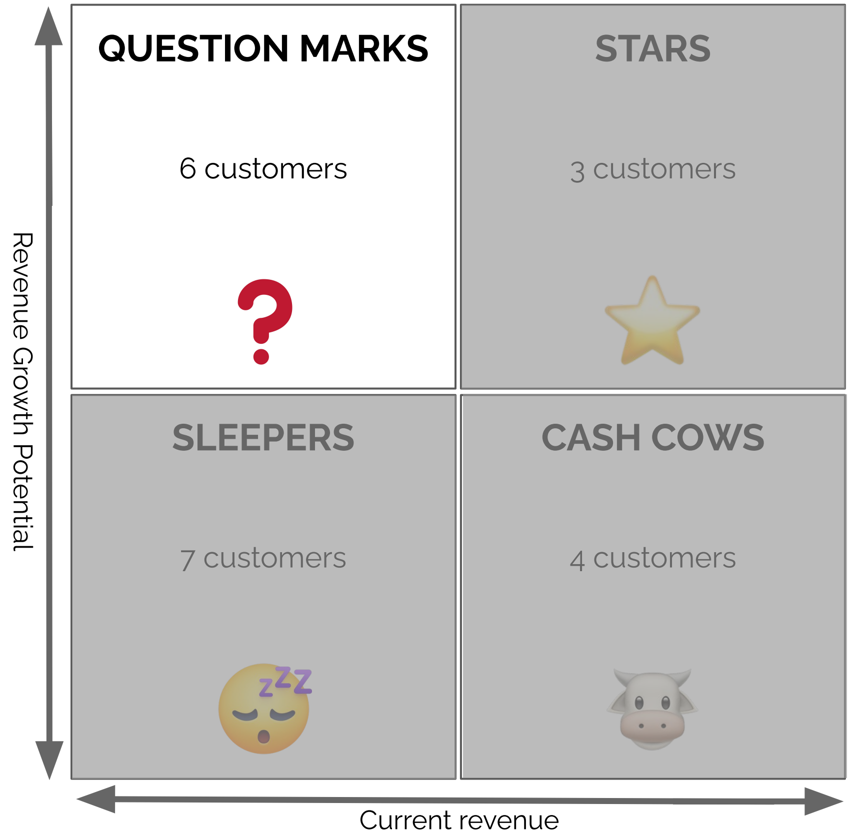
This can feel the most strange/counter intuitive…as they often represent a good chunk of your revenue

Term “cash cow” comes from the idea that you “milk” them to gather funds you can invest in higher growth opportunities



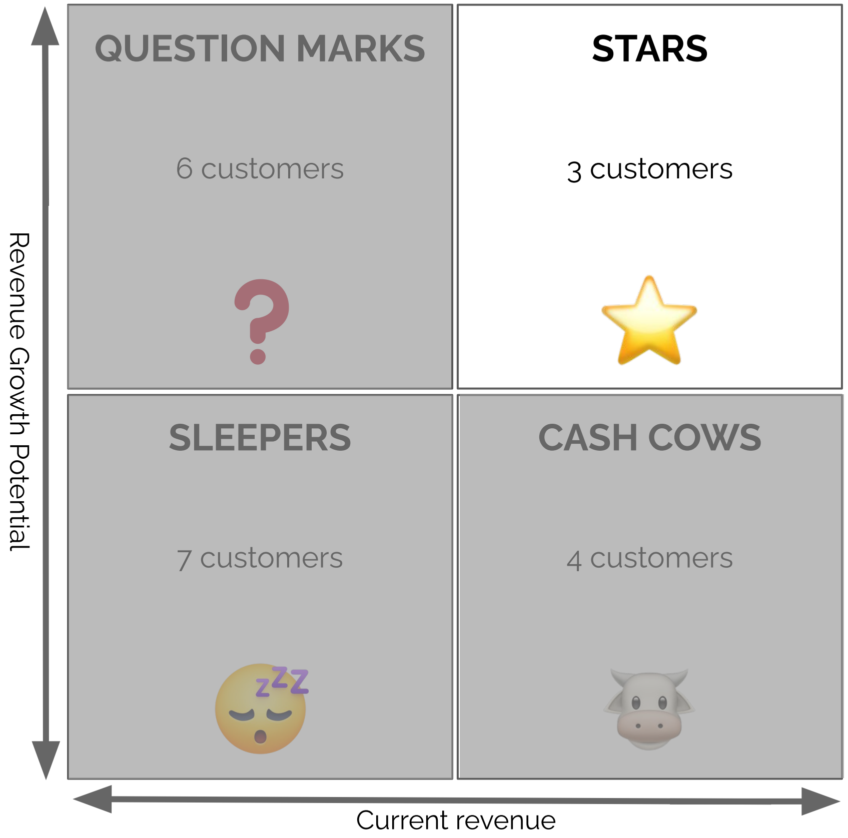
Question marks...

Think of question marks as being unrealized stars or cash cows…and the objective is to turn them into one or the other.
Almost treat them as prospects…with the head start of them already being a customer



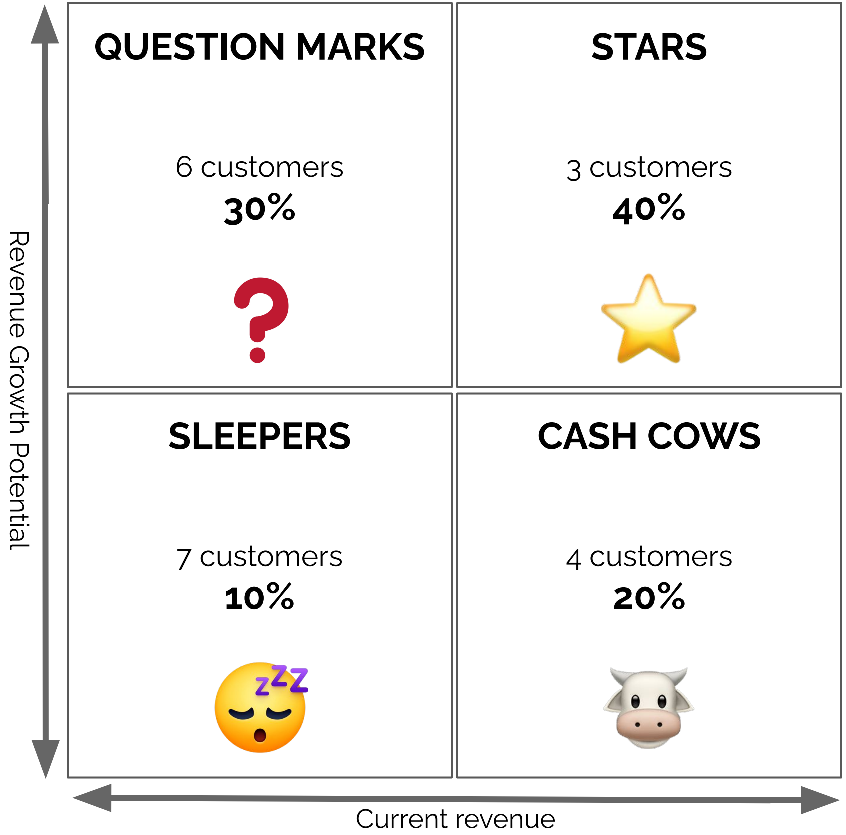
Stars...

If only all of our customers fell into this bucket…in reality it's often one of if not the smallest segments by number…but the few that you have can fuel huge growth
One risk to try and mitigate is being over indexed on a small number of stars…always be looking for and nurturing the next generation of stars



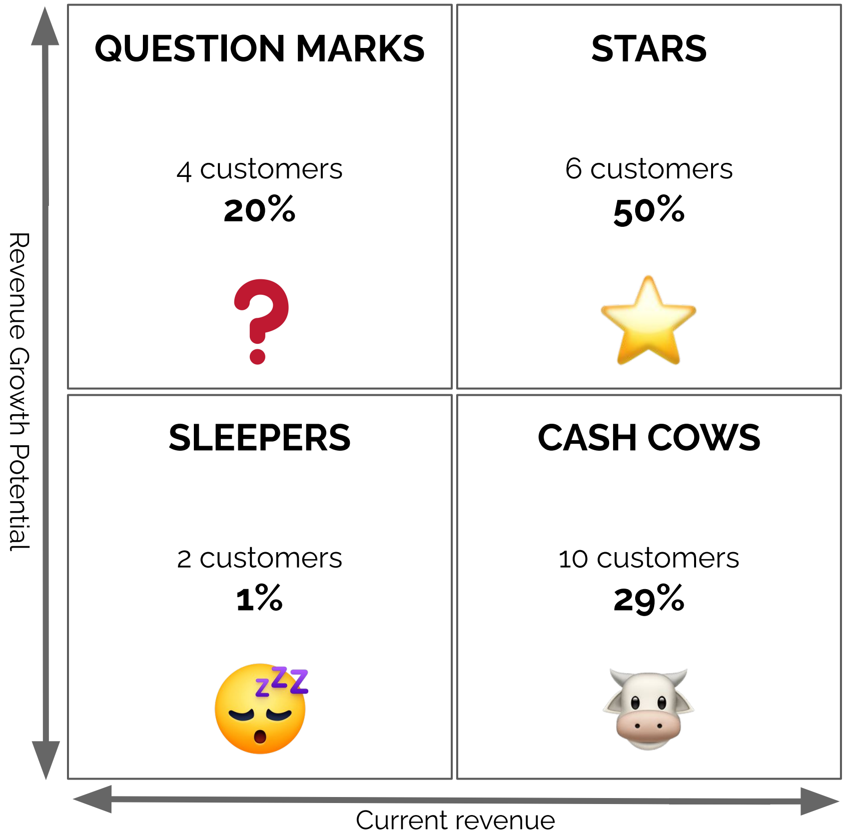
Allocating resources...

Allocate your resources based on the segmentation of your customer base…a simple and practical way to start is to allocate specific hours to each customer segment



Allocating resources...

The allocation of resources will shaft over time…as will your segmentation…so revisit your revenue - growth matrix on a regular basis and re-segment your customers to ensure you are still allocating your resources most appropriately



A few pro tips to drive efficiencies in the Vendasta platform