



Sales management effectiveness ... it's as clear as A, B, C, and D

MY firm has worked extensively with dealers in our best practice groups to develop better sales processes. Much of that effort has been specifically on **sales manager** development. We've found that all industries we've worked with (ag, construction, lawn and garden, etc.) generally follow the same, often ineffective, sales rep patterns.

Sales rep performance review

Our first task working with sales managers is to understand the talent they manage, how that talent is segmented and how it performs. We collect data from the manufacturer, as well as data from the dealer, about contributions made by each rep in total revenue generated; total gross profit generated; mix between new, used and associated products; number of accounts covered and sold; compensation; and years of sales experience.

"A" sales reps

We sort the rep data in descending order based on gross profit contribution. We call reps who generate at least 40 percent of gross profit "A" reps. Interestingly, in one industry, less than 11 percent of the reps generated the top 40 percent of gross profit, had the highest margin percentage of all the groups surveyed and made the least compensation (W-2 wages) as a percentage of gross profit generated (thus, they were the most cost efficient). While "A" sales reps average 19 years of experience, 23 percent have less than five years' experience. Remarkably, almost 50 percent of "A" sales reps' gross profit contributions come from associated or complimentary products. Despite their impressive stats, "A" reps sell to just 10 percent of their assigned accounts.

"B" sales reps

The next level of sales reps, the "B" reps, generate the next 30 percent of gross profit and represent 21 percent of reps typically studied. They have a slightly lower margin percentage, their margin dollar contributions are about half of "A" reps, and they are paid 47 percent of the gross profit they generate (which is information that would upset your "A" reps!), making them financially less efficient. They average 14 years of experience with 17 percent having less than five years of experience. They typically sell 13 percent of their assigned accounts.

"C" sales reps

The next level of sales reps, the "C" reps, typically generate the next 20 percent of gross profit and represent 25 percent of total reps. To recap, 90 percent of the total gross profit is typically generated by 56 percent of the reps (A, B, and C reps). "C" reps typically have a margin percentage a full two points below the "A" and "B" reps and their margin dollar contribution is half that of the "B" reps. So the trend is "B" reps are half as good as "A" reps and "C" reps are half as good as "B" reps. As for compensation, the "C" reps typically receive

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in wages approximately 62 percent of the gross profit they generate. So a dealer involved in this scenario is already venturing well beyond the target financial expectations of a well run sales department.

"C" reps average 14 years of selling experience; 31 percent have more than 10 years' experience and yet they are barely at the minimum gross profit expectation. They generate only 30 percent of their gross profit from complimentary products and sell to less than 10 percent of their accounts ... a similar percentage to that of "A" and "B" reps, yet their lack of resulting sales shows they may have issues regarding the quality of accounts they choose to cover.

"D" sales reps

Now we arrive at the level of performance sales managers have the most trouble confronting. The final 10 percent of gross profit is typically generated by 43 percent of sales reps who, despite their lack of sales, average eight years of experience. These underachievers must be replaced with better performers. It is too costly to keep them on board. Their compensation is typically above 10 percent of the gross profit they generate.

Critical behaviors of sales managers

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Too often managers are locked behind a desk handling manufacturer negotiations on pricing, completing sales rep quotes, checking paperwork, reviewing pricing programs, lease rates, etc. Administrative processes have made managers passive and some have become sales monitors, not sales managers.

Getting the sales manager out into the field creates immediate financial gains. It gets them focused and keeps them focused on specific, integrated tasks such as assessing the level of talent of the sales reps, replacing weak performers, recruiting better reps, planning effective coverage, and coaching for success.

Sales managers must concentrate on the activities of the reps to allocate the existing and conquest accounts and to drive pre-call planning and field coaching. Therefore, your focused mission *must* be to convert sales administrators back to **effective, field-focused sales managers**. ■

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