



# Executive Book Summaries®

www.summary.com

## Making The Number

### How to Use Sales Benchmarking to Drive Performance

#### THE SUMMARY IN BRIEF

In *Making the Number*, the authors make a convincing case for improving the sales function of an organization through benchmarking. Sales benchmarking, they explain, takes the guesswork out of sales and turns the sales function into a highly predictable, dependable engine that ultimately increases shareholder value.

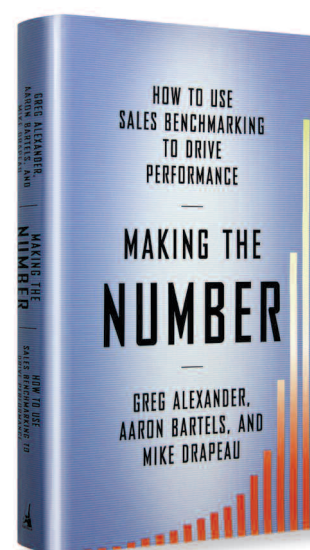
Greg Alexander, Aaron Bartels and Mike Drapeau first explain why sales benchmarking is valuable for the sales force, for executives and for sales professionals. Then, they break down benchmarking, delving into process, strategies, best practices and world-class status.

Next, the authors identify and expound on the five steps to effective sales benchmarking: metric identification, data collection, comparing and contrasting, focused action and sustained improvement.

Understanding that there will be resistance inside organizations to sales benchmarking, they list the most common objections and provide responses for sales leaders who wish to implement sales benchmarking. Finally, they let benchmarking speak for itself through case studies of companies that have successfully employed sales benchmarking.

#### IN THIS SUMMARY, YOU WILL LEARN:

- Why sales benchmarking should replace the concept of sales as an art
- How sales benchmarking can increase company profits
- How to increase a salesperson's annual sales
- The five steps to effective sales benchmarking
- How to overcome objections to sales benchmarking within your organization
- How to overcome implementation obstacles to sales benchmarking
- How other companies succeeded with sales benchmarking



Greg Alexander,  
Aaron Bartels, and  
Mike Drapeau

#### CONTENTS

##### Sources of Competitive Advantage

Page 2

##### The Power of Sales Benchmarking

Page 3

##### Diving Deeper Into Sales Benchmarking

Page 4

##### Five Steps to Effective Sales Benchmarking

Page 5

##### Call to Action

Page 7

##### Overcoming Implementation Obstacles

Page 7

##### Case Studies

Page 8

# THE COMPLETE SUMMARY: MAKING THE NUMBER

by Greg Alexander, Aaron Bartels, and Mike Drapeau

**The authors:** Greg Alexander is the co-founder and CEO of Sales Benchmark Index and president of the Atlanta chapter of Sales & Marketing Executives International. Aaron Bartels and Mike Drapeau are co-founders and executive vice presidents of Sales Benchmark Index. The three authors live in Atlanta.

*Making the Number* by Greg Alexander, Aaron Bartels, and Mike Drapeau. Copyright © 2008 by Sales Benchmarking Index. Summarized by arrangement with Portfolio, a member of Penguin Group (USA) Inc. 302 pages. \$29.95. ISBN 978-1-59184-217-0.

Summary copyright © 2009 by Soundview Executive Book Summaries, www.summary.com, 1-800-SUMMARY, 1-610-558-9495.

For additional information on the authors, go to: <http://www.summary.com>.

## Sales Benchmarking: The Time Has Come

In order to appreciate why sales benchmarking is critical for executives, managers and front-line salespeople, it is necessary to take several steps backward. In doing this, consider some macro trends that are shaking up corporate America and how this is impacting the sales profession.

There has been an ongoing debate on the significance of globalization, even as its reality is now too well established to deny. To understand how your organization might form a coherent and compelling response to the threat of global competition, let us examine the sources of competitive advantage.

### Sources of Competitive Advantage

Michael Porter has published two seminal works on this topic — *Competitive Advantage* and *Competitive Strategy*. Porter outlines three basic approaches organizations can use to establish and maintain competitive advantage in their respective marketplaces:

**Overall cost leadership** describes how companies can achieve and defend a low-cost provider position, yet retain enough return to sustain the business model achieved through technology, labor force selectivity or even process innovation.

**Focus** is built around the ability to orient a product or service toward a specific market segment, buying group or geographic market. It succeeds when you can convince the customer that the higher price is worth the value you deliver. This can be a long-term profitable approach but is limited by the size of the chosen target market; the larger the market, the more likely it is that the twin strategic forces of cost and differentiation will

make the focus strategy more difficult to defend.

**Differentiation** is fixated on establishing and leveraging the uniqueness of a product or service such that customers demand it from the supplier and substitute offerings are insufficient. Customer service is the most sustainable differentiation strategy available to 21st century companies.

### Customer Experience

The Internet has armed the consumer against ineffective, legacy corporate messaging efforts. The sales profession must understand that marketing departments have already been disintermediated by citizen marketers. Sales is next.

Consider these statistics:

- The average shelf life of a sales manager is 15 months.
- Nearly four out of 10 salespeople will lose their jobs this year.
- An average of 27 percent of salespeople do not produce enough even to cover their loaded employment costs.

Armed with these numbers, CEOs will increasingly demand quantitative evidence that supports whatever the sales leaders are trying to sell to senior management about their ability to hit the number. No other function within a company is allowed to underperform this way.

### The Sales Force

The bottom line is that salespeople who miss their numbers cost the company.

Many organizations are prevented from achieving their revenue goals or improving market penetration because they embrace a mind-set that there is an intangible “golden secret” to the sales profession — something that simply can’t be quantified. Many CEOs have been



1-800-SUMMARY  
service@summary.com

Published by Soundview Executive Book Summaries (ISSN 0747-2196), P.O. Box 1053, Concordville, PA 19331 USA, a division of Concentrated Knowledge Corp. Published monthly. Subscriptions: \$209 per year in the United States, Canada and Mexico, and \$295 to all other countries. Periodicals postage paid at Concordville, Pa., and additional offices.

**Postmaster:** Send address changes to Soundview, P.O. Box 1053, Concordville, PA 19331. Copyright © 2009 by Soundview Executive Book Summaries.

**Available formats:** Summaries are available in print, audio and electronic formats. To subscribe, call us at 1-800-SUMMARY (610-558-9495 outside the United States and Canada), or order on the Internet at [www.summary.com](http://www.summary.com). Multiple-subscription discounts and corporate site licenses are also available.

Rebecca S. Clement, Publisher; Sarah T. Dayton, Editor in Chief; Andrew Clancy, Senior Editor; Christine Wright, Senior Graphic Designer; Carol Carter, Contributing Editor

## Summary: MAKING THE NUMBER

cautious in demanding accountability of the sales leader in the same way that they have of the other functional heads. The “hall pass” that sales executives have received from their CEOs is coming to an end.

Sales benchmarking can dramatically increase revenue growth and decrease cost of sales. ●

### Sales Benchmarking: What’s in It for the Executives?

The importance of benchmarking lies in its ability to increase profits and positively impact each business function within the organization. There is nothing different when it comes to sales.

The application of benchmarking to the sales function can be so transformative that it should be a matter of interest from the individual sales reps all the way up to the corporate boardroom.

No matter who you are in a public firm — salesperson, sales leader, CEO, CFO or board member — shareholder value affects you. Shareholders control the firm and are focused on maximizing shareholder value. A board of directors focused on sales performance should embrace sales benchmarking because it improves shareholder value.

Conflicts between management and shareholders arise when corporations pursue managerial goals at the expense of shareholder goals. Sales benchmarking helps realign them again.

### The Power of Sales Benchmarking

Let’s look at the fictional company Consolidated Inc. to see the power of sales benchmarking. Assume that Consolidated will generate \$1.1 billion in revenue during the next fiscal year and will have earnings of \$55 million, an EPS (earnings per share) of \$1.10, and a P/E (price/earnings) multiple of 20. This will translate into a share price of \$22 and a market cap of \$1.1 billion. Consolidated expects to enjoy a return on investment 0.4 percentage points behind the average — if it hits its numbers. This is where the sales-benchmarking discipline can be used to improve Consolidated’s situation.

Consider if, in the first year, Consolidated cuts back on those expense items that are least likely to negatively impact the top line. Using this low-risk, cherry-picking approach, Consolidated is able to reduce its cost of sales by \$22 million, resulting in an earnings growth of nearly 7 percent rather than 5 percent. This approach would generate \$77 million in earnings, compared to the previous estimate of \$55 million. EPS will now be \$1.54 (up

### Why Should a CEO Employ Sales Benchmarking?

Most CEOs did not rise through the sales function. As a result, they don’t really understand sales. With sales benchmarking, CEOs can accelerate their knowledge of the sales department’s capabilities.

Much like CEOs, other key members of the leadership team also often have no experience in sales. This prevents many members from contributing to the overall effort of growing revenue. Sales benchmarking provides the CEO with a tool to educate other leaders in the organization in a language that everyone can understand — numbers.

When a CEO is armed with an objective analysis of the sales department, he can better direct other parts of the company about exactly how to enable the sales force to grow new sources of revenue. Sales benchmarking allows CEOs to explain to a sales force its specific role in bringing the corporate vision to life. It gives the CEO the chance to convince the sales force why the vision is viable and calculates the payoff for the sales department if it is able to successfully execute it.

Sales benchmarking transforms the sales department’s capabilities from tribal knowledge to a bastion of intellectual property embedded in company systems. This reservoir of data forms the basis for a new sales culture and more predictable sales behavior patterns.

from \$1.10). With a P/E ratio of 20, the stock will now be valued at \$30.80 per share, driving market cap up to \$1.54 billion. The result of this seemingly low-impact sales expense reduction effort is more than \$440 million in increased shareholder wealth.

Following is a list of some of the sales metrics against which companies can benchmark themselves to achieve top-line revenue improvements:

- Sales productivity per sales rep
- Ramp time to full sales productivity
- Annual sales rep turnover rate
- Sales rep time allocation
- Sales deal size
- Sales cycle length
- Close rate

By analyzing and improving performance in these dimensions, companies can determine the extent of shareholder wealth that can be created.

# Summary: MAKING THE NUMBER

## Business Benchmarking

Benchmarking is one of the most universally effective management disciplines available in business today. But it will not correct a flawed business model nor will it force an organization to make the necessary changes — that is the job of the leader. It does, however, serve up a wealth of positive possibilities.

Sales benchmarking helps organizations understand how to use data to uncover the root cause of individual sales problems. ●

## Diving Deeper Into Sales Benchmarking

The four key assets that must be evident to ensure an effective sales-benchmarking initiative are a sales-benchmarking taxonomy and a sales-benchmarking repository, along with automation technology and subject-matter experts. A taxonomy should cover, at a minimum, the definitions for all data inputs, metric formulas rendered from these inputs and sales processes into which these metrics are grouped.

A sales-benchmarking repository is a robust, extensive, layered, archival, verifiable and integrated data resource that possesses a series of attributes, including industry segments, geographical areas, sales channels, sales force/organization, company type and history.

Sales-benchmarking automation technology enables a series of steps from data collection to analysis to display

long-term integration.

Sales-benchmarking subject-matter experts perform a variety of assessment and analytical tasks.

## Process Sales Benchmarking and Strategic Sales Benchmarking

The majority of sales professionals find themselves working for organizations that have poorly designed processes, rather than no process at all. Poor process design manifests itself in inaccurate workflows, bad governance, inadequately defined roles and insufficient standard operating procedures.

Process is the road map by which sales gets things done. Sales managers who say “Too many deals fail to progress from upside to forecast” or “Why does it seem that it takes so long for new hires to become productive?” are giving voice to the fact that the process is insufficiently defined or poorly controlled.

The purpose of process sales benchmarking, according to John Davis, who wrote the book *Magic Numbers for Sales Management: Key Measures to Evaluate Sales Success*, is to identify the “most effective operating practices from many companies [in a peer group] that perform similar work functions.” When an organization is able to elevate an entire sales process so that it attains world-class status, it can achieve breakthrough performance improvements.

Strategic benchmarking examines how companies compete. It involves considering high-level aspects such as core competencies, development of new products and services and improved capacity for dealing with changes in the external environment.

Strategic benchmarking helps identify winning approaches that have enabled world-class companies to succeed in their respective marketplaces.

At its most basic level, strategic sales benchmarking usually reveals some sort of indication of which process areas are deficient and by how much.

## Best Practices and the Importance of Being World-Class

Best-practices benchmarking is about understanding and improving the processes within the business, not about comparing sets of numbers. It is what comes after you have diagnosed the problem areas and quantified the magnitude of the opportunity for financial gain. Best-practices benchmarking is the *how* of closing the gap between current performance and an improved one.

Best-practices benchmarking encompasses the effort necessary to:

- Identify those companies that are known for

## What Sales Benchmarking Is and What It Is Not

Sales Benchmarking Requires:	Sales Benchmarking Is NOT:
A detailed taxonomy	Valid without accepted definitions
Empirical and validated input data	A series of opinion-based answers from only those who decided to respond to a survey
Comparison of your performance against a relevant peer group	A simple comparison of your current performance against past performance
A statistically valid sample set cut by significant dimensions	A summary of survey results
Coverage of all major sales processes and subfunctions	Limited to one subfunction (such as compensation planning)
Strategic and tactical sales metrics	A list of qualitative questions
Tools to automate the series of steps from data collection to analysis to display	Accomplished manually without Herculean effort
A living repository with sufficient data and OLAP-like (online analytical processing) functionality to enable multidimensional and trend analysis	A collection of disparate data sources, surveys, and spreadsheets that lack integration, consistency, and analytic functionality
Subject-matter experts with specific expertise in comparative data analytics	Possible with ex-salespeople trying to perform data analytics without applicable training

## Summary: MAKING THE NUMBER

excellence in a certain discipline or process.

- Gain agreement from them to study their unique set of policies, operating environment and techniques.
- Determine if and how this discipline should be modified so that it can be imported into your organization's unique culture and systems.
- Make those modifications.
- Implement the new discipline/process and enter into a cycle of continuous improvement.

Every organization has the potential to field a world-class sales force. To get there it takes a firm commitment to deploy benchmarking as a habit. There are many different techniques to measure world-class status – a bottom-up approach through individual metrics, one that focuses on the sales process and one that takes an overall view. All are potentially valid. Once your sales organization has been benchmarked against your peers and world-class performance, you can then develop a plan to consistently outsell the competition.

### The Self-Aware Sales Force

Sales benchmarking is not a one-size-fits-all proposition. Organizations and their sales forces have distinguishing characteristics that influence whether and how they should be compared to each other. The results of sales benchmarking — metrics, scores, gaps, comparisons — all need to be evaluated when they are finally produced.

Sales forces can best be characterized by their dominant trait, which typically falls into one of the following six categories:

- **Delivery.** Example: courier services
- **Order taking.** Fulfilling demand. Example: Internet orders
- **Missionary.** Educates the marketplace to build brand awareness
- **Technician.** Sales reps who cannot complete a sale without the direct assistance of a presales engineer
- **Demand creator.** Classic transaction-based, business-to-business sales force
- **Solutions provider.** Focused on solving customer problems

With the sales category determined, the next step is to perform a snapshot analysis of your sales force maturity. The five levels of sales management maturity are, from least mature to most mature:

- Level 1: Chaos. Processes, if they exist, are ill-defined and unmanaged.

### Sales Force Management Maturity Model Scale (SM3)

Maturity & Efficiency



Risk & Waste

**Predictable** | Predictive/Causal Sales Management

**Managed** | Quantitative Sales Management

**Reportable** | Basic Sales Management

**Defined** | Standardized Processes

**Chaos** | Heroic Efforts

- Level 2: Defined. Most sales processes have been developed and documented.
- Level 3: Reportable. Sales processes have been adopted by the sales force.
- Level 4: Managed. Sales management team relies primarily on quantitative internal data.
- Level 5: Predictable. Sales management team is able to sufficiently predict sales performance. ●

### Five Steps to Effective Sales Benchmarking

Now that benchmarking has been defined and its applicability to the sales function understood, how do you get started? Benchmarking is a data-intensive exercise and derives its value from comparing information at different points in time. The first step in executing a sales-benchmarking effort is to identify which key sales-related metrics to measure.

#### Metrics Identification (Step 1)

It is unreasonable to think that any organization could measure (or would want to measure) every possible sales metric. Therefore, the first step is to pare down the possibilities to a strategic list of 20 to 40 that are judged the best indicators of future performance and have the greatest likelihood of positively impacting the organization.

By using the customized approach, organizations gain control over the metrics and their input definitions, but

## Summary: MAKING THE NUMBER

they may find themselves without meaningful external data sets for comparison. Identifying the strategic metrics you want to measure will teach you a lot about your organization. Most companies have never thought of their sales performance in terms of a prism like the formula for sales success or ever considered measuring their sales force according to the many metrics from which to choose.

### Data Collection (Step 2)

The Data Collection step is the most labor intensive of the benchmarking process, but it is necessary in order for the organization to determine how it stacks up, both internally against past performance and externally against peers and world-class entities.

Sales benchmarking is concerned with both qualitative and quantitative data. It uses descriptive statistics to depict raw data patterns and inferential statistics to leverage the power of leading indicators.

Sales benchmarking uses sampling to draw conclusions about a sales population (perhaps all sales receipts in the month of November, for example). If performed in the proper, nonbiased manner, sampling can support statistical results with sufficiently high precision.

The goal of data collection is to have a statistically valid sample that can be used to identify where an organization is underperforming or overperforming in relation to its peers and other world-class organizations.

### Compare and Contrast (Step 3)

Compare and Contrast describes the actions necessary, after having collected the internal data and assembled the relevant peer group data, to compare them to each other. This comparison effort requires the use and understanding of a series of statistical techniques that help benchmarkers better interpret the data. In this way, organizations can determine how they stack up against peers and world-class organizations and, more important, they can determine the magnitude of any return they are likely to receive by closing these gaps. Usually these findings are summarized in some sort of report that goes to the board for review.

Some sales benchmarkers prefer to highlight areas of weakness and strength with graphical flourish. They draw big red circles around the sales metric results that contribute disproportionately to failure and big green circles around those metrics where performance is well above the peer group and occasionally above world-class. This latter indication identifies centers of competency that are every bit as important as determining where improvement must be made to exposed areas of weakness.

## What Are the Focus Areas of Strategic Benchmarking?

Typical focus areas for strategic benchmarking include:

- Acquisition strategy
- Business partnerships and strategic alliances
- Competitive dynamics
- Core competencies
- Foreign markets
- Marketplace segmentation
- Outsourcing, offshoring and insourcing opportunities
- Process capabilities
- Product offerings and product development
- Service portfolio
- Strategic intent
- Technology enablement

Whatever the format or version this report takes, it should clearly indicate the gaps by sales metric and summarize the financial opportunity for improvement.

### Focused Action (Step 4)

Focused Action is the antidote for the typical sales leader who is urged to implement a major improvement program across the board as soon as possible without first having ensured success through a well-designed pilot effort.

Focused action is based on the concept of hypothesis testing. Hypothesis testing provides managers with a structured analytical method for making decisions in such a way that the probability of error can be controlled or at least measured.

Sales Benchmark Index recommends a seven-step methodology to help organizations identify, test and select the most effective solutions to the business problems exposed by sales benchmarking.

1. *Frame the Problem.* Define the problem being addressed in specific terms.
2. *Develop Hypotheses.* List potential causes for the problem and key drivers that impact or influence each potential cause.
3. *Gather Data.* Gather relevant data, information and background on the key drivers that will allow each potential cause to be proved or disproved.
4. *Test Hypotheses.* Analyze each potential cause to determine if the data supports the hypothesis as the most likely cause of the problem.

## Summary: MAKING THE NUMBER

---

5. *Create Solutions.* For those hypotheses that prove to be valid, identify possible solutions and examine each solution's feasibility for successful implementation.
6. *Develop Plans.* For those solutions determined to be viable, estimate all necessary tasks, investments, milestones, resources, metrics and returns.
7. *Select Solutions.* Determine which solutions should be implemented using some form of program approval criteria (e.g., hurdle rates for internal rate of return, or IRR).

### Sustained Improvement (Step 5)

Completing Step 5 — Sustained Improvement — will ensure sustainability for the benchmarking program.

Is sustainability possible? Much research has been done on the tendency for corporate performance to revert to the mean. Although the details are somewhat arcane, the conclusions lend powerful support to the notion that benchmarking, as a form of modeling, can improve an organization's chances of staying continuously above the norm in performance.

Sustained competitive advantage is the goal, and it will be obtained only if the program transitions from a one-time event to being one that is thoroughly embedded in the company's operating procedures.

Sales benchmarking can become standard operating procedure without replicating the heavy lifting of Steps 1 through 4. The benchmarking process can be administered by a small number of staff members. When an organization is ready to move the benchmarking process into the mainstream of its sales operations system, it should implement a form of quality improvement.

Control charts monitor variations in data, highlighting trends that allow for correction before a process gets out of control. Control charts show when variation is due to a special cause and help highlight problems that need to be corrected.

Implementing the techniques of statistical process control and applying them to the sales force will enable sales benchmarking to transition to a best practice inside a company. ●

---

### Call to Action

Sales leaders have very strong personalities. They sometimes suffer from the “not invented here” syndrome, particularly with regard to any attempt to change sales processes, tactics or strategies that did not originate within their organizations.

### Overcoming Objections to Sales Benchmarking

There are several common objections that sales leaders tend to present when faced with the question of whether to adopt sales benchmarking. Each one can be overcome. One objection is that “Sales benchmarking is a fad.” This objection has some teeth in that innovative concepts can boast of longevity only if they yield continual value for those who adopt them. From a “logical” perspective, sales force leaders should adopt sales benchmarking as a means of driving improvements in their businesses. However, when assessing the advisability of such “risky” ventures, emotions can affect our decisions. And fear, the most powerful of all negative emotions, can distort otherwise rational views and prevent sales benchmarking from gaining a foothold.

Another objection is “Sales benchmarking won't really work.” The counterargument is sales benchmarking delivers large, company-changing results. It is a “skewed bet” that presents a large payoff when allowed to succeed. The key question to ask when comparing sales benchmarking to other sales ideas is not how likely it is that it will work, but how much will be gained when it does work. It is the magnitude of the outcome that counts.

One additional example of an objection is “Things are going well — we don't need it.” The response is that sales benchmarking allows a company and a sales leader to compare themselves against a large sample size. This raises the bar to what is possible. It is a common occurrence for a sales leader to mine internal data and present it in such a way that makes senior leadership feel good about the results. But when the first quarterly target is missed, the sales executive is greeted with looks of astonishment. Objectivity and external measurement are musts.

### Overcoming Implementation Obstacles

You may be tempted to think that obstacles pose too stiff a challenge. Maybe you are beginning to believe that deployment of sales benchmarking would be too difficult and time-consuming. Overcoming these challenges appears daunting and putting forth the effort seems perilous, but for those who leave their comfort zone to adopt benchmarking, the results will be dynamic — competitors will be eclipsed and business transformed. Despite the obstacles, sales benchmarking can be deployed with success.

For those few CEOs still resistant to the idea that the sales leader should be a key participant in strategy

## Summary: MAKING THE NUMBER

creation, a mountain of literature argues to the contrary. The key to this discussion is making sure that the CEO understands that the sales organization is crucial to strategic plan execution. This justifies a sales seat at the table.

Sales leaders must master the discipline of change management and ensure that their own sales forces do not derail an otherwise well-constructed benchmarking improvement program. Developing staff behaviors conducive to change management will be the best approach to achieving sustainable success with sales benchmarking.

Do you have the organizational fortitude to introduce sales benchmarking? It is true that embracing sales benchmarking can be risky, and there are few sales leaders currently doing so. Many will doubt the worth of sales benchmarking, and you will face some dogged resistance. But persevere, address the obstacles and the results will be dramatic. ●

### Case Studies

Two real-world examples of sales benchmarking follow:

#### Discover Financial Services

##### *Credit, Debit, Stored-value Cards*

In an effort to increase acceptance of Discover Network-issued cards and grow its transaction volume, Vice President of Sales Gerry Wagner and his team have conducted extensive analysis, identifying areas for improvement. They have studied their accounts to determine levels of transaction volume. These metrics, along with several submetrics, are the key drivers of their success.

When Gerry and his team identify a gap in acceptance, they gather external data from sources such as the Nielsen Report to identify partners that can perform the activities necessary to close the gap.

Discover brings innovative offerings to market in an effort to convert more of the available market to Discover transactions. Each product's effectiveness is measured in conversion rates. Each new program has a volume goal, which is then projected on a percentage basis to a group of merchants.

Gerry gathers real-time data comparing actual results to goal results and determines the variance. Armed with this level of granularity, Gerry can speak to his team members responsible for the program and the merchant, and make midcourse corrections in order to drive volume.

Nine years ago, Gerry had approximately 700 people in his sales and service force. Today, he has around 150. The key difference between then and now is that Gerry

now outsources the acquisition of small-business owners to an independent network of sales professionals who work on a commission basis. This has dramatically lowered his acquisition costs, while significantly and rapidly expanding acceptance points for Discover.

Discover invested in the proper infrastructure to sustain its level of performance. It streamlined its processes, allowing for few people to produce high levels of productivity. The resources deployed are focused and the organization's priorities are clear to all.

#### Covad Communications Group

##### *Broadband Innovation*

Covad's leads are generated primarily from three sources: marketing, customer referrals and old-fashioned cold calling. In the past year, David McMorro, executive vice president of worldwide sales, and his team performed a lead-generation benchmark where closed sales were tracked back to the originating activity, with effectiveness measured in terms of closed business per dollar spent generating the lead.

For the first time, Covad could clearly rank lead-generating activities in terms of the returns they produced. These findings revealed that the traditional investments they were making in radio and print were largely ineffective. After deploying a pilot, Covad rolled out a new program focused on search engine optimization. The result was a 30-percent improvement in yield in the first year, measured as a dollar earned compared to a dollar spent.

Covad measures several metrics, including customer churn, deal size, revenue per sales rep, channel yield, rate of upsell/renewal and post-sale cancellation. Covad learned that the primary events leading to customer "fallout" were typically a rough implementation, an outage or renewal time. It has cut its churn in half, but it is still almost a percentage point above the industry benchmark. Customer churn and fallout, the two items that have the largest impact on companywide profitability, will continue to be an area of focus. ●

#### RECOMMENDED READING LIST

If you liked *Making the Number*, you'll also like:

1. ***The Perfect Salesforce* by Derek Gatehouse.** Gatehouse argues that sales is about people, different types of people who excel naturally in different types of sales jobs.
2. ***Exceptional Selling* by Jeff Thull.** Strategist Thull shows readers how to create a different kind of relationship with the customer and use powerful diagnostic principles to reframe the typical sales conversation.
3. ***Driving Change* by Mike Brewster and Frederick Dalzell.** To most people, UPS is a reliable fact of life. But to well-informed businesspeople, Big Brown is a company to emulate. Learn from its success.