

Sales Metrics Provide Tools to Measure Success

Published in the National Association of Occupational Health Professionals May, 2004

By Frank H. Leone

Hardly a week goes by when someone from occupational health salesville does not ask our office for some type of sales norm or metric. The answer is usually, “It depends...”

This issue of the *Advisor* discusses the merits and misuses of metrics, explains their purpose, and provides examples of meaningful metrics.

Metrics may be defined as the measurement of an activity or result to which an organization or program attaches strategic value.

The use of metrics is by no means applicable strictly to the sales function. Metrics can be important and useful regardless of the specific job. Although this piece will address metrics in occupational health sales and marketing, metrics can also be developed and applied to other positions, such as physicians or nurses.

Therefore, the question of which metrics to gather and analyze should be associated directly with a program’s strategic plan. What are your program’s sales goals? How are you going to measure “success?” Exactly what are the expectations for your sales professionals? What incremental measurements are going to support the tactics that your program plans to use in order to achieve this “success?”

Carolyn Merriman, President of Corporate Health Group, states that sales metrics must be consistent with the substance of a program’s sales/marketing plan. A metric must be measurable, traceable, and consistent with the goals inherent in the plan.

Types of Metrics

There are two basic types of metrics:

Results metrics are bottom line-oriented. They can be used to measure total gross or net revenue, segmented revenue by product line, or revenue by company type or sales area (e.g., a specific clinic or delivery point).

Activity metrics (e.g., phone calls, letters, meetings) measure the core activities required to generate the desired results. Ms. Merriman recommends placing a greater emphasis on activity metrics for sales personnel relatively new to sales and/or new to a program, and a correspondingly greater emphasis on results metrics for more experienced professionals.

Different types of sales metrics can be used for a variety of purposes. For example, projected productivity metrics can help a larger program identify the need for and the appropriate deployment of sales/marketing staff. Likewise, sales metrics can be used to establish productivity standards in order to measure and monitor the performance of sales professionals.

Many types of sales metrics may appear useful, but invariably have little value. Classic examples include number of sales calls per week or number of companies “closed.” In the absence of total revenue generated, these metrics offer little value. Sales calls per week mean little if a sales professional is speaking to the wrong companies (e.g., a company with comparatively little volume potential) or to the wrong individual (e.g., a non decision-maker).

Viewed purely as an activity metric, calls per week provide little insight. Combined with the

results of a performance metric, calls per week can serve as a useful activity barometer, but nothing more.

Likewise, “companies closed” can be a deceptive and counter-productive metric. Unless a contractual arrangement is involved (e.g., a physician or nurse placement or on-site service), closing can be highly subjective in occupational health sales. For example, does a smile, a handshake, and a promise to use your program really qualify as a close? Secondly, I would greatly prefer that my salesperson “close” three large, high-volume prospects than 10 minimal-volume prospects. In the absence of a corresponding metric, a salesperson driven to generate as many closes as possible may actually be harming the cause.

Note the Variables

This is where the “it depends” comes in. Defining, tracking, and analyzing metrics would be simple if every sales/marketing model and every market were the same. However, quite the opposite is true: every market and program is unique; therefore every metric plan has its own mosaic. Here are some of the variables:

- ❑ **One vs. multiple staff:** Programs with more than one sales professional must take a different approach to metrics than those with a single salesperson. For example, one must take into account multi-clinic cross referrals and team incentives.
- ❑ **New Program vs. Established Program:** Designing a metrics plan for a new program is relatively easy and straightforward. Not so with an established program in which one has to sort out established accounts and inherent growth/attrition within accounts that may be more a product of the local economy than the salesperson’s performance.
- ❑ **Market Leader vs. Market Challenger:** A market leader should place proportionately more emphasis on business retention than a market challenger. Such relative emphasis should be reflected in the program’s metrics.
- ❑ **Single Market vs. Multiple Sub-markets:** A single market is easier to measure than a program that has outreach to multiple sub-markets.

Examples of Sales Metrics

Nick Kirby, who oversees the sales effort for more than 40 sales professionals affiliated with Occupational Health + Rehabilitation, cited a variety of metrics that he relies on to monitor the performance of the company’s sales force:

1. **“Quality” telephone calls** - A sales professional might be expected to make, say, 40 telephone calls per week (or eight per day) with a “decision maker” or “influencer.” Calls to gatekeepers or to qualify a potential account are not considered “quality” calls. Note that total calls should never be used as a stand-alone measure, per se, but rather in conjunction with other metrics such as appointments and generated revenue.
2. **Face to face sales appointments** - Similarly, face-to-face appointments provide another vital sales metric, but only if defined as quality appointments. A quality appointment must involve “new sales” and likewise involve only a decision-maker or influencer. Mr. Kirby feels that 15 quality appointments per week is reasonable.
3. **Conversion rates** - Rates and ratios constitute a useful application of performance metrics. A salesperson’s conversion ratio (e.g., closes divided by face-to-face appointments) provides some measure of the sales professional’s performance. Note, however, that the two dilemmas (What constitutes a close and is the sales person calling on the best prospects?) are not covered by conversion rates.

4. **Dollar value per relationship** - The total sales value per relationship may be computed either prospectively (e.g., the anticipated book of business given historical standards, projected injury rates) or retrospectively. In either case it adds substance to a salesperson's number of closes.
5. **New revenue per sales professional** - Numerous variables impact the level of desired new revenue per sales professional. Clearly, the larger the market, the greater the opportunity for a sales professional to find new sources of revenue. Further, a state's fee schedule can have a significant impact on this measurement. Salesperson A and Salesperson B can "sell" exactly the same volume and mix of services in adjoining states yet generate markedly different revenue. The term "new revenue" requires review. It is generally defined as a combination of new accounts and incremental revenue from existing accounts.

In addition, a spirited debate exists regarding the relative merit of using gross revenue or net revenue as a program's core new revenue metric. I personally prefer gross revenue because it maintains a strict focus on one thing — generating optimal sales dollars. Others prefer net revenue, as they believe that the sales professional should be actively engaged in the accounts receivable process. Mr. Kirby looks for between \$35,000 and \$55,000 per month in new revenue per sales professional, or a range of \$420,000 to \$660,000 per year. Further, Mr. Kirby assesses performance vs. this metric on a 12-month rolling average — that is, assessing sales performance based on performance over the past 12 months rather than dwelling on a single month's performance.

Mr. Kirby also studies 'opportunities to up-sell' on a sales professional-by-sales professional level. Note per-client gross revenue in two discrete areas: injury care and prevention (i.e., screening exams, etc.). Usually these two figures offer a fairly predictable ratio. If the ratio for a given client company is notably high or low, it may imply an opportunity to up-sell the other service.

Summary

The use of metrics in occupational health sales is essential when planning and monitoring a program's sales effort and evaluating/rewarding sales personnel. Metrics can be valuable, but they can also be meaningless or even misleading. As with the sales plan itself, a metrics plan must be carefully conceptualized and studiously followed.

