How to Beat Your Sales Revenue Targets

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and Sales Budgets, Year In, Year Out!!!

By Eric Gelb, The Revenue Miner™

In my early days as a sales professional, my mentor taught me that the best way to meet your sales revenue targets or sales goals is to break down your sales budget into bite-sized pieces, on both a quantitative and qualitative basis.

Quantitative means by the numbers and qualitative means quality or caliber, for example how well your products and services meet your customers’ needs.

The formulas and techniques featured in this handy article are designed to help you increase your sales by improving the quantity and quality of your sales, in other words improving your ‘hit ratio’ – the number of sales you close as a percentage of the number of sales calls you make.

First, let’s tackle the Quantitative:

In order to ensure that you achieve your sales targets or sales budget, be sure to follow these four relatively straightforward math calculations to help guide and focus your sales calling efforts and actions:

Calculate How Many Sales You Need to Close, the

Amount of Repeat Business You Expect to Generate and

How Many Sales Calls on New Customers and

Target Customers You Need to Make

1. Determine Your Average Sale Price or Average Selling Price

If you are like many businesspeople and sales professionals, you sell a variety of products and services at different price points, some higher priced items and some lower priced items. Calculate your average selling price; that’s your total sales revenue divided by the number of items sold. An estimate will work just fine.

Let’s assume:

o Your average ticket size (sale price) is $2,300, and

o This year, you want to generate $250,000 in sales revenue.

o As you know, Total Sales Revenue = Price x Quantity (or P x Q) or:

o Total Sales Revenue = Price(s) of goods sold multiplied by quantity of goods sold plus Price(s) of services sold multiplied by quantity of services sold.

This means that you need to close 108.7 sales ($250,000 revenue target ÷ $2,300 average sales price) or 109 sales.

2. Estimate How Many Repeat Purchases You Will Generate

Repeat purchases means the number of customers who bought from you last year and will buy from you again this year (repeat purchases).

Suppose that last year you closed 85 sales and you estimate that based on your sales history 35% of your customers will buy from you again
So, you expect 29.75 repeat purchases (35% of 85 sales or 0.35 x 85)
Let’s “round down” to 29 repeat purchases
Let’s call this your “Repeat Sales Factor”
If you need to close 109 sales to meet your target sales revenue and expect 29 repeat purchases, you need to close 80 new sales (109 total sales minus 29 repeat purchases).

Depending on your level of certainty and level of confidence about your customers’ likelihood and urgency of making a purchase from you and the current business climate, you may want to give your estimated Repeat Sales Factor a haircut of 10%, 20% or 30%, etc.

In other words, if you assume that only 80% (a 20% haircut) of your expected or typical repeat purchases will occur, then you have to make more sales calls to achieve your sales budget. The haircut forces you to increase the volume and pace of sales calls you make on prospects, customers and new customers.

3. Calculate Your Sales Closing Ratio

Some sales professionals call your Sales Closing Ratio your ‘Sales Hit Ratio’ or ‘Hit Ratio.’

Review your sales records or sales call log to determine the percentage of sales calls you typically close, for example last year or the average percentage of sales you closed over the past few years.

To calculate your Sales Closing Ratio, divide the number of sales you closed by the number of total sales calls you made.
Compare like or similar periods, for example this year versus last year and/or Quarter 1 of this year versus Quarter 1 of last year. Analyzing quarterly and monthly performance is especially important if your business is seasonal.
Suppose for every 100 sales calls you made you closed 32 sales
Then, your Sales Closing Ratio or Hit Ratio equals 32% or 0.32 (32 ÷ 100)

Consider adjusting this number up or down depending on your view of how this year’s business environment compares to last year’s. In other words, do you expect to close more sales calls this year than last year or fewer?

4. Estimate the Number of Sales Calls You Need to Make on Target Customers to Meet Your Sales Revenue Goal

Here’s the key—the gold nugget—in this success formula. If you want to generate a certain monetary amount or dollar value of sales revenue and you expect to close a certain amount of sales from your existing book of business (existing customers, repeat purchases), then you have to make a certain number of sales calls on new customers and target customers to achieve your required number of hits (or closed sales) and your sales revenue goal.

In this example, if you need to close 80 new sales and your Sales Closing Ratio equals 32%, then you need to make 250 sales calls (80 ÷ 32% or 80 ÷ 0.32)

Make sure you schedule enough appointments (sales calls) every week and every month to ensure that you achieve your goals. For example, if you need to make 250 sales calls and there are 48 working weeks in a year, you should make 5.21 or 6 sales calls every week (250 ÷ 48)
By the way, the above calculation assumes you can make six (6) sales calls Every week. Depending on your business, it may be unrealistic to assume you will make the same number of sales calls every week.

We recommend that you front end (move up) the sales calls, especially early in the year and early in each quarter; in other words, instead of making the 6 sales calls per week in our example, make 10 or 12 (of course, this depends on the type of business you are in) to get ahead of plan.

This strategy will help you build sales momentum and give you a cushion in the event the sales process slows down or you are unable to schedule enough high quality and productive sales calls.

Also, be sure to balance the quality of sales calls and the timing. Every day counts and while it’s important to make sales calls, the key to success is to meet with qualified prospects and close sales, not just meet people and sip warm cups of coffee.

This framework gives you a pathway or methodology to help you create a sales plan (calling plan) that helps you achieve your sales revenue goals.

But, of course there are many variables to consider and it’s essential to track your progress regularly: weekly, monthly, quarterly, etc. to make sure your ratios still hold and you are on track to meet your goals. Make adjustments as appropriate to ensure that you achieve your sales goals.

And now for the Qualitative:

The first question to ask yourself is: Are You Targeting the Right Types of Customers?

In other words are you channeling your sales efforts towards those people and types of people who are the most likely to make a purchase from you or want to purchase your goods and services?

As you can appreciate, you are much more likely to sell a ham ‘n egg sandwich to a starving man than to someone who just ate two dozen eggs and five slices of toast. . .

In other words, your prospects and leads must be interested in your offering.

Are You Reaching the Key Decisionmakers – the person or persons who can actually make a final purchase decision and sign the purchase order and authorize the purchase? You can hold sales call after sales call, but if you’re talking with the wrong people or the prospect ain’t buying, you won’t close a sale.

Marketing Message: Is Your Brand Message Clear and Marketing Message? Does Your Message Resonate With (Appeal to) Your Target Audience?

In order to help you close more sales, your marketing message and branding has to actualy reach your target customers and also be crystal clear. Today more than ever, we are bombarded with an overdose of marketing messages—from traditional media outlets plus the Internet and cell phones—so it’s very difficult to get your message through the clutter.

In addition, over time, messages and customers change and customers’ interests and needs change too. Be sure your message is up-to-date and fresh and you are sending your message to the right people in a way that they understand the benefits your products and services provide.

Seasonality. What degree are your products and services seasonal? In other words, do your customers purchase your products and services evenly throughout the year or are your sales lumpy? Do sales rise or fall in the Summer? In the Winter? Take seasonality into account when you plan your sales calls.

The Economy. Depending on your offering, the economic cycles—booms, busts and recessions and inflation—may help you or hamper your sales efforts. Take the economy into account when you organize your sales calling effort and plan your sales calls.

Lead Time / Sales Cycle. Depending on how long your sales cycle is—that’s the amount of time it takes to get a sale closed and get credit for the revenue—you may have to double or triple your sales efforts to achieve your sales revenue budget.

In a slower economy, the sales process, for example buying decisions, tends to be slower and you’ll need more time and effort to close a sale. You may have to redouble your efforts to make appointments, demonstrate the value your offering provides and connect with the decision-makers two or three times (2 or 3x) to close the sale.

Follow these handy selling techniques and rules to help you beat Your sales revenue targets, year in, year out. Please contact The Revenue Miner if we can help you find new revenue, expand your customer base and close more sales more quickly.

Eric Gelb, The Revenue Miner™, specializes in helping small and medium-sized companies find new ways to generate revenue and expand their businesses. Eric unearths new revenue and new profits in the most unlikely places. The Revenue Miner™ creates innovative and valuable opportunities and sales and marketing programs in the most obscure places. Eric will drive new ideas, energize your organization and your management team and help you create new ways to put more money in your pocket!

Eric is a copywriter, marketing genius, entrepreneur and professional speaker (Eric would be delighted to present and work with your group). He also has an extensive financial background including a CPA and MBA and over 15 years’ work experience with Citigroup and JP Morgan Chase bank. Eric’s favorite supreme value-added service is his one-of-a-kind Revenue Miner™ Business Makeover, specially tailor-made for you and your organization.

Email: EricGelb@RevenueMiner.com

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