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## A Profitable Growth Formula for Sales Managers

Sales organizations that successfully achieve profitable revenue growth do so through a sales system encompassing sales focus, the integration of organizational and people competencies, a balanced focus on new customer acquisition and current customer penetration, and employee engagement.

These organizations match sales resources to the best opportunities, often overlooking customary territorial boundaries or customer assignments and applying a “best in front” approach in the allocation of resources to high value opportunities. They’ve adopted cross-functional team selling approaches – emphasizing collaboration to deliver value-adding solutions and hold sales/service teams accountable for improved customer-level results. In addition, they utilize their full organizational capabilities, and those of their external partners, to create an integrated product/service offering that enhances their customers’ business results, differentiate their value proposition from the competition, increase the average deal size, “win” the sale, and build durable customer relationships.

While highly effective sales organizations emphasize new customer acquisition, they also recognize that creating new customers is more expensive than penetrating current accounts. Furthermore, they know the temptation is great to discount the initial sale to “get in the door” – producing less profitable business through an expensive sales effort. So, they balance new customer selling with a focus on “deep drilling” current customers with existing and new products. They are also sensible about discounting. Pragmatic sales leaders know when and when not to discount, recognizing that in the long run significantly more discounted revenue is needed to equalize the profit generated from non-discounted sales.<sup>1</sup>

Sales representatives in growth-focused sales organizations spend at least 55% to 65% of their time on direct sales activities. Their leaders achieve this concentration by:

- Optimizing the number of current and prospective customers assigned to a salesperson;
- Right sizing the technical and customer service personnel supporting the sales effort; and
- Providing and insisting upon the utilization of sales automation tools to move opportunities through the sales funnel, create administrative efficiencies and facilitate effective customer management.

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<sup>1</sup> For example, assuming a 50% gross profit margin and a 20% discount, a salesperson must capture 25% more revenue to achieve the gross profit generated on a non-discounted sale. The amount of revenue needed to equalize the profit expands as the discount is increased.



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Sales leaders that are successful at growing profitable revenue understand the negative impact of turnover and the associated affect of uncovered or inadequately covered customer relationships on growth. They strive to retain their sales people by implementing practices that create employee engagement and a passionate commitment to growth. Among these are, creating organization-wide accountability for results, setting goals set at the individual sales person level, defining minimum performance thresholds below which no incentives are paid, and uncapping incentive opportunities.