CAPONI PERFORMANCE GROUP, INC.
Creating Top Performers

Maximizing the ROI of Art on Appointment Making Sales Training

So you're contemplating the investment of sales training for the appointment making (cold calling) stage of your buying cycle. If you're like most of our clients, you'd like to know two things: 1) what will the return on your investment with CPG be; and 2) how can you sustain that return in the best way possible for the longest period of time?

Virtually all sales training will provide a spike in activity and results. Some of that frankly comes from the attention and focus you give to the topic by investing in sales training. 'Sales professionals will respect what you inspect'. Sales professionals, left to their own devices will generally do nothing to 'sharpen the saw' from time to time. It is their nature to be focused on 'doing' the job. As a matter of fact, according to a survey in *Selling Powe*r Magazine a few years ago, only 10% of sales professionals do anything during a typical year to improve their skills. Making the time to address technique and process, by its very nature signals your concern

Having said that, we believe there are two methods to increase the ROI and simultaneously sustain the ROI longer when investing specifically in appointment setting skills. First is the follow-through process we build into our programs. Taking dedicated sales professionals out of the field for training will necessarily put (the busy ones anyway) further behind in their daily tasks. (It is one of the reasons why we build a phone blitz into our programs – making the workshop 'productive' time in their eyes.) The next day, when you hope they are going to begin to apply their new found skills, they are so busy catching up; very few will make the time to make the new skills second nature. Some of the skills will be easy enough to apply with little effort, but many do take time, thought and effort. So we build in a two step process. The first is a homework assignment that focuses them on the most important skills learned and the process necessary to apply them. The second is a series of three one hour conference calls (usually in conjunction with your standard sales meetings) designed to review and practice their new found skills. These sessions are usually spread out over a six week period, taking advantage of Stephen Covey's theory that it takes a minimum of 21 days to break an old habit and replace it with a new one. Harvey Mackay, author of many books on selling, also says, "Practice does not make perfect; perfect practice makes perfect." These follow-through sessions provide a check to see if they are applying the skills, as well as a 'course correction' ability to get the 'perfect practice', Harvey alludes to in his quote.

To sustain the ROI, however, over a long period of time, we recommend the implementation of a software product called Klpz. The use of Klpz Prospecting can dramatically change your culture of prospecting. While the speed and quality of the pursuit process is the initial attraction, the ability to collect precise and credible metrics is perhaps the most valuable reason to include Klpz as part of a call program. Only with these metrics can you monitor, measure, and therefore manage to the continued application of these newly learned skills.

We all know that sales is a numbers game, it's just hard, if not impossible, to track the prospecting numbers. Klpz can solve that problem; so let's review how those cold calling "numbers" can justify your investment in a complete program that includes training, ongoing coaching and the use of Klpz Prospecting.

You only need only five numbers to calculate the ROI for implementing a new call program. And, as you will see, your numbers don't have to be especially accurate to make a sound judgment on whether there will be sufficient return on the investment. For most companies, the numbers they keep are less than credible or non existent. However, even in those cases, a meaningful ROI can be calculated.

The numbers are:

Average Value of an Order: Take the total amount of revenue from customers generated from cold calling and divide by the number of new customers. Some companies value an order based on monthly recurring revenue while others use total contract value. Whatever measure of value you use is fine.

Closing Ratio: The percentage needed here is the number of orders closed relative to the number of initial meetings attended. If you had 8 orders from 32 initial meetings, your Closing Percentage based on initial meetings would be 25%.

> Many companies calculate Closing Percentage using *proposals generated*, instead of initial meetings. If so, you will want to account for the fact that not all initial meetings result in a proposal. For example, if 60% of your initial meetings go to proposal and you close 30% of the prospects who get a proposal, then your Closing Percentage based on initial meetings would be 18%. (60% x 30%=18%)

Initial Meeting (IM) Ratio: What percent of the time during cold calling do you convert a conversation with a suspect into an initial meeting?

Conversation Ratio: How many times out of 100 dials do you have a conversation with the person with whom you want to set an appointment? This is the number of times you dial the phone: not the number of companies you are pursuing.

Dials: How many times did you dial the phone during the year? These are total dials regardless of how many suspects you were pursuing.

Now that you have collected these numbers, or have determined that you just don't have them, let's focus on three of those numbers and ask two questions directly related to calculating the ROI of a new program:

1. Could I reasonably expect that current performance in any one of the three areas of Dials, Conversation Ratio and IM Ratio could be improved?
2. If so, which ones and by how much?

If the answer to the first question is yes, let's use a simple calculator to explore the impact of the answer to the second question. The real leverage in cold calling is that all performance improvements go directly to increasing revenue. Let's use a simple calculator to see how this works. (This calculator is available for free from Caponi Performance Group.)

In this example, the sales rep sold $292,500 in new revenue from cold calling last year. The **Average Value of an Order** was $7,500. For every four Initial Meetings made the sales person sold one for a **Close Ratio** of 25%. When prospecting, a Initial meeting was set from 3 out of every 10 conversations, so the **IM Ratio** was 30%. A conversation was generated from 15 of every 100 dials for a **Conversation Ratio** of 15%. The total **Dials** made during the year were over 3500.

	$292,500	Revenue From New Customers
$7,500		Average Value of an Order
	39	New Customers Needed
25%	158	Close % = Needed First Appointments
30%	528	Appt % = Needed Conversations
15%	3520	Conversation % = Needed Dials

In order to increase revenues, let's focus on increasing one of these three cold calling metrics.

	$322,500	Revenue From New Customers
$7,500		Average Value of an Order
	43	New Customers Needed
25%	174	Close % = Needed First Appointments
33%	528	Appt % = Needed Conversations
15%	3520	Conversation % = Needed Dials

In this example, the sales rep focuses on doing better at converting a conversation into an initial meeting. The goal is a **10%** increase in his **IM Ratio** to **33%** from 30%.

The result would be a **$30,000** increase in revenues. Assume that you have a gross margin of 30%, and measure ROI against the increase in gross margin of $9,000. If the total annual cost of implementing a new program: Art training, follow-through consulting on Art, Klpz set-up, training and one year of usage were $2500; the ROI would be **360%**.

Multiple improvements can leverage incredible impact. In this example, if the sales person had also increased each of the other two cold calling metrics by 10% revenues would approach $390,000, or a **33%** increase.

Managing with metrics is real control. If you do not have current metrics, Klpz will justify itself simply by being there; whatever you focus on will improve to some degree simply because of the increase in focus. Additionally, the ratios that Klpz automatically generates for you will provide guidance on where to focus remedial 'Art' when results begin to fall off. No longer will you be saying, "Make more calls." You'll know exactly where the struggle is because the ratios will tell you. It will also provide an early warning system to head off revenue declines. How does it do that? When initial meetings begin to fall off, (most likely because focus is on closing the deals that are in the funnel) revenue will soon follow directly after the funnel is cleared and no new prospects were put in the top of the funnel.

So, let's do **your ROI calculation** and assume that your current cold calling metrics are not all that accurate, but you do know your **Average Value of an Order** and your **Closing Ratio.**

The example below shows why you can calculate a credible ROI without precise knowledge of your starting points. This is predicated on two facts:

1. Whether you know what they are or not, you have a set of cold calling metrics. They do exist and they can be improved.
2. Improvement in any, or all, of the three cold calling metrics will have a directly proportional impact on revenue.

In this example, you don't know any of the three cold calling metrics. However, you can guess at your **Close Ratio** and would expect to increase at least two of the metrics by 10% each.

- The first panel is your current performance.
- In the second panel, you should be able to increase your **Dials** by 10% because Klpz allows you to make more dials in the time currently allotted to cold calling. That results in an 11% increase in revenue.
- In the third panel you also increase your **IM Ratio** by 10% because of better skills learned in your Art training. The total increase in revenue becomes 23%.

The $24,000 increase in sales easily justifies the costs of the new calling program.

Quota From New Customers		$102,000		$114,000		$126,000
Average Value of Close	$6,000		$6,000		$6,000	
New Customers Needed		17		19		21
Close % = Needed First Appointments	20%	88	20%	96	20%	106
Appt % = Needed Conversations	?		?		10%	
Conversation % = Needed Dials	?	?	?	10%	?	10%

Note: The increase in IM Ratio experienced by the average CPG client is 80%.