

## 14.2: Managing Yourself, Your Income, and Your Results

### Learning Objectives

- Understand how to manage yourself as a selling professional.
- Learn the keys to managing your time.
- Identify the elements that drive your results and income.

So imagine that you landed your dream job in sales, you've been to the corporate office for training and orientation, you've set up your home office, and you've picked up your company car—now what?

Sales is a challenging, exhilarating, demanding, and rewarding profession. You want to be successful and enjoy what you do, but you really haven't had a chance to focus on the actual job between graduation and job interviews. Here's your chance to look ahead to how you learn the day-to-day activities that go on in the profession of selling, identify the resources to help you be a partner to your customers, and bring success to yourself and your company. It sounds like a tall order, but it's easy when you have people to guide and support you.

### Be an A-Player

No matter what job you have or what company you sell for, you can and should be an “A-Player.” That means being the best at what you do. You don't have to be a celebrity or a person who went to Harvard, according to blogger Auren Hoffman in her April 2009 post “The A-Player Janitor”: “An ‘A-Player’ by definition is incredibly productive and smart and has that ‘it,’ that rockstar-esque factor that makes everyone want to work with her.” Valeria Maltoni, “How Do You Become an A-Player?” Social Media Today, April 17, 2009, [www.socialmediatoday.com/SMC/85675](http://www.socialmediatoday.com/SMC/85675) (accessed September 4, 2009). Her point is that hiring managers want to hire the best person for every job. So you don't have to be an A-Player in everything, just be an A-Player in the *one* thing you do best. Auren Hoffman, “The A-Player Janitor,” Summation Blog, April 9, 2009, (accessed September 4, 2009). Find your sweet spot and focus on it. In sales, being an A-Player means connecting with customers. You might be surprised to learn what makes someone an A-Player in sales according to this video.

### Sales Podcast

What Makes an A-Player?

THE #1 THING THAT WILL MAKE YOU AN A-PLAYER IN SALES TODAY - SALES PODCAST

<https://youtu.be/2qhrafD2Lqs>

### Managing Yourself: Making the Most of Your Resources

“The best part of a career in sales is that it is undefined,” according to Ann Devine in a recent article on The Black Collegian Online. Ann Devine, “Is a Career in Sales Right for You?” The Black Collegian, <https://imdiversity.com/channels/eon/the-black-collegian-online/> (accessed September 14, 2021). Every day is completely different; some days you will be researching leads, and other days you might be making a presentation to a prospective customer. This exciting, unstructured, and sometimes unpredictable environment rarely gets boring. But it's this lack of structure that can present a challenge in choosing priorities and accomplishing goals. Those who are successful realize how to manage themselves and their time and use the resources that are available to them from their company, their colleagues, and their community.

You might be wondering what managing yourself means. When you are in sales, one of the most important jobs you have is being sure that you have clear direction about what you want to accomplish and what you need to do to get there. Even though you are used to managing yourself and your time at school, it can be a daunting task to be responsible for calling on customers and generating sales, especially if you are based in a location remote from the company office such as your home office. So first things first—identify your resources. Even though you're traveling solo, you are not alone.

### Manage Yourself for Success

A great salesperson starts with great habits. Here are a few tips from Richard E. Goldman, author of *Luck by Design: Certain Success in an Uncertain World*.

- **Learn by doing.** Take the initiative to seek out information and teach yourself how to do things; the power of learning is by doing.
- **Make your own choices.** You might not have all the information you need at the time, but the best decision is the one you make. Don't let someone else make your decisions for you.
- **Believe in yourself.** You got this job because you are smart and talented. Don't ever believe you can't succeed.

### WHAT HAPPENS WHEN YOU BELIEVE IN YOURSELF | Steve Harvey Jump Motivational Speech



#### Ride-Alongs

One of the best ways to learn the ropes and get the inside track is to go on ride-alongs (also referred to as shadowing) with colleagues, traveling with an experienced sales rep or sales manager to make sales calls. The video ride-alongs at the start of each chapter are a virtual way for you to get some powerful insights from experienced sales professionals. Sometimes a ride-along is included in the interviewing process; it's an opportunity for you to experience firsthand exactly what the job entails and for the company to see how you react in the selling environment before you get a job offer. Other times a ride-along is an training opportunity that takes place after you've been hired. Either way, always take advantage of as many opportunities as you can to ride-along with experienced salespeople. There are some tips that will help maximize your ride-along experience.

- **Always be professional.** It is likely that you will be traveling with a salesperson or sales manager at least for a day and sometimes for a week or longer. Even though you will get to know each other, always remember your role on the ride-along.
- **Avoid highly personal or inappropriate topics.** While it's always appropriate to tell the truth, it's best to avoid controversial topics, especially as they relate to the company.
- **Mind your manners and avoid alcohol if you go out to lunch or dinner.** Since you will ultimately be in the role of entertaining clients, the person with whom you are riding will undoubtedly be watching your social behavior.
- **Above all, be yourself.** You won't be able to learn if your focus is on acting in a way that isn't natural. "What Do I Do on a Sales Ride Along?"

#### ✓ Link

[Sales Ride ALong #1 - Low Sales Motivation & How it Happens](#)

[Sales Ride Along #2 - Sales Motivation & the Fundamental Attribution Error \(FAE\)](#)

[Sales Ride Along #3 - Sales Process versus the Selling Process](#)

[Sales Ride Along #4 - How to Sell the Gain, Magnitude and the Perceived Buying Effort](#)

[Sales Ride Along #5 - Buying Process, Buying Triggers and the Selling Process](#)

[Sales Ride ALong #6 - Great Leaders Sell Goals, Ideas, Vision, Enthusiasm & Themselves](#)

#### Use Your Sales Manager

Many salespeople don't realize that their **sales manager** (i.e., the person to whom they report) is ultimately responsible for delivering the company's sales goals. As such, the sales manager wants to do everything he can to help his salespeople be

successful. Even before you start your job, it's a good idea to touch base with your sales manager. Chances are you interviewed with him, so you probably have his contact information. A good way to get off to a great start is to send him a handwritten thank-you note after you've accepted the position. What better way to start a new relationship than with a personal note.

Your sales manager can be your most important source of company information as well as customer insights. He had a lot of experience selling before he became a sales manager, and he would likely share his insights to help you be successful. Not only can he make your job (and your life) easier, he can teach you a lot about selling. It's always a good idea to keep your sales manager updated with the status of your customers and prospects. He will appreciate your proactive and regular updates about the standing of each lead and customer in addition to your regular one-on-one meetings, staff meetings, or conference calls.

Sometimes new salespeople are nervous about asking questions of their sales managers, which is natural. It's best to remember that your sales manager doesn't expect you to know everything. Your questions show him that you are interested in learning more about the business from him and help him identify what areas would be most beneficial for coaching. Your sales manager can be a part of your success story. Ask questions, ask his opinion, keep him in the loop, help make him look good, and you will have a relationship that works and grows.

Just as communication is important with customers, it is critical to building your relationship with your sales manager. He probably has a **span of control**, or the number of people reporting to him, ranging from a two to twenty or more people. It's important to understand the organizational structure of a sales department. While each company is different, the basic structure of a selling organization is shown in Figure 14.2.2 In some companies, salespeople may be responsible for a city or cities, region, or other geographic area. This is called **territory management**. In this case, salespeople, usually called **territory managers**, are responsible for the customers in their specific geographic area. This organizational strategy helps minimize the amount of travel time between customers.

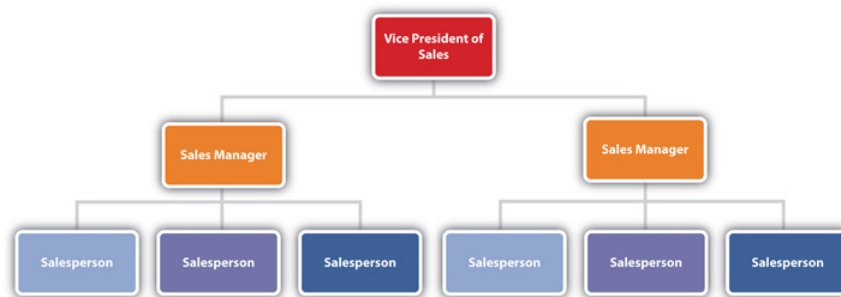


Figure 14.2.2: Sales Department Organization Chart

In other companies, salespeople may be responsible for specific brands, products, or product categories. In the case of food manufacturers, these categories might be noncarbonated beverages, prepared meals, or dairy products. In the professional services arena, the organization might be vertical, such as retail sales, financial services, or health care. This product or category approach may require salespeople to travel to customers in various parts of the country based on the needs of the customers. It requires the salesperson to develop expertise in a specific product or discipline. These sales positions may have titles such as account manager, product manager, or sales rep. The different types of sales positions are discussed in more detail in Chapter 2.

## Resources and Resourcefulness

The company you work for, whether it is large or small, has resources. A laptop, the customer relationship management (CRM) system, your expense account, the company owner, the human resources department, accounts receivable department, and others are all resources that can help you do your job. Take the time to explore all the resources when you start with the company. In larger companies, you will most likely participate in an orientation session or process frequently referred to as **onboarding** to learn about how the company operates and how you can take advantage of resources to help you do your job. In a small company, the process is less formal and requires you to be more proactive about understanding what's available. Either way, it's your responsibility to explore and understand your resources. Remember that all the skills you use when you are communicating with customers are the same when you are communicating inside your company: build lasting relationships that are mutually beneficial. While every company is different, here are some internal resources that are available in most companies.

- **Human resources department.** Whether you work for a large company or a start-up, it's a good idea to know the key people in HR. Chances are, you interviewed with someone in the department, but don't stop there. Continue your relationship by learning

who handles employee relations (for questions about the company policies or an ethical dilemma) and who handles benefits (for questions about medical, dental, other insurance, 401(k) plan, and other company benefits).

- **Finance department.** You'll want to get to know the people who handle accounts receivable. Since most salespeople are responsible for collections, you will most likely be working closely with people in finance, accounting, or accounts payable. They can provide helpful information about company processes and policies for payment of invoices. You're not the first person to be challenged by customer payment issues, so take advantage of their knowledge and experience.
- **Procurement or product development department.** Whether you are selling a product or a service, you will want to know those who make the decisions about exactly what will be available for sale. Customers may have specific questions about the performance of the product or service that you may need some additional information to answer. In addition, building a relationship with people in this department will help give you insight into what will be available in the future. More important, it will help you provide input and feedback based on the customer's perspective.
- **Marketing department.** The people who are responsible for getting the word out about your company's brand are important to know. You can get insights about advertising, promotions, and other communication activities. You can also get important information about future plans and help shape the marketing plan for the future based on your experience with customers.
- **Information technology department.** Everything from your laptop to your reports is supported in the IT department. It's especially important to get to know the people who man the help desk. Chances are, you will have a technology emergency at some point in time so it's best to build a strong relationship from the start.
- **Other salespeople.** Create relationships with the best-performing salespeople so you can learn the best practices. Go on ride-alongs and learn what makes them successful.
- **Other resources.** Explore the CRM system and company intranet, especially the online communities. This is an excellent way to learn about how sales were won, see examples of successful proposals, and learn about best practices of the top performers.

#### ✓ Power Selling: Lessons in Selling from Successful Brands

##### School of Hard Rocks

Imagine going to employee orientation and getting the employee handbook that looks more like a comic book than a manual. That's how Hard Rock Café onboards its mostly millennial sales force of wait staff and other support roles during its one-day orientation. Jim Knight, senior director of training and development, completely revamped the company's School of Hard Rocks corporate university. Knight used comic books as his inspiration and got employees involved in telling the Hard Rock Café story; all the illustrations and photos in the handbook were done by Hard Rock employees. The results are impressive: employee turnover rate is now fifty-five points lower than that of the industry.

Besides using company resources, it's also important for you to stay on top of changes in technology, not only to be effective but also to redefine practices. In fact, Helen Hast, a professor at the Harvard Graduate School of Business, has identified managing technological change as one of the five core competencies for the twenty-first century. According to a recent article on BNET, she said, "When we have a new tool, we first use it for what we are already doing, just doing it a bit better. But gradually, the new tool changes the way we do things."

## What Are 21st Century Skills?

21st Century skills are 12 abilities that today's students need to succeed in their careers during the Information Age.

### The twelve 21st Century skills are:

1. Critical thinking
2. Creativity
3. Collaboration
4. Communication
5. Information literacy
6. Media literacy
7. Technology literacy
8. Flexibility
9. Leadership
10. Initiative
11. Productivity

## 12. Social skills

These skills are intended to help students keep up with the lightning-pace of today's modern markets. Each skill is unique in how it helps students, but they all have one quality in common. Source: <https://www.aeseducation.com/blog/wh...century-skills>

While resources are important for you to be effective in sales, it's resourcefulness that will make you successful. Tony Robbins, "Tony Robbins: Why We Do What We Do and How We Can Do It Better," below. Think about it: Evan Williams, Biz Stone, and Jack Dorsey figured out a way to make Twitter—the microblogging site they founded in March 2006—one of the most popular Web sites in the world without the use of traditional advertising to spread the word.

It would be hard to argue that Williams, Stone, and Dorsey had all the resources they needed to launch this hugely successful Web site; they had no money for advertising, or anything else for that matter. But they were resourceful about getting people to try their new service, use it, and engage with it. While you might not invent the next Twitter, you can certainly sell the next big idea by using your resources and being resourceful.

### Why We Do What We Do | TED Talks | Tony Robbins



### Managing Your Time: Organizing and Prioritizing

Depending on the type of business you are in and the company you work for, you might have as few as one customer and as many as a hundred or more. You might be wondering how you determine which customers to call on each day, how much time should be spent on prospecting versus calling on existing customers, how much time should be devoted to nonselling activities such as travel, paperwork, and internal meetings. While there is no hard-and-fast answer to these questions, your goal should be to spend as much time as possible with customers or prospects. It's impossible to sell if you are not in front of a customer.

Consider this: Salespeople spend approximately fourteen hours a week engaged in face-to-face selling. That means that 70 percent of the time, in an average forty-six-hour workweek, salespeople are doing something other than face-to-face selling. Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value* (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 31. See Figure 14.2.3 for a complete breakdown of activities.

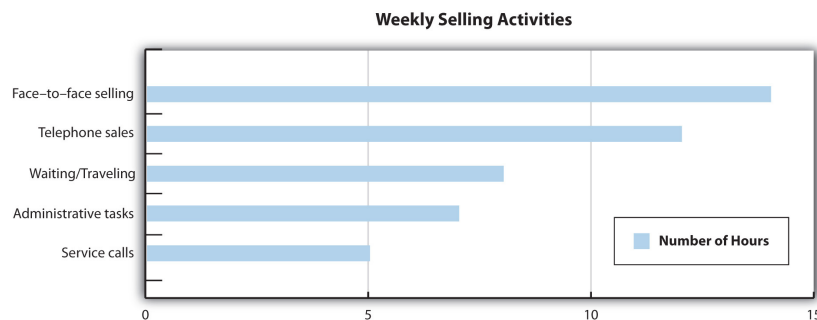


Figure 14.2.3: Activities of Salespeople in an Average Workweek Data from Gerald L. Manning, Barry L. Reece, and Michael Ahearne, *Selling Today: Creating Customer Value* (Upper Saddle River, NJ: Pearson Prentice Hall, 2010), 31.

Since your objective is to spend as much time as possible with customers, you'll need to balance where you physically spend your time and with which customers you spend it. This is where territory management strategies come into play. Based on the **call cycle**, the frequency at which you call on each of your customers, and where each is located, you'll develop a plan to call on your existing customers and allow time for prospecting. In other words, you will need to have a plan to invest your time wisely to meet your goals.

To plan your sales calls, you'll need a map (Google maps or MapQuest) and sales and potential sales information by customer (your company CRM system should include some, if not all, of this information), and your call cycle. Identify the location of each of your customers with a red dot or push pin. Then, divide your territory into sections by geography (designated as one, two, three, etc.), this can become the basis of your territory management plan. Review your customer data, including current sales and potential sales, to organize and prioritize your customers and calls. Figure 14.2.4 includes an example of a territory management worksheet.

Customer	Current Sales	Potential Sales	Territory Section	# of Calls per Month (call cycle)
A	\$3,000	\$10,000	1	2
B	\$2,000	\$3,000	1	Once every other month
C	\$10,000	\$10,000	1	2
D	\$1,000	\$6,000	2	1
E	\$3,000	\$12,000	2	2
F	\$2,500	\$3,000	2	1

Figure 14.2.4: Territory Management Worksheet

Based on this, you would plan your route so that you are making calls in one section of your territory on a given day, then covering another section on another day. This will ensure that you regularly visit your best customers and those with the most potential for growth, minimizing your travel time. While this might seem like a lot of work to do, it will save you time in the long run and help you increase your sales...and your income.

### Time Management

I am definitely going to take a course on time management...just as soon as I can work it into my schedule.

Louis E. Boone

If you've ever felt this way, it's time to focus on **time management**. Salespeople get paid on results, not on the number of hours worked. As a salesperson, there are so many demands on your time: client needs, internal meetings, follow-ups, proposals, phone calls, e-mails, text messages, and the emergency du jour. All these can be time thieves, or activities that literally steal your time away from selling. You can easily fill your days with demanding tasks like these that really do not bring value to customers or ultimately close sales. Keep in mind that according to renowned sales consultant and motivational speaker Zig Ziglar, "Nothing happens until someone sells something. To understand how to avoid getting caught up in the daily sea of details, it's a good idea to

realize why these interruptions and administrative demands consume your day. Here are three key reasons that time can get away from you:

- **Poor planning.** Avoid getting caught up in the moment and make a plan every day of selling activities—not time-fillers—that you want to accomplish. True selling activities include things like identifying six new prospects, setting up three appointments for the coming week, or closing at least one sale. “Write your top three outcomes at the top of your plan” is good advice. John Hacking, “Time Management for Sales People.”
- **Procrastination.** Fear of rejection causes many salespeople to stay involved in meaningless tasks. It’s hard to get an appointment with a customer, as they don’t always have time to give to salespeople. Customers want true solutions, not a sales pitch. It takes time, research, and creativity to really understand a customers’ business.“
- **Making tasks too big.** Thinking about how long it takes to go from identifying a prospect to actually closing a sale can sometimes make the job seem overwhelming. Sales success comes from a series of wins, not one home run. It’s best to set short-term goals to make steady progress toward the larger, longer-term goal.

### Mastering Time Management

While there are many theories on the best way to manage yourself and your time, one of the best resources is *The Seven Habits of Highly Effective People* by best-selling author and management expert Stephen R. Covey. The book is based on seven principles that appear to be simple, but provide a framework to make you more efficient, effective, and successful.

- **Habit 1: Be proactive.** Take ownership and control your environment.
- **Habit 2: Begin with the end in mind.** Develop personal leadership that helps you stay focused on your goals.
- **Habit 3: Put first things first.** Avoid distractions and time wasters with personal management; this is the essence of time management.
- **Habit 4: Think win-win.** Build success through cooperation with others, not on a win-lose attitude.
- **Habit 5: Seek first to understand, then to be understood.** Develop strong relationships by listening and understanding.
- **Habit 6: Synergize.** See and appreciate what others have to contribute.
- **Habit 7: Sharpen the saw.** Focus on self-renewal in four areas: spiritual, mental, physical, and social/emotional.“The Seven Habits of Highly Effective People,”

### 7 Habits of Highly Effective People - Habit 1 - Presented by Stephen Covey Himself



Covey’s philosophy has been embraced by so many that his consulting firm, FranklinCovey, advises thousands of people and companies around the world. His time management and personal planning tools are very popular with a loyal following. You can learn more about Stephen Covey and his philosophy at <https://www.franklincovey.com/>.

### ✓ Video: The New Selling Era: Lessons Learned in 2020



### ✓ Top Three Time-Wasters for Salespeople

Selling is all about making things happen. But sometimes salespeople can get sidetracked doing tasks that don't really generate sales. Here are the top three time-wasters:

1. **Focusing on the urgent.** E-mails, phone calls, paperwork, and even meetings can be unnecessary tasks that appear to be urgent but take time and focus away from selling.
2. **Being too comfortable.** Habit, routine, and being comfortable can be barriers to breaking through to sell the next big idea.
3. **Lacking trust in other people.** Salespeople can miss a huge opportunity for teamwork and sharing the workload when they think that no one else can do it as well as they can.

Video: Earn More Money. Eliminate the Time Wasters! | Brian Tracy



### Work Smarter, Not Harder

Being successful in sales doesn't require working longer hours; it requires taking control. Time management is all about taking control of your time, your life, and your results. Here are six road-tested tips for effective time management that you can use for school and in sales:

1. **Get organized.** Get all the right tools to do your work efficiently and effectively. Be sure your work space is adequate with appropriate light, get file folders for each subject, organize your electronic files by folder, and choose a naming convention (e.g., customer name\_topic\_date) so it will be easier to find files that may have been saved to the wrong folder. Margot Carmichael Lester, "5 Ways to Get and Stay Organized" SalesHQ.com, (accessed September 6, 2009).
2. **Set goals for the day, week, month, and year.** If you don't know what you expect to accomplish, you'll never know if you get there. Write down the goals you want to accomplish every day in a to-do list; it's a good idea to write down your goals at the end of the day for the next day. Invest fifteen minutes at the end of every day to plan for the next day. Take the time to write down your



goals for the coming week, Sunday night is a good time to do this. Be clear and realistic about what you want to accomplish and by when.

Time is Money | 3 Tips to Master Your Time | Ft. Ankur Warikoo



3. **Prioritize your activities.** Now that you have created your action plan, or to-do list, review it and reorder it to put the most important things first. Focus your time on the most important activities. Lee Iacocca, the former CEO of Chrysler, said it best: “If you want to make good use of your time, you’ve got to know what’s most important and then give it all you’ve got. In other words, do important and challenging things first.

Sometimes people think it’s best to do a lot of small things first so that you can scratch them off your list. But it’s best to take on more challenging things when you are fresh and leave the smaller things for later or when you have a few minutes in your day.

4. **Create a schedule.** Using your to-do list as a guide, put times to your activities so that you can identify the amount of time it will take to accomplish each one. Also, during the day this schedule will serve as a guide and help keep you on track. And “manage minutes” effectively; use travel time, waiting time, and other downtime to return phone calls and e-mails or to think about solutions for customer problems. Include addresses, phone numbers, and e-mail addresses for each person you need to contact if they are not already in your address book. This will help save time and prevent distractions.

5. **Delegate work to others.** Although you might be working independently, chances are there are other people in the company that can help with certain activities. Clerical and administrative tasks should be delegated to your assistant or other support person. Always thank someone (subordinate, colleague, family member) who helps you get your work done. Delegation is the true secret to success: a survey conducted by Watson Wyatt shows that high-performing salespeople spend 30 percent less time on administrative tasks than the low performers.

6. **Maximize selling time.** Your objective should be to spend as much time as possible in front of customers; it’s practically impossible to sell anything if you’re not talking to and learning about your customers. That means that you will have to manage interruptions.

#### ✓ Link

How Good Are Your Time Management Skills?

Take the quiz by clicking on the link and learn about the areas of your time management that might need some focus.

[http://www.mindtools.com/pages/article/newHTE\\_88.htm](http://www.mindtools.com/pages/article/newHTE_88.htm)

### Managing Your Results: Set Goals and Determine Your Income

- **salary.** This is a regular payment from your employer in exchange for your services. Salary is a set amount and is usually the same amount for every **pay period**, or interval of time for which you are paid. A pay period may be weekly, biweekly, monthly, or quarterly depending on the company and the position. Most companies have biweekly pay periods. In most sales positions, if salary is included as one of the components of the compensation plan, it is usually a small portion of the compensation. This allows the company to provide incentive to the salespeople with a greater opportunity to earn more money based on the amount of sales (or gross profit) generated but still provides some regular guaranteed income to the salesperson. In other words, salary

doesn't necessarily provide incentive for a salesperson to sell more since it is paid no matter what sales are generated. If a company pays salary, the salary usually makes up 15 percent to 40 percent of total compensation. The percentage of salary will be higher for new salespeople; whereas more experienced salespeople will earn a higher percentage of their compensation from commissions. For example, if total compensation is \$50,000, salary might be \$20,000 for a new salesperson (approximately 40 percent of total compensation); whereas an experienced salesperson might earn \$24,000 in salary but earn a total of \$120,000 including commission (20 percent of total compensation).

- **commission.** This is income that is based on the percentage of sales or gross profit generated. Commission is usually the largest portion of salesperson compensation. It is designed to be an incentive to the salesperson to sell more. This is one of the ways that salespeople have virtually unlimited income. Most sales jobs include some kind of commission element; others pay **straight commission**, which means that the salesperson makes only a percentage of what she sells without any guaranteed salary. Depending on the company, commission might be paid on sales dollars, on **gross profit** dollars, or as a percentage. Gross profit is the difference between sales generated and the cost of the product or service. Gross profit may be expressed as dollars or a percentage. Gross profit dollars are calculated by multiplying the gross profit percentage times the sales. When salespeople have control over pricing, commission plans are usually based on gross profit to ensure that the company makes a profit on each sale. "Sales Compensation Plan Components," Online Business Advisor. For example, if a 15 percent commission is paid on sales of \$1 million, the income for the salesperson is \$150,000 ( $\$1,000,000 \times 0.15 = \$150,000$ ). If a 25 percent commission is paid on gross profit (the difference between the selling price and the profit) based on a 35 percent gross profit and \$1 million in sales, the commission would be \$87,500 ( $\$1,000,000 \times 0.35 \times 0.25 = \$87,500$ ). This calculation is also shown in Figure 14.2.6

While most sales positions include commission, some positions pay a combination of salary plus commission. This helps provide some steady income for a salesperson, especially during businesses that have peaks and valleys.

Do you want to earn enough money to drive a pink Cadillac, a BMW, or Mercedes? Or is your goal to buy a condo? Maybe you want to be able to travel to the islands during the winter or experience exotic locations around the globe. All these can be possible in sales because how much money you earn every year is usually up to you. It's not too good to be true; it's the reality of sales. The lifeblood of every company is its sales force, those people who connect to customers and generate sales for the company. That's why most selling jobs provide at least some portion of **compensation**—money and benefits received in exchange for providing services to a company that is based on performance. Compensation may include one element such as salary or several components including salary, commission, bonus, benefits, and more. To understand how compensation works in sales, it's important to know the terms.

Generally, it takes time for a new person to build up a customer base and begin earning higher commissions. For more detail about how commissions are calculated, follow this link:

[http://compforce.typepad.com/compensation\\_force/2009/01/sales-commission-calculation-basics.html](http://compforce.typepad.com/compensation_force/2009/01/sales-commission-calculation-basics.html)



Figure 14.2.6: Commission Calculations

- **draw.** This is an advance against future commissions or bonuses. Earning a draw provides steady income to the salesperson, especially if commissions are paid on a monthly or quarterly basis. For example, a salesperson might be guaranteed a draw of

\$2,000 per month; if the salesperson earns more than \$2,000 in commissions she makes whatever she earns. If she earns \$1,500, she is paid \$2,000 for the month. In some cases, the \$500 shortfall would be deducted from future commission earnings; this is called **recoverable draw**. On the other hand, a **nonrecoverable draw** means that a shortfall in commissions earned would not be owed to the company. Generally, a draw is designed to provide an income to a salesperson while he is building his customer base.

- **bonus.** This is an incentive paid to sell a particular product or service or to reach a specific sales goal. Bonuses are paid in addition to salary and commission. They are usually paid quarterly but may be paid monthly. Bonuses can be a significant portion of total compensation, depending on the industry and company. For example, in primary care pharmaceutical sales, a bonus can be between \$20,000 and \$25,000 and as high as \$50,000.

### Plan to Earn

Now you can see why managing yourself, managing your time, and understanding compensation plans are so important to success in sales. All these elements are linked to the company's goals, which ultimately determine your sales goals. For example, if the company is planning a 6 percent sales increase for the year, each salesperson is responsible for delivering a certain portion of that increase. Since some salespeople are new, their goals will undoubtedly be less than those salespeople who have been at the company long enough to develop customer relationships and steady income streams.

The most important aspect of sales is to understand your sales goals: exactly what is expected and by when. Most companies establish annual sales goals or quotas, expectations of sales for a specific time frame, by salesperson, and then break down the goals by month and sometimes by week. Establishing specific, measurable, actionable, realistic, and time-bound (SMART) sales goals (covered in Chapter 8) provides a clear set of expectations for the salesperson and the company. For example, a SMART sales goal is "to increase dollar sales of accounting software with current customers by 8 percent by December 31, 2021."

When this goal is broken down by month and by week, it provides a way to measure progress regularly. More important, the SMART goal provides a method by which to have a regular conversation with your sales manager to discuss how to remove barriers or gain access to additional resources to achieve the goal. SMART goals become the basis of sales quotas.

Since many business-to-business (B2B) sales have a long sales cycle, many companies use **key performance indicators (KPIs)** to help gauge the productivity of each salesperson. KPIs might be compared to miles per gallon; they are a measure of efficiency and effectiveness. So while sales or gross profit might be included in a SMART goal, KPIs provide insights into performance; they can act as a way to diagnose problems in the selling process. KPIs are used to evaluate performance and compensation. Results are how salespeople are evaluated and paid. If a salesperson is not generating the desired results, chances are he won't last long in his position at that company.

KPIs may be organized by type of goal—performance KPIs or conversion KPIs. **Performance KPIs** are those that include outcomes such as sales, new accounts, units sold, or gross profit percent. **Conversion KPIs** are used as a measure of a salesperson's productivity or efficiency but do not have outcomes. Examples of conversion KPIs are sales per customer or closing ratio. Baron A. Weitz, Stephen B. Castleberry, and John F. Tanner, *Selling: Building Partnerships*, 5th ed. (New York: McGraw-Hill, 2003), 397. The following are some performance KPIs and conversion KPIs that are commonly used to measure the effectiveness of salespeople.

### Performance KPIs

- **Sales quota (sales goal).** Expected sales volume to be generated in a specific time frame; salespeople are usually given quotas by day, week, month, quarter, and year, which may be used as the basis for compensation and sales incentives.
- **Sales versus quota.** Sales generated compared to the sales goal or quota by the salesperson during the designated time frame; when a salesperson falls short of his sales goal, it is an opportunity for improvement.
- **Gross profit.** Difference between the cost of the product and the selling price.
- **Number of new accounts.** Number of customers who were not doing business with the company during the prior period.

### Conversion KPIs

- **Sales per customer.** Total sales generated by the salesperson divided by the number of customers; high sales per customer indicates sales rep productivity.
- **Sales per employee.** Total sales generated divided by the number of employees at the company; high sales per employee indicate a productive sales force.
- **Customer penetration.** The percentage of a customer's business (in total dollars and across product lines) that is being done with the salesperson; high penetration usually indicates a productive salesperson (and usually a good relationship with the

customer).

- **Cost per sale.** The cost of generating the sale (cost of sales rep compensation, travel and entertainment, marketing materials, promotional discounts, and other expenses); low cost per sale usually indicates a productive salesperson who is able to close the sale quickly and at a higher gross profit (and, therefore, lower cost).
- **First appointment-to-proposal ratio.** The number of days it takes after a first appointment with a prospect until a proposal is made; a low number of days usually indicates a salesperson who moves quickly on an opportunity.
- **Closing ratio.** The percentage of times that a salesperson converts a prospect to a customer by making a sale; a high closing ratio usually indicates a productive salesperson.
- **Call cycle.** The frequency at which a salesperson calls on a customer (e.g., once every twenty days); call cycle will vary depending on the size and potential of the customer; a shorter call cycle indicates that there is more contact with the customer.
- **Call-to-sale ratio.** The percentage of calls that result in a sale; a low call-to-sale ratio usually indicates a productive salesperson.

Your sales manager will undoubtedly set quotas for you for many KPIs based on the goals of the company. Sales goals or quotas are used by companies “to align sales force performance to the business plan. In many instances, sales quotas are used as the basis of incentives, such as additional commission, cash, and other incentives. You can use KPIs to set your goals for your annual income and see what it will take to make your earnings goal a reality. See Table 14.1 for this example.

Assume you wanted to make \$45,000 in a year and you are paid a \$500 commission on every sale. What will it take to earn your target income? Do the math below.

Table 14.2.1: Goal Setting

KPI Name	Calculation	KPI Goal
Annual earnings	\$45,000	
Commission per sale		
Number of sales	Earnings ÷ commission per sale $\$45,000 \div \$800$	57
Closing ratio		10%
Number of prospects	Sales × number of prospects per sale $50 \times 10$	570
Number of prospect calls	Number of prospects × number of calls per prospect $570 \times 2.5$	1,425
Average number of sales calls per month	Number of prospect calls divided by 12 $1,425 \div 12$	119
Average number of sales calls per week	Number of monthly prospect calls divided by 4 $119 \div 4$	30
Average number of sales calls per day	Number of weekly prospect calls divided by 5 $30 \div 5$	6

### Set Your Goals

It might seem a little overwhelming to think about achieving a specific sales goal. But it’s easier than you think when you use these tips of the trade to help you plan:

- **Write down your goals.** Believe it or not, you actually increase your chances for success when you put your goals in writing. Whether you are setting goals for your career, for the year, or for the day ahead, write them down and prioritize them.
- **Understand what it takes to achieve your goal.** If your goal is to generate a 10 percent increase in sales over last month’s sales, do the math and determine what that means in dollar sales, then determine how many sales calls you will have to make to

achieve your goal. See Table 14.1 for an example.

Video: 12 Step method of setting goals - Brian Tracy



- **Schedule success.** Once you determine how many sales calls you will need to make to achieve your goal, plan your schedule so you plan the time it takes.
- **Track your progress.** Track your daily progress against your goal and make adjustments where necessary.
- **Stay focused.** It's easy to lose focus, especially if things aren't going according to plan. Review your plan and see where you have opportunities and start each day with determination to reach your goal.

### Key Takeaways

- Companies want to hire A-players for their sales positions, people who can connect with the customer and help the company achieve its goals.
- Resources such as **ride-alongs**, your **sales manager**, CRM, and other technology tools can help you learn more about the company, especially during the **onboarding** period.
- **Territory management** is the practice of managing your customers in a geographic area or territory; you determine whom you call on and when you call on them to minimize your travel time and maximize your selling time.
- **Time management** is the practice of organizing and prioritizing your activities to ensure that you can achieve your goals. This is especially important in sales because your goals can only be achieved by maximizing your selling time.
- **Compensation** can include many elements such as **salary**, **commission**, **draw**, **bonus**, and more. Commission is designed to provide incentive to the salesperson to increase her income by achieving and exceeding the sales goal.
- **Key performance indicators (KPIs)** provide a roadmap to improve performance and achieve sales goals.

### ? Exercise 14.2.1

1. Identify three resources that are available to you through your school. How do these resources help you succeed? Do you use these resources? Why or why not?
2. Go on the “virtual ride-along” Discuss three things that you learned about the "Ride-Along With a Salesperson" videos.
3. Think about a situation in which you have gone through an onboarding process. What information or resources were available to you to help you become familiar with your new environment? How did you learn about these resources? Did you use these resources after you learned your way around?
4. Visit your campus Student Services Center (or similar office) and ask about the availability of a time management seminar (most schools offer them to students at various times of the year at no cost). Attend the seminar and identify at least two new habits that you will implement into your personal time management process.
5. Using the concept of the “Sales Traffic School” discussed in the video clip in Section 1.5, which of the following activities would you classify as “red,” “yellow,” or “green”? Indicate your choices in the chart below.

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Activity	Color (Red, Yellow, Green)
Prospecting	
Responding to customer e-mails	
Attending internal meetings	
Customer follow-up	
Writing a proposal	
Meeting a friend for lunch	
Precall research	

6. Assume you are a financial advisor and you want to earn \$7,000 a month. Based on earning \$1,000 per sale in commission and having a 10 percent closing ratio and an average of 2.5 calls per prospect, use the following form to determine how many sales, prospects, and calls you will need to make each month to meet your goal. Why did you choose the priority of each of your activities?

KPI Name	Calculation	KPI Goal
Monthly earnings		
Commission per sale		
Number of sales		
Closing ratio		
Number of prospects		
Number of prospect calls		
Average number of sales calls per month		
Average number of sales calls per day		

7. Assume you are a salesperson earning 10 percent commission and you have sold \$540,000 in products this year. What are your commission earnings for the year (show your math). Based on this, if you were on a draw of \$50,000, would you earn your draw or commission?
8. Assume you are territory manager for a health care insurance company. The activities listed in the table below need to be completed tomorrow. The time it takes to complete each activity is also included. Using the “Day Planner” below, plan your day by entering the activity in the time of day that you would use to get that activity completed. You may not have enough time to complete all activities so you will need to decide what activities will not get done (don’t forget to allow time for lunch).

Activity	Comments	Time to complete activity
Travel to and from sales call	Prospect sales call	1 hour
Return call to boss	Boss sent an e-mail and asked you to call him as soon as possible	15 minutes
Check e-mails and voice mails and respond as needed	Check at least three times daily	15 minutes each time
Travel to and from customer call	Key customer call	1 hour and 15 minutes
Travel to and from customer call	Customer with low sales but high potential	1 hour
Paperwork	Complete once daily	30 minutes

Activity	Comments	Time to complete activity
Customer follow-up	Complete at least twice daily	15 minutes each
Urgent phone call	Call comes in at 10:15 a.m.	30 minutes
Internal follow-up and meetings	One meeting during the day	1 hour
Prospecting and qualifying	Allow time at least once during the day	1 hour
Precall preparation for upcoming prospect call	Prospect call is in one day	30 minutes
Write a proposal	Proposal is due in two days	1 hour
Finish up proposal	Proposal can go out as soon as it is finished	15 minutes

#### Day Planner

Time of day	Activity	Time of day	Activity
8:00–8:15		12:00–12:15	
8:15–8:30		12:15–12:30	
8:30–8:45		12:30–12:45	
8:45–9:00		12:45–1:00	
9:00–9:15		1:00–1:15	
9:15–9:30		1:15–1:30	
9:30–9:45		1:30–1:45	
9:45–10:00		1:45–2:00	
10:00–10:15		2:00–2:15	
10:15–10:30		2:15–3:00	
10:30–10:45		3:00–3:15	
10:45–11:00		3:15–3:45	
11:00–11:15		3:45–4:00	
11:15–11:30		4:00–4:15	
11:30–11:45		4:15–4:30	
11:45–12:00		4:30–4:45	
		4:45–5:00	

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