

Five Things\$ to Boost Profits\$ Overnight

Part Four



If you have been reading this series of articles on boosting your profits since the first one published in April of last year, perhaps you tried one or more of the first three strategies I suggested.

- Raise Your Prices
- Reduce Your Cost of Sales
- Change Your Product Mix
- **Increase Sales Quotas**
- Eliminate Crappy Customers

Have you raised your prices? Reduced your cost of sales? Maybe changed your product mix? If the answer is yes to any of these I trust your profits are all the better for it. If you have not done any of these, what are you waiting for? In this issue we will discuss the fourth way to boost profits by pumping up your sales volume. While it is a cliché, it's a fact that selling is a numbers game, plain and simple. Success is measured by volume and profitability in this business. Increasing your company's sales quotas is one way to help make this happen.

Why Sales Quotas?

Do you even have set sales quotas, goals or budgets for your company? As I work with door dealers I have found that many do not. How can you know if you reached your goal if it is never set? Assigning sales quotas, budgets or goals is fundamental to all businesses at all levels. Why do you need them? First and foremost having a sales forecast for the year is fundamental to your business plan. Most plans call for an operating budget and the biggest number in the budget is sales. Secondly, most people are goal driven. This applies to both their personal lives and their profession. If there are no goals, how will they be able to measure their success?

Another reason for having strict sales quotas is their impact on the budgeting process. I am an advocate of "bottom up" budgeting, meaning that the business owner decides on a realistic net profit he or she would like to achieve and then budgets the revenue, cost of sales and expenses accordingly. The revenue number comes from sales efforts from your outside sales people, inside – customer service employees and your production staff of field techs. Each contribute to the overall revenue budget, therefore each of them should have an individual quota assigned for which they are held accountable. The idea is that if each person is focused on

achieving their individual sales quota the company has a much greater chance of achieving the overall sales goal. In a nutshell the company's sales quota is broken into bite size pieces and distributed to those responsible for sales.

Assigning Sales Quotas

Okay, so let's say now that you agree sales quotas should be assigned. Where do you start? Just take the company's sales budget and break it down by department, by sales person. Here's an example.

Ace Garage Door – \$3 million sales budget 2014				
Outside Sales				70%
John	Residential	\$750,000	25%	
Bill	Commercial	\$850,000	28%	
Tom	Service & Retro	\$500,000	17%	
Inside Sales/Customer Service				27%
Susie	Residential	\$350,000	12%	
Jane	Commercial	\$450,000	15%	
Production Staff (parts sales)				3%
Bobby	Residential Service	\$50,000	1.5%	
Dave	Commercial Service	\$50,000	1.5%	
Total Assigned Sales Quotas			\$3,000,000	100%

Of course each company's organization may differ but the quota assignment process will be essentially the same process. Many factors come into play including type of products sold, territory assigned, sales segment served and the sales person's expertise. But when you get right down to it, assigning a sales quota is a pretty subjective process, typically controlled by the owner or general manager. You just have

to use your best judgment and try to assign budgets that are aggressive but attainable. I always found it helpful to have the sales person become part of the process. A month prior to finalizing the year's sales budget I would ask the sales person to evaluate their own sales performance for the year and come up with a budget for the coming year they would feel comfortable with. When we had our meeting they would often be surprised that their budget was higher than the one I had proposed.

Delivering this news to the individual sales or customer service person can be a bit tricky. Your approach should be one that challenges but communicates the confidence you have in the individual's ability to achieve this goal. You should show the person how their piece fits with the rest of the sales puzzle. It's often helpful to have prior years' sales performance results that should serve as a factor of how you arrived at the new sales quota.

Also breaking the quota down by week or by day rather than just that big annual budget. For instance, rather than tell Bill in the example above that he has a quota of \$850,000, maybe approach it by saying \$16,346 per week or \$3,269 per day. Seems a lot less overwhelming when stated that way in my view. The most important message you can convey is that achieving this sales quota is a win-win for both the employee and the company. The sales person's success depends on two things, his or her performance and a manager that constantly raises the bar and pushes the person toward more sales which translates to more personal income.

Raising Sales Quotas

I had a salesman once that was one of those people that just simply had the "fire in the belly" when it came to meeting his sales goals each week. Often even before Friday rolled around he would come in making sure that everyone in the office knew he had already "cracked his nut" for the week. He was a good sales person and fiercely competitive by nature. As his manager, when it came to re-evaluating his sales budget, seldom did I not raise it. When we would have our sit down to discuss it he would go through the same shock and surprise reaction and allege that he was being penalized for making his budget. When he finally came up for air from his annual speech, he would ask why I raised it. My answer was the same year after year....."because I can". Now that I had his attention I would explain that with his drive and sales expertise I would not be doing my job if I did not expect more from him. It meant more money in his pocket and more profit for the company. It met my definition of a good deal...where everyone makes out. We'd shake hands, I'd once again tell him I had every confidence in his ability to get the job done and then off he would go and set new sales records every year. What would have happened had I not pushed him to do more?



Raising the sales quota is simply creating an expectation. The signal sent is that in your view more sales are out there for your company and you expect the sales person to go out and get them. Of course your company has to support his efforts through your marketing and advertising program supported by superlative customer service. But the expectation is placed squarely on the shoulders of the sales person. Often I would remind the sales people that the sales department is the engine that pulls the train. While it takes the other cars to make the whole train do its job, without the engine pulling not much happens. In business, nothing happens until something is sold. So our engine's performance was constantly monitored and tuned for maximum performance.

It is imperative that when raising the sales quota, make it attainable. Sales people are all about victories. If your assigned quota is unrealistically high the sales person is set up for failure. The best way to get his or her sales volume trending upward is to gradually raise their quota as they celebrate sales victories when they hit their target. Another important factor is what they are selling. You should monitor their results to make sure there is a good mix of good-better-best sales. The easiest way to make your sales goal, as a sales person, is to sell high priced products. Often it takes the same effort to sell the "good" as it does the "best".

Company-wide Focus

Achieving your company's sales quota is an "all hands on deck" proposition. Sure the bulk of the spotlight shines on the sales people to make their numbers. But without the other departments on board the budget is sunk before it ever leaves port (sorry about the nautical language but I'm an old Navy man).

Continued on page 54

Office Staff

In most door dealerships the customer service department consists of office staff filling roles of dispatcher, receptionist, warehouse manager and inside sales, all of whom sell on a daily basis in most cases. So why not quantify that effort and make it part of their performance expectation. Any way you slice it, they are part of your sales department. From the customer service person that sells a replacement operator over the phone to your warehouse manager selling parts over the counter, all are contributing to the monthly sales quota. Assigning sales goals to these folks just makes sense. It also allows them to focus on the overall sales for the company and to feel like they are contributing to its success on a daily, weekly and monthly basis.



Production Staff

While most of your field installation techs do not typically sell products, they are indeed an integral part of the sales quota inasmuch as it cannot be achieved without their production efforts. Therefore each truck should be assigned a production budget that parallels the sales budget (see example below). If your company is going to sell \$250,000 each month, it has to be installed or repaired in the field before it can be invoiced and counted as sales.

By assigning a production quota, the tech has a better understanding of what his truck should produce. It is also an excellent way to evaluate performance. In addition to the normal things like attendance, attitude, appearance and safety, production should be considered a key component of any tech’s performance. In the case where the tech is actively involved in selling, such as a repair truck, you can assign both a production and a sales quota. Often their direct compensation may partially depend on what they sell directly from the truck.

As with assigning sales quotas to sales people, creating a production quota should also be realistic. The tech needs to believe he can perform at a level that will allow him to achieve the production quota assigned.

Getting Buy-In

The absolute key to raising and then ultimately making the sales quota is getting everyone in your organization laser focused on it. Everyone needs to know what the number is overall and what is expected of them individually. Your staff needs to understand the cause and effect of making the company’s sales quota and how it relates to the company’s overall success. They need to make the direct connection to their own success in the process. It is your job to tie those two things together through effective and timely communication. If you’ve done your job as the company’s leader, anyone in your organization should be able to tell you on any given day during the month how sales are doing and if the quota looks like it will be met.

Visualization

My community supports United Way fund raising activities each year by sponsoring a drive in our development. At the front entrance to my neighborhood is signage that has a thermometer shaped graphic that allows the volunteers to communicate the campaign’s progress to date by coloring in up to the level of contributions received. As the campaign progresses the thermometer coloring continues to rise until, finally, the



United Way campaign meets the challenge for the year. Not once in the 10 years that I have lived there have I seen the “thermometer” do anything but spew out of its top. Visualization is indeed a powerful motivational tool.

If you want people in your company to meet a goal, you have to first challenge them with it and then let THEM measure their success. It is amazing how people respond to goals when they are being publicly tracked. This is especially effective with measuring sales against quota. Start with the outside sales people; with all of the instant data at our fingertips it should be fairly easy for them to monitor their sales progress on a daily basis. While

Ace Garage Door – \$3 million production budget 2014				
Commercial		Annual	Monthly	Daily
Dave	New Construction	\$750,000	\$62,500	\$2885
Jim	Retrofit & Service	\$600,000	\$50,000	\$2308
Dick	Service	\$532,000	\$44,334	\$2045
Residential				
Elliot	Residential Install	\$312,000	\$26,000	\$1200
Patrick	Residential Install	\$390,000	\$32,500	\$1500
Thomas	Residential Service	\$208,000	\$17,333	\$800
Bryan	Residential Service	\$208,000	\$17,333	\$800
Total Production Quotas		\$3,000,000	\$250,000	\$11,538

Continued on page 56

it is important for you, as the manager, to monitor sales performance, it is far more critical that they keep abreast of their progress. This would apply to office staff as well. Put up a big chart in a public area like a break room that posts sales numbers weekly as you move through the month, always comparing to the assigned sales quota. The list should include individual tallies, not just the lump sum company sales. At first it may go with little notice but as the tallies start to grow your staff will begin to key in on their individual numbers as compared to their peers. Not surprisingly, a little friendly competition can be a great motivational tool when it comes to the sales game.

Tracking production through visualization is also important. Putting up how much each truck has produced, expressed in sales dollars, sharpens your techs' focus on their production performance versus the company's expectation. They are also curious to see how they're doing compared to their fellow techs. Once you do this, it is not long before knowing how they are doing against quota becomes a big part of how they measure their own success each week and month.

Have Fun

Selling is hard work at any level, with a heaping amount of stress tied to it typically. That's why it is so important that when your organization meets their sales quota you take that opportunity to celebrate the victory. Here are a few suggestions of ways to reward your team that will not break the bank.



- Communicate the success immediately. Send a "news flash" email or company wide text message announcing the big news.
- Have a catered lunch at the office for your staff.
- Have dinner out with your team and their spouses.
- Organize bowling or putt-putt night out with pizza.
- Plan paintball, go-carts or other fun outing.
- Go to a local sporting event.

I'm sure, if you think about it, you can come up with others. I suggest that you ask the group to come up with ideas also. The main thing is DO SOMETHING to mark the achievement. In the process of having fun, you will also be building stronger relationships with your team. You will also be reinforcing the behavior you want to reward.

Compensation

In addition to celebrating your sales victories, rewarding your staff is important also. Again, it does not have to be big expensive rewards. It's just important to acknowledge the individual and/or sales team performance with some small bonus or gift that reinforces their efforts. It can be a small cash bonus, gift card to a nice restaurant, gas card, local home improvement center gift card, sporting event tickets or even a gift certificate for a massage. Be creative, have fun with it, but make it meaningful and timely. If possible, hand out the individual or team awards in a group setting so that the people making their sales quota are recognized by their peer group as well as management. That type of recognition alone is often enough to motivate the person to repeat that behavior. If it is a cash reward, do not camouflage it within the employee's normal paycheck. Perhaps create a separate check or give him or her the cash equivalent in a gift card instead. The main thing is that they understand how much the company values making the sales quota.



Summary

The best part about being in business for yourself is that YOU are in control of your company's success. Of course you need a great team around you but as its leader, you alone have the ability to steer the ship. Profit is the lifeblood of your business' success. Making a profit is your primary function as an entrepreneur. That always starts with sales. So boosting sales often is the key to boosting profits. Sure, the other ways I have suggested in previous articles are important as well, but as I said earlier, nothing happens until something is sold. Raising your sales quota is a push in the right direction.



Dan Apple is president of The Apple Group LLC, a consulting firm located in Bonita Springs, Florida. His focus is assisting garage door dealers with profitability and marketing. Dan served as president of Apple Door Systems in Richmond, Virginia for 33 years which grew to a statewide dealership with eight locations. He was the first president of the Institute of Door Dealer Education and Accreditation where he was responsible for creating the industry's first national accreditation program in 1998. Dan also served as a director of the Door & Operator Dealers Association and the International Door Association from 1994-1998. For more information, contact him at 804.640.4253 or email: danielapple@me.com or visit the website at www.AppleLLC.net.

