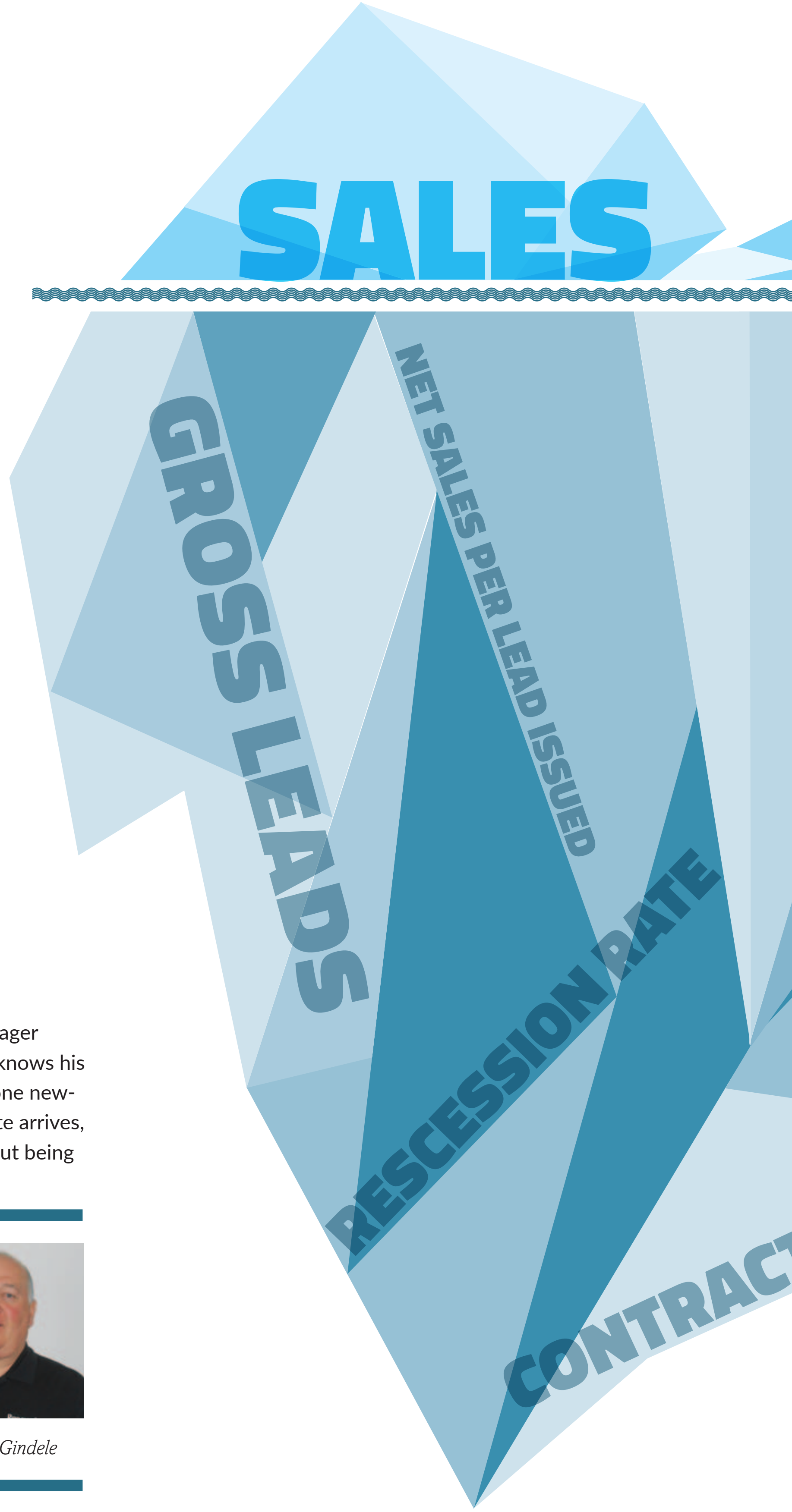
Tip of the Iceberg



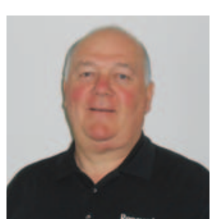
COMPANY OWNERS AND SALESPEOPLE DEFINE SUCCESS IN DIFFERENT WAYS, MAKING “CLOSE RATE” A SLIPPERY METRIC

BY JIM CORY, CONTRIBUTING EDITOR

Say you’re a home improvement business owner or manager looking to hire a salesperson. You want someone who knows his or her way around a kitchen table, as you’ve watched one newbie after another wash out in six months. Your candidate arrives, oozing confidence. The first thing he announces, without being asked, is that he is a 40 percent closer.

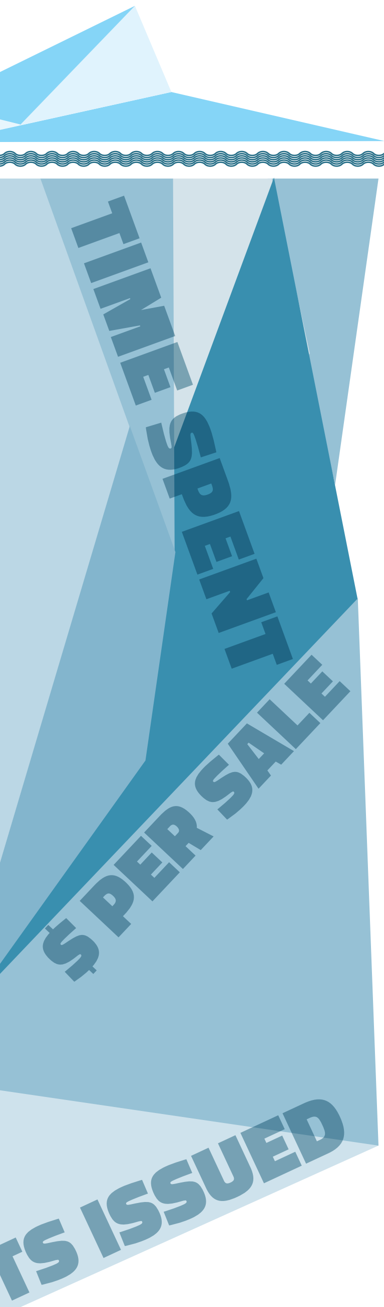
What Does That Mean?

Chances are good that what that means to you, and what it means to your prospective candidate, are different things. Though the concept is the same, the criteria for defining it varies from one company to the next.



Charles Gindele

“On the surface [40 percent is] impressive,” says Charles Gindele, president of Renewal by Andersen of Orange County, in Calif. “But you don’t



Baltimore-based sales trainer Tommy Steele likens selling to an iceberg, with close rate as the proverbial tip—that metric is just a glimpse of the much bigger whole.

know how they're measuring that close rate. If he's at 30 percent at a company where the standard is loose and performance isn't closely monitored, it's hard to know." That's because there's no way to tell how many appointments the salesperson ran or whether they were repeat/referral leads or more nebulous contacts from events or canvassing.


Tony Hoty

How that's measured is "a cultural thing," says Tony Hoty, a consultant specializing in lead generation for the remodeling industry.

Many Metrics

There are various metrics used to evaluate sales efficiency. The simplest one is to just calculate the percentage of times that the salesperson departs with a lead and comes back with a signed contract. Another metric that many owners favor is net sales per lead issued (NSLI), which divides an individual's gross sales by the number of his or her "sales opportunities" (that is, appointments) to calculate the exact dollar return per lead dispatched. Others look at the percentage of issued leads that are actually priced proposals put before a homeowner for signature—demo rate.

Tommy Steele, a Baltimore-based sales trainer, likens selling to an iceberg, with close rate as the proverbial tip. That metric is just a glimpse of the much bigger whole.

Many salespeople don't talk about figures such as NSLI. What they do talk, or brag, about is metrics, typically citing their "close rate." Yet by defining performance strictly in those terms, they can push aside important issues and revel in the fact that they closed X percent of the appointments they ran—regardless of the number of leads discarded or the actual amount of revenue they ultimately contributed to the company's balance sheet.

The Whole Truth and Nothing But

So if you are the owner of a company selling short-cycle residential construction projects—windows, roofing, siding—how should you think about close rate? Rodney Webb, a leading sales trainer for the industry, says to keep it simple.

"I define close rate as the number of times you have opportunities vs. the number of times you make a sale," he says. His example: A salesperson who sells a roofing job on the first night has a close rate of 100 percent. If he has to get back to the customer with different pricing, his close rate has dropped to 50 percent. "I'm looking for efficiency," he explains.


Rodney Webb

But whatever metric matters most, the point is to provide a business owner with insight into his or her success at bringing in profitable business. "If I'm the owner," Webb says, "I want to be able to look at every single number and know everything about that sales rep and that sales organization."

And, he counsels, be clear about what these metrics mean. Some company owners, for instance, figure cancellations, even credit rejects, into a salesperson's close rate—a method that Webb says defeats the purpose of metrics and can demoralize salespeople.

"You should never go back and change that number," Webb says. "If you do, you conceal your problem," which may not be that salesperson's inability to close. The problem could be with the quality of the sales appointment, and thus with the confirmer in your office, or it could be with the salesperson's inability to really build value or tie down the sale once the sale has actually been made. In either case, you won't know by looking at the tweaked "close rate" number. And, most importantly, Webb says, "you will not be able to understand how to help people. You have to figure out what they're doing wrong."

Raising the Rate

Close rates apply two ways. First, to the individual salesperson; second, to the sales organization. Naturally, if you're an owner who is dissatisfied with your salesforce's close rate, you can't change that without changing the individual performance of the people who belong to that sales team. Many companies establish a minimum close rate on leads issued below which salespeople dare not descend.

Andy Lindus

Andy Lindus, COO of Lindus Construction, has no such floor. The Baldwin, Wis.-based company has locations in seven states with a 23-person salesforce in Minneapolis/St. Paul. Thanks to the tens of thousands of dollars a year that Lindus spends on training, the company closes at 45 percent. This makes low performers instantly obvious.

"If your close rate is off," Lindus says, "it means you're not following a system." Lindus, who a decade ago had no selling system, now swears by the 10-step method his company uses.

All Systems Go

When it comes to selling, home improvement company owners face a basic choice: hand an untrained salesperson a lead, and cross your fingers, or train, train, and train again in a methodology that enables salespeople to proceed from introducing themselves at the door to closing business. A company owner who sells has the advantage of passionately believing in his or her own business. But a hired salesperson may not share that fire, and that's why a system is so important.

One of the essential purposes of a system is to counter objections raised by the homeowner. Such roadblocks can stop a salesperson in their tracks. "I've got to get other estimates," is well-known as one of the most common homeowner responses. An accomplished salesperson can anticipate those objections before they're raised, instead of allowing them to disrupt the sale.

A few years ago, Gindele had a situation in which an obviously talented salesperson turned in a mediocre performance, interrupted sales meetings, and complained about leads. "I fired him twice," Gindele says. Ultimately, he gave the rep 30 days to turn it around, and the salesperson went from closing barely 25 percent in 2013 to closing more than 31 percent this year. Today, he is one of the company's leading closers, Gindele says, because he became humble enough to take RBA/Orange County's sales system seriously. PRO

Philadelphia-based freelance writer and contributing editor Jim Cory specializes in covering the remodeling and home improvement industry. coryjim@earthlink.net.

BE AN INSTIGATOR

If you're a sales manager with the aim of raising the close rate for your company, consider these steps.

1] **Find a system** so reps can readily respond to typical objections raised by homeowners. Insist on its use. Then regularly practice, rehearse, or role-play that system, setting aside time for those who need to work on some specific part of their presentation. Ride-alongs are another method of diagnosing weaknesses in the sales presentation.

2] **Perfect the basics.** Every salesperson on the team should be able to speak to why your company is unique and better. Drill them in establishing credibility and eliminating alternatives. Make sure they know the differences in selling to men, women, and couples.

3] **Use close rate and sales metrics.** This will tell you who is falling short and how by looking at one part or piece of the system at a time.

4] **Take a deep dive.** Some company owners will conduct strategy calls with reps prior to a big appointment. It's a great opportunity to coach the salesperson through the specifics of that particular house as well as potential objections from the homeowner. For instance, a salesperson with Lindus Construction recently indicated that the appointment was a no-go because there was only one buying party present. "He said: 'I can't pitch this, it's a one-legger,'" recalls Andy Lindus the company's COO. A closer reading of the lead sheet showed that, in fact, the house was owned by a widow. That widow ended up spending about $50,000 with the Baldwin, Wis.-based firm on necessary home improvements. "If you don't strategize with the sales guys, then you'll have someone giving the same presentation every month and every year, with the same results," Lindus says. Maybe you're satisfied with those results—or maybe you're not. *—JC*