Measuring Sales Potential

by DAVE KAHLE

It's the Information Age, and we're all aware of that. We see evidence of that everywhere we look. There is one place, however, that the Information Age seems to have skipped — the routines and habits of the outside salesperson. Far too many salespeople have ignored the power of information to add a powerful and productive element to their strategies.

One specific example of this is a piece of information that can, by itself, help you become more effective — the sales potential of an account. In other words, the answer to the question: How much can they buy? This sounds so simple and so basic; you would think that everyone would have a way of collecting and using this simple piece of information. However, in my 18+ years of doing this work, I have on only one occasion come into a company and discovered that they had a system for collecting and using "potential" information.

Yet it is crucial to efficiencies at several levels in the business. The salesperson needs to know the potential so he or she can make good decisions about in whom to invest sales time. Without an objective, defendable answer to the question, "How much can they buy?" the salesperson often defaults to a mode that encourages him or her to spend time with the people who like the salesperson the most, who are easiest to see and most comfortable on which to call.

Directing the Sales Force

The sales supervisor can use this information to direct the salespeople and to make sure that the company's internal and operational resources are applied to the highest potential account, and not squandered on low-potential buyers.

And the executives, custodians of the company's bottom line, need to ensure that the company isn't dissipating its profits by subsidizing unprofitable, low potential accounts.

You'd think that everyone would have a rigid, disciplined system for accessing the potential of every account. It's another one of those areas where the common business practice defies common sense.

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Very few B2B companies have such a system. If you are convinced that you should measure potential, here's how to do it.

Quantified Purchasing Capacity (QPC) is the term I use to denote the answer to this simple question: If this account bought everything they could from me over the next 12 months, how much would it be?

The answer to that question accurately describes the account's practical potential in the simplest way. The answer, obviously, is a number, expressed in dollar terms. I like to use the 12-month period, as it adjusts annually for the growth or decline of the account's business, and thereby accounts for changing circumstances. It may be that you sell capital equipment with a long sales cycle. In that case, a 36-month time frame may be more appropriate for you.

I call this simple, one-number approach to determining potential "Level One." That implies, of course, that there are other levels. Level Two breaks down the simple number into the smaller pieces, each of which reflects a category of product that you sell and asks the same question for that category.

For example, you say that you are a building materials supplier, and that you sell five categories of goods: vinyl windows, exterior doors, vinyl siding, roofing and accessories. As you consider your customer's QPC, you attempt to determine how much of each category the customer will purchase in the next 12 months. If you were creating a chart for each account, the chart would look like the example below.

It quickly becomes apparent that for this information to be useful, it needs to be defendable. In other words, the answer must be one which can be defended as accurate. It can't come from the mind of the salesperson, for example, filling out a form at the last moment while sitting in his car a few minutes before the sales meeting. That would be an estimate, and not really defendable.

So, how do you arrive at a defendable QPC? Many times, the simplest solution is the best. ***Ask!*** Just ask your accounts for the information. Depending upon the size and sophistication of the customer, typically about half of them will tell you, with some degree of accuracy. I understand that not everyone will provide this information. Some will not be sophisticated enough to know the answer, and others will think that you should not know.

Back-up Strategy

Regardless, you need a back-up strategy for those who can't or won't answer. Here is a series of solutions.

- Compare the account with an account of like size and type and for whom you know the answer. For example, if your account who won't or can't provide their QPC is a contractor who builds 60 homes a year, and you have another contractor who builds 60 homes a year and you know the QPC for that account, chances are they are both going to have similar QPCs.
- That leads us to another solution: Create a formula and apply it to some other measurable aspect of the account's business. There is almost always some measurement of the account that you can collect. Find that measurement, collect it, and then create a

Account Name: ______________________

As of (date): ______________________

Category	QPC
Vinyl windows	____________
Exterior doors	____________
Vinyl siding	____________
Roofing	____________
Accessories	____________
Total QPC	____________

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formula to apply to it that will ultimately provide you with QPC.

In our example, we don't know what the account's QPC is, but we do know that he intends to build 60 homes this year. A little bit of calculation will result in a dollar figure per home, for each of the categories. Thus, every home typically yields $2,000 in exterior doors, and $12,000 in windows. Our calculation of QPC, then, is number of homes times each dollar amount = QPC.

While number of homes may be the easiest measurement for this market segment, every segment has something that is easily measurable and can be turned into a formula to calculate QPC. It could be the square footage of display space for retailers, the number of employees, quantity of delivery vehicles, number of pieces of equipment, etc.

Measuring Market Segments

Your job is to identify that measurement for each of your market segments, calculate a formula, and then use that to collect QPC.

• A frequently helpful source of this kind of information is any national trade association to which you may belong, as well as trade journals and publications within your industry.

Regardless of what method you use, be guided by the demand that you collect QPC, you don't create or estimate it. And, QPC should be defendable.

The final question in our consideration is this: Now that we have QPC, what do we do with it?

Salespeople use QPC to prioritize their accounts. They should spend more time on the higher potential accounts, and less time on the lower potential accounts. Not only that, but salespeople can use the Level Two QPC to prioritize their opportunities within accounts. Whenever I have been involved with this exercise, the predictable result is that the salespeople become excited with the quantity of opportunities in their current accounts. The discipline of collecting and analyzing Level 2 QPC reveals opportunities they previously had not recognized.

Managers and executives can use it to allocate resources, making sure that precious corporate resources are not squandered on accounts that will likely never add to the corporate profits.

Collecting and using a defendable measurement of potential is one of the most fundamental and useful practices of the Information Age salesperson. It's time we recognized that. ❐

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