DOMO

5 Moneyball Metrics Sales Executives Can't Ignore

Moneyball isn't just a great baseball story. It's a great business story. In 2002, Billy Beane, general manager of the low-budget, down-market Oakland A's, had to rebuild the team after his three best players departed for richer teams.

He had to somehow assemble a contending club at an economical price. Beane knew the traditional metrics for selecting players wouldn't cut it. Baseball executives had long employed subjective, nonquantitative measures like the "eye-candy test." Does he look the part? Is he built like Alex Rodriguez? Does he have an attractive girlfriend? Seriously.

Beane could see baseball executives were assigning value to the wrong attributes. So he came up with a different game plan. He dismissed the fuzzy intangibles and made his selections scientifically—by using a few key statistical measures. And his most important measure for hitters was not home runs, RBIs or batting average. It was a player's ability to get on base—anyway he could.

The rest of the story is a Hollywood screenplay in the making. Despite being one of the lowest-spending teams in the league, Beane's 2002 Oakland A's finished the regular season in first place and set an American League record by winning a remarkable 20 consecutive games.

Of course, baseball executives aren't the only ones who can learn from Billy Beane. Many sales executives are also overlooking some key "moneyball" metrics and doing business the old-fashioned way, by relying on unscientific or indirect guides to track and predict their results.

To succeed, organizations need to do what Beane did: jettison the conventional "wisdom" and introduce the right metrics. Then they can dramatically improve results and add an element of predictability and clarity to the often-murky sales process. Here are five moneyball metrics that sales execs can't afford to miss:

#1 Pipeline Velocity

Old metric: How much is in your pipeline? A pipeline total is not an accurate way to forecast success. Say, for instance, a rep is working 15 different deals worth a total of $1.5 million in potential sales. That looks great on paper. The problem is that deals in the pipeline are not guaranteed to close. The pipeline itself is not an accurate predictor of whether sales prospects will ever convert to actual customers.

New metric: How fast is your pipeline moving? Sales execs should not spend time tallying pipeline totals. Instead, they should be assessing pipeline velocity. Say a rep is working on 10 large deals. The total amount of those 10 deals is a number that indicates little in and of itself. The better metric is how quickly the deals are progressing through the sales stages. Have the deals been languishing in the pipeline for six months or more getting stale? Or are they moving steadily from stage to stage—from new lead to initial meeting to qualified suspect to closable prospect. The pace at which deals move through the pipeline is a much better measure of future success than the number of deals in the pipeline.

#2 Winning Percentage

Old metric: How many deals are you working on? Sales execs have always kept a close eye on the number of deals their sales reps are managing. But

that's like a baseball manager choosing his starting lineup based on the number of at-bats each player has, not on how many hits they get or how often they reach base. The number of deals a sales rep is working on does not say much about the future of those deals. A sales rep may be working 50 deals, but if only one closes, something is seriously wrong.

New metric: What percentage of deals do you win? The metric should not be how many times salespeople step up to the plate. It should be how many hits they get. If, historically, your sales reps close an average of 35 percent of the deals they work on, you can use that average to predict how many of their current deals will convert to actual sales. Then you can better forecast future success and plan accordingly.

#3 Closing Speed

Old metric: How many deals did you close last month/quarter/year? This is actually a pretty good metric. But it could be even better. The problem with the metric as it stands is that it's not very reliable when it comes to predicting future conversion rates. The fact that a salesperson closed six deals in the second quarter gives you an indication that the rep is competent, but that number doesn't tell you how long those deals were sitting in the pipeline—or how many deals the rep will close in the third quarter.

New metric: How long do your deals take to convert? This metric provides the insight you need to forecast success. When you measure time to conversion, you know whether it's taking your people a week to close a deal or a year. Say one of your sales reps has 12 new prospects. If you know that rep is a fast closer, you can reliably expect a certain percentage of those deals to close next month rather than next year. You'll have better insight into what the rep is capable of producing—and when. As a result, you'll be in position to predict monthly and quarterly sales because you'll have accurate data that tells you when prospects are likely to convert to customers.

#4 Acquisition Cost

Old metric: How much revenue do your deals produce? As every sales manager knows, sometimes it's possible to lose even when you win. A deal that generates $20,000 in revenue may look good on paper, but if that deal cost $15,000 to close, that's not exactly a home run. Some sales reps put up gaudy numbers. But if most of their profits get chipped away by travel, lodging, entertainment and meals, those numbers are not going to look so good at the end of the season. Sales managers need to bring in as much revenue as possible through their sales team, but they need to do it at the lowest possible cost.

New metric: How profitable are your deals? As Billy Beane proved, winning teams are not always the ones that spend the most money. In fact, lowering costs can often improve performance. In the book *Sales 2.0: Improve Business Results Using Innovative Sales Practices and Technology*, the authors argue that sales professionals who leverage social media and the web often outperform the most senior sales professionals in key activities. The emergence of social media in particular provides an opportunity for sales organizations to reduce their acquisition costs. If sales people can use social media to engage with customers and produce better quality leads—without hopping on planes or wining and dining prospects—the deals they close will be that much more profitable.

#5 New Logos

Old metric: How many sales did you close? Not all sales are created equal. What if the top producer at your company brings in $1 million a year in sales but all those sales, year after year, come

from the same five companies? Yes, the total dollar amount is good and a very welcome addition to the top line. But real growth—the kind that excites shareholders, frightens competitors and attracts top talent—is driven by net new customers.

New metric: How many net new wins did you get? Say another sales rep on your team lands seven new deals worth $600,000. That's not as much as the $1 million your top producer brought in, but those are still seven big wins that will likely prove far more valuable down the road in terms of opportunities to expand—not to mention the marketing and public relations value that comes along with a new brand-name client.

What's Next?

If you're ready to change your approach to measuring and predicting sales but aren't sure where to begin, the team at Domo can help. Domo is a new form of business intelligence that puts an end to fuzzy, inaccurate sales reporting. Not only does Domo bring all your sales data—pipeline, forecasts, close rates and more—together in one place, but it also looks amazing and it's designed for actual sales leaders (not just Excel wizards). To learn more, visit www.domo.com/sales, call 1-800-899-1000 or follow @domotalk.