

Breaking the Sales Elephant Into Bite-Sized Pieces

By Vicki Suiter

Sales are the lifeblood for most businesses, but they also cause anxiety for many contractors who fret, “Do we have enough work to keep us afloat” or “Are sales happening fast enough?”

The solution to overcoming sales anxiety, may lie in the punch line from the old joke, how do you eat an elephant? One bite at a time.

If you can have a plan for getting where you want to go, reaching your destination is so much easier! First – know what your revenue goals are for the year. From there, setting bite-sized sales goals can be set and accomplished by utilizing these three basic pieces of information:

1. Have a specific revenue goal in mind. If you’re not sure, using last year’s sales figure plus 10% is a good starting point.
2. Know your average job size. This is average amount of your average contract amount.
3. Calculate your average close rate or the number of jobs closed versus the number of jobs bid. See below for how to do this.

Most contractors have some idea what these numbers are, even if it’s just a gut feeling. I encourage my clients to determine their average job size from the last six months to one year. Sometimes they will have two or three distinct job sizes. By knowing these numbers you, too, can be on your way to setting and consistently meeting your goals.

5 Steps to Meeting Income / Sales Goal

By following these 5 steps, the process is broken down into manageable, bite-size pieces shown here with revenue goal examples contractors can attain.

Step 1: Set an annual Revenue goal

Know your goal and determine how many jobs you will need based on your average job size. Note – average job size is useful to know, but may vary. Use this number as a benchmark, not as a finite number.

- **Revenue Goal** for Company : **\$450,000**
- **Average job size** - based on history for past year.
Between \$25,000 and \$125,000 with the average job size at **\$75,000**.
($\$25,000 + \$50,000 + \$65,000 + \$110,000 + \$125,000 = \$375,000 \div 5 = \$75,000$)
- **Number of jobs** to meet sales goal: Take the sales goal and divide by the average job size. This equals the number of jobs needed to meet sales goal.
 $\$450,000$ divided by $\$75,000 =$ **6 jobs**. NOTE – if the average job size varies, this will change – see notes below on tracking # of jobs as well as dollar volume.

Step 2: Calculate the number and dollar amount to be bid to meet sales goal.

To figure out the number of jobs Company needs to bid to meet the sales goal of \$450,000, you must first know the close rate. Close rate is the percentage of jobs bid that turn into actual sales. The close rate will help determine the number of jobs needed and dollar amount to be bid during the year to meet your sales goals. The higher the close rate, the fewer jobs and dollar amount needed to be bid. The fastest way to increase sales is to increase your close rate.

Close Rate – Calculated by taking total bids signed divided by the total bids submitted = your close rate. We'll use the data from last year:

Bids Won Last Year:	\$325,000 ÷
Bids Completed Last Year:	\$875,000
Close Rate Percentage Last Year:	37%

Dollar Amount Company needs to bid to meet it's sales goal can be calculated by applying close rate:

Sales Goal ÷ close percentage: $\$450,000 \div .37 = \$1,216,216$ **Amount to Bid**

Number of jobs Company needs to bid to meet goals using the same principles as above would be:

Goal # of Jobs ÷ close percentage: $6 \div .37 = 16$ **# of Jobs to Bid**

Step 3: Break bids down by month and by week

Knowing how much and how many jobs you will need to bid each month and week will allow you to better track results and meet your annual goals:

Amount to Bid = $\$1,216,216 \div 12$ months = **\$101,351 Per Month**
\$101,351 ÷ 4 Weeks / Mo = \$25,500 Per Week

Jobs = 16 bids per year ÷ 12 months = **1.35 Per month**
At an **average size of \$75,000**

Step 4: Track these numbers and share them with key employees.

What gets tracked gets managed. Have a mechanism to track actual vs. goals and share this information with key employees on a regular basis. Weekly in a spreadsheet format is preferable, but just having it on a white board in the office is a great first step! Tracking sales performance during the bid process gives you more control over what shows up on your profit and loss statement and on the bottom line. When you can see well in advance where you are off track, you have an early opportunity to make corrections in the sales cycle and meet your income / sales goals.



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Step 5: Analyze

Assess each month what's working, what's not working and what needs to be different. If you are off track, figure out if it's possible to get back on track, create a new plan and then manage that plan. You may want to hire a consultant to assist you in creating a plan. Having an objective third party provide this type of input facilitates the creation of clear goals and actions and provides powerful input for staying on track.

By following these steps, the sales process is no longer a big, daunting elephant that you have an uneasy feeling about facing each day. Sales goals become manageable and results attainable. Ultimately, your business grows and you become the elephant with whom your competitors must contend!

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