# Toolkit 34
Building a Business Generating System
- Sales Platform

1.   Introduction

Most people manage sales by looking at the results they achieve daily, weekly or monthly. The problem with this is it is like driving a car forward whilst looking out of the rear window – you are bound to crash! Also you cannot manage history all you can do is wish you had done something different....

Sales platform is an answer to this dilemma
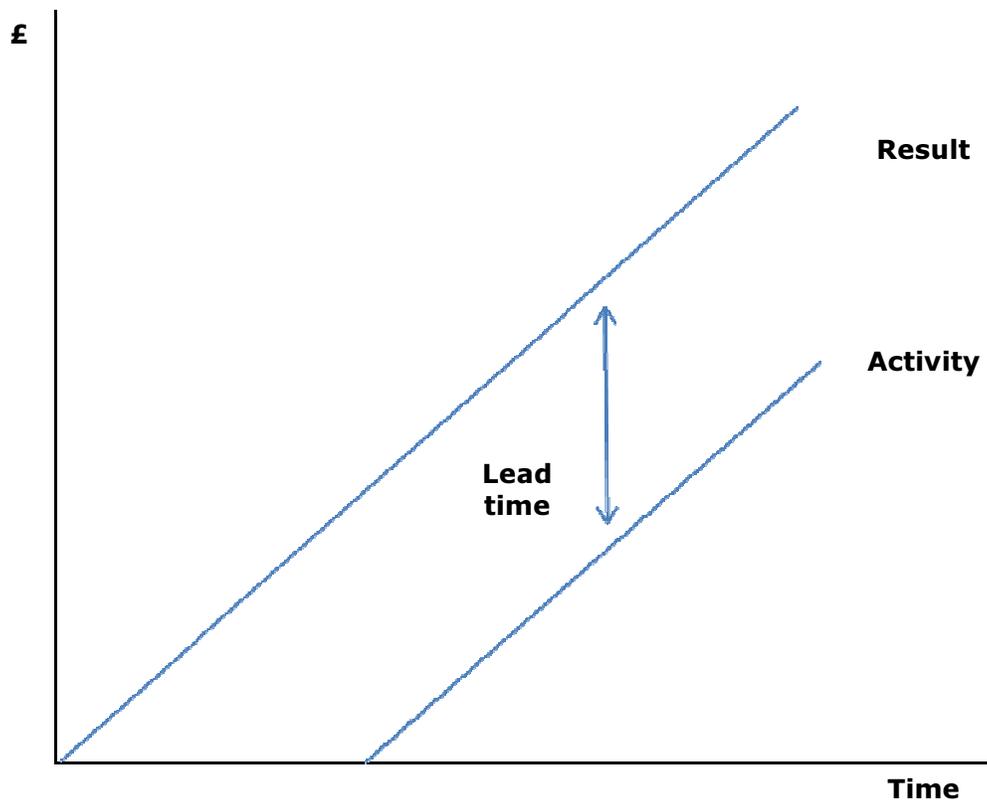
Sales platform allows you to plan the activity you need to produce the sales result – taking into account the lead time between first customer contact and receiving the payment. With house sales this can be anything up to 3 – 6 months.

2.   Introducing sales platform

Think of the process as being built around three platforms – a market platform, a working platform and a buying platform.

The *market platform* holds the tools you need to create new customers. The market platform should contain a method for generating 'leads' or, in plain English, potential customers. It could be based on advertising, direct mailing, marketing by telephone, networking and problem-solving, or might major on exhibitions and seminars, referrals from other customers, or simply personal contacts.

The point is to choose the method most suited to your business. You can experiment to find the most effective sales method because the database should supply you with the necessary feedback.

Here, for example, is how Richard Holt, a business consultant from Chester, evolved his sales methods using a simple analysis of the data being recorded.

Holt Associates provide innovative ways of supporting entrepreneurs using my EntreNet model. They found that sending mail-shots alone directly to potential cold customers resulted in only 1 in 200 moving from market platform prospect to working platform – a quotation for business.

> I realised that I needed to do something differently, so I paid an agency to follow up the mail-shots with a telephone call, which resulted in an improvement to 1 in 100 opportunities to quote.

He still was not happy. He had noticed, however, that when the potential customers attended a taster event, i.e. a short personal presentation to a group of potential customers, at which he explained the benefits of the EntreNet, then his conversion rate improved to 5 out of 10. Of these five, three joined his programmes – buying platform.

> I decided to refocus my marketing and invite potential customers to taster events and it worked like a dream.

He was able to develop his business because he had collected platform data, which enabled him to take corrective action.

Feedback of this type should be recorded in the system and used to construct your own effective business generating system.

Once built up, the customer database becomes a vital tool in creating new business. The beauty of using a computer-based system is that you can programme it to remind you to call customers, send them a newsletter or offer, or invite them to lunch – whatever sales method works for you.

But you must never forget that computers are only an aid to sales. Your strongest business generation asset will remain always your 'sales team' and their personal relationships with customers.

While the *market platform* holds the information on potential new customers and tracks you contact with them, the next stage – *the working platform* – is concerned with turning inquiries into firm orders. At this stage potential customers become prospective customers. Not all quotations will result in firm orders, but you can calculate from past experience your probable rate of success. You can also work out how long it takes the average proposal to become a firm order; information that is vital if you are to keep the flow of work consistent.

Most companies have a buying platform where customers re-buy at intervals. This is the buying platform. In house sales this aspect of platform does not apply – customers only buy once a year.

However, happy existing buying platform customers can be your best sales asset. How can you use existing customers to provide reference sales opportunities?

Gathering the information must be done religiously, using the step-by-step approach you'll find below. It also has to be on an ongoing basis. There is no point in going through this exercise once a year or in a desultory and irregular way: it has to become part of a regular routine, once a week at least.

You start by calculating your last year's turnover and how many orders it took to achieve this. This helps set a target for next year's business. You also need to know the average number of sales approaches needed to deliver a serious sales inquiry and the proportion of inquiries to a firm order. These 'conversion rates' help determine how much sales effort you have to put in to run your business at its present and planned future capacity. Follow the steps outlined below and you have the makings of a BGS. You can buy in a ready-made model. Many of the successful entrepreneurs I know use the ACT system, which is marketed worldwide.

A business generating system

Stage	Activity	Key indicators
1 Market platform	- Introducing products/services to customers, making sales presentations.	- Value (£s) of potential business. - Conversion rates (%) people spoken to, to serious inquiries.
2 Working platform	- Making firm proposals to customers. - Customers deciding to purchase.	- Value (£) of quotations submitted. - Conversion rate (%) of orders received to quotations submitted.
3 Buying platform	- Orders received. - Promote reference sales.	- Value (£) of work in hand. - Reference sales opportunities.

Milestones

You need to know the lead time between stages if you are to make the necessary links between the quantity of orders needed to keep the business running at full capacity, the number of jobs you need to quote for, and the number of potential buyers you need to reach.

The stages can be seen as milestones.

	Milestone 1		Milestone 2		Milestone 3		Milestone 4
Market platform *Defined prospects*	Quotations made	Working platform *Quotes in the pipeline*	Order received	Buying platform *Existing customers*	Sales invoiced	Terms of payment	Cash in bank
Time							

Ten steps to building a business generating system

Step 1   Calculate target annual sales.

Step 2   Calculate average order size from historical records. To do this you divide the value of all sales by the number of orders:

                   $\dfrac{\text{Total Sales Value}}{\text{Number of Orders}} = \textit{average order value}$

Step 3   Calculate number of orders required for year:

                   $\dfrac{\text{Target Annual Sales (Step 1)}}{\text{Average Order Value (Step 2)}} = \textit{number of orders required}$

Step 4   Decide how many orders will come from existing customers. (This can be determined roughly by analyzing the information gathered on the buying platform. You can also set targets for winning new business from these customers.) In house sales the buying platform does not repeat purchase but it may provide reference sales opportunities.

Step 5   Determine how many new orders will be required to hit sales targets. Calculation: *Number of orders required* to meet annual sales target (Step 3) *less forecast sales to existing customers* (Step 4).

Step 6   Calculate conversion rate of quotations for work to orders from *working platform* information, e.g. three quotation sent, one order received = 3:1.

Step 7   Calculate *number of new quotations for work required per year and per month and per week.* Calculation: multiply number of new orders required per year by the conversion ratio (Step 5 x Step 6), at this point divide the answer b y 12. This gives *new quotation required per month.* Build in any seasonality, e.g. no orders at Christmas!

Step 8   Determine conversion ratio of *new prospects* (potential new customers) to *quotations,* e.g. four new prospects to one quotation = 4:1.

Step 9   *Calculate number of prospects required per month or week.* Calculation: multiply number of new quotations required by this conversation ratio to ascertain number of prospective customers who must be contact (Step 7 x Step 8.) Now divide by 12 to obtain monthly figure.

Step 10   Determine how new prospects are best created in your business, ie mail-shots, telephone calls, adverts, exhibitions, etc.

                Plan to undertake enough of this activity monthly to create the level of prospects required at Step 9.
To help you do this you need to follow a *sales activity plan.*

Sales activity plan

A   Determine last year's turnover _____

B   Determine total number of orders last year _____

C   Calculate average order size (A ÷ B) _____

D   Establish next year's turnover _____

E   Calculate total number of orders required next year (D ÷ C) _____

F   Determine number of reference sales expected _____

G   Calculate number of extra orders needed from new customers
(E – F) _____

H   Determine how many quotes needed to win an order (e.g. 1 in 3)
_____

I   Determine how many customers visited and how many quotes issued
(e.g. 1 in 2) _____

J   Determine how many potential customers mail-shotted and how many
Appointments gained (e.g. 1 in 10) _____

K   Number of quotes to be issued (G x H) _____

L   Number of customers to be visited (K x I) _____

M   Number of mail-shots to be sent (L x J) _____

Notes: This is a dynamic model and the figures need to be constantly analyzed in or to ensure that the established target turnover is achieved. The vital ratios are:

- number of quotes issued to orders won;
- number of customers visited to orders won;
- number of customers mail-shotted to appointments gained.

These will indicate, on a relatively short-term basis, the effectiveness of the promotional approach being used, and where there are any 'weak' links. If these ratios change then the sales activity rates need to be either boosted or curtailed.

This sales platform method also ensures that the company is aware of the resources necessary in order to achieve the stated objectives in terms of:

- people resource requirements, i.e. the time 'on the road';
- availability of sources of data/potential sales leads;
- office resources and equipment, e.g. computer/word processor.

The sales platform should be updated on a weekly basis to monitor performance and to adjust promotional activity accordingly.

Software requirements

Once the figures are calculated your sales platform can be managed either manually using a diary system or by computer. There are several software packages available that link together:

- sales platform;
- your database of customer contacts;
- a diary planning system.

One system that is used regularly by entrepreneurs is ACT.