



## TOOLKIT 22 – INCREASING SALES USING THE TURNOVER DRIVERS

- ❖ **Use the six turnover drivers to really boost sales.**
- ❖ **Reduce the feast or famine impact of fluctuating sales.**
- ❖ **Establish an effective business generating system.**

There are only six ways to increase sales in any business. Successful businesses set up sales systems to use the six sales drivers to boost their business.

The drivers are:

- 1. Create new sales prospects.**
- 2. Improve conversion rates i.e., quotes to order.**
- 3. Improve the retention rate of existing customers.**
- 4. Increase the transaction value of each sale.**
- 5. Increase the transaction frequency of each sale.**
- 6. Improve the frequency of customer visits.**

## **STORY – FONE ZONE, QUEENSLAND, AUSTRALIA**

Six years ago former sales executive David McMahon and his partner Maxine Horne began a mobile phone retail business in Queensland with the 'naïve' notion it would provide them with independence, an income and a better lifestyle.

Instead, the pair, who hedged their inexperience at running a business by borrowing ideas from the United Kingdom, found themselves leading a high-velocity retail revolution.

The catalyst for their early growth, beyond the dynamics of the market itself, was being the first to put mobile phone retail outlets within reach of everyday consumers in shopping centres and malls.

Fone Zone, with 46 outlets, is now the country's largest independent mobile phone retailer. It had profit growth of 22 per cent in the last financial year and ranks as one of Australia's fastest growing private companies.

'When we realised the business was going to grow so fast, we had to sit down and learn the basic principles of how to run it', says McMahon, the company's CEO. "We were starting from scratch with the business plan and spent 18 months educating ourselves in retail management.

'The greatest awakening in the process, says McMahon, was discovering turnover drivers. It's relatively simple really; there are only six areas of a business you can focus on to increase sales and turnover. For me it was a true dawning. Everything stems from understanding the equation. It's too easy to think that because sales are down you must advertise, when you may need to improve the conversion rate of your prospects.'

'It's not until these measurements are in place,' McMahon argues, that a business can be improved. Accordingly, systems have been established in all stores so, at the press of a button each morning, the business owners can see how each is performing in all six areas, and fine-tune.

Now positioned for the rapid growth of WAP and data-based information services (it is predicted that by 2004 more people will access the web by mobile phone or wireless device than PC), the company will undertake a public float in 2001.

## STEP 1 Set up a monitoring system

Yes I know that monitoring is normally the final step in most business processes but not in this one. You need to monitor your current existing performance against the six drivers in order to identify opportunities for improvement.

- Delegate the task to a competent person to set up an effective monitoring system preferably using your computer system or a PC.
- You need to constantly monitor your performance in order to identify areas for development. The information manager's role is a crucial one, don't compromise and give it to a weak resource.
- Here are some tips on how they might do it.

### 1. Create new sales prospects

This requires that all sales personnel record very accurately the source of new leads and prospects. Make it a mantra: Get the sale and get the source of the sale.

Put the information on to the sales order entry format.

Audit the process regularly to ensure that your people are recording accurate information.

### 2. Conversion rates

These might be:

- Marketing effort to leads e.g., 10 enquiries for each advert at 5% replies from mailshots.
- Lead to quotes e.g., 4 leads provides us with 2 opportunities to quote i.e., 50%.
- Quote to orders e.g., we win 1 order per 3 quotes i.e., 1:3.

Give the sales management function the responsibility for calculating and recording the conversion rates accurately.

### 3. Retention rate of existing customers

Check sales records and invoices on a regular basis. Where does our business come from, crucially: how much from existing customers?

### 4. Transaction value of each order

Check sales orders and invoices in order to calculate average order size i.e., total sales value divided by orders received. You might need to establish a common process for calculating average order size particularly if your sales invoices carry a range of items.

#### 5. Transaction frequency

Monitor transaction frequency via the sales order system. How often do our customers buy?

#### 6. Customer visits

Make the information resource person responsible for co-ordinating diaries and visits to customers.

Most of this information already exists. The information resource person needs the support of the IT function to enable them to access the data from the existing system.

### STEP 2

Once the monitoring system is established and running smoothly for a period of say three months then begin to analyse the data and start to ask some questions:

- Where do our new customers actually come from?
- How effective is our business generating system at creating the quantity and quality of customers?
- How effective are our conversion rates?
- Do conversion rates vary and why?
- How well do we keep existing customers?
- What is the average transaction value?
- Is it increasing or decreasing?
- How often do our customers buy?
- Do we visit our customers often enough?

You should find this analysis very revealing.

TIP: Involve your sales team in the process to ensure they buy in to the plans for improvement.

### **STEP 3** Discuss and agree sales and marketing tasks to improve the drivers.

TIP: This whole toolkit is driven by the installation of an accurate and effective data recording system. Do not compromise the quality of the data capture, the benefits are worth it.

Here are some things you could do:

#### **Driver 1**      **Creating new customers**

Cut your spend on your marketing methods which your new information tells you is not working.

Increase your spend on those methods that are proven to work.

#### **EXAMPLE**

A caravan dealer in the Midlands was spending £100k on creating new prospects. (Driver 1 – create new sales prospects). Analysis of the sales monitoring system after three months revealed that 80% of new customers came from Yellow Pages advertising which cost them £3k.

Their plan was to reduce their marketing spend by £90k with no negative impact on creating new customers.

They also found that events such as barbecues on a weekend also created new customers but they had only done two in the year. They decided to spend £7k on several special barbecue weekends and created significant numbers of new customers.

#### **Driver 2**      **Conversion Rates**

The key issues normally are:

- Are we attracting the right target customers to sell to?
- How good is our offer?
- How effective are our sales people at selling.

You can audit these issues by talking to a sample of customers 'asking them about your offer'. You can watch your sales people sell in order to assess their effectiveness.

Whatever you find take action to fix it.

**Driver 3      *Improve the retention rate of existing customers***

- Conduct a customer perception survey (see toolkit 16) in order to find out why customers stay and leave.
- Remember your sales tactics with existing customers. What do we do to keep them? What can we improve? Should we offer a gold star service to key customers?

**Driver 4      *Increasing transaction values***

- Consider auditing your cross-selling process. How effective is it? E.g., In the 80s Mothercare's average order size was £4.75. They worked at improving the merchandising around the checkouts and increased it to £5.50. This boosted their profits significantly.
- Do we offer our customers our full range in order to increase our transaction sale?
- Set up a system to improve cross selling, if one does not exist.

**Driver 5      *Increase the frequency of each sale***

- Consider special offers to increase the frequency of sales including a loyalty scheme.
- Consider telesales to increase the frequency.
- Offer a gold star service to existing customers to increase transaction sales.
- Brainstorm some ideas internally.

TIP: Be careful about giving anything away via discounts. You want to increase your profits as well as your sales.

**Driver 6      *Increase the frequency of customer visits***

In fast growth companies top people spend 30–50% of their time networking with their customers. The rewards are lots of new sales opportunities.

- Get your top team to commit to a minimum number of days per month to visit customers. Encourage your information resource person to record their visits to enable you to monitor progress.

# TROUBLESHOOTER

## POTENTIAL PROBLEMS

## SUGGESTED REMEDIES

Can't release anybody internally to act as the information resource person.  
Or  
They are too busy with other projects and the job does not get done

*Remember the potential benefit to your business – a significant boost to sales, therefore, make finding the right resource person a number one priority.*

The IT department has too many projects, so they cannot help. (This seems to be a major blockage in every large business.)

- 1. Make it the priority for them.*
- 2. Outsource it to an agency.*

People do not provide accurate input data i.e., source of new leads.

*You need to make it mandatory in your business. Remember the rewards ...*

A tendency to blame external factors, rather than internal performance, for less than satisfactory sales performance.

*Accurate data should identify where the real problems exist.*

## **N.B.**

You will note that there is no proforma for this toolkit. This is because every business whilst using the same steps will monitor different metrics over different timescales. So, the first thing for you to undertake is think about what needs to be measured and how this will be achieved. Once you have done this the rest will fall into place. Good luck!