The SEALS SALES Program

Seven-digit increase in gross profit within less than 12 months – without extra spend on additional resources

Imagine that you could save 30 to 40 percent of your overhead costs in sales, without diminishing anything in your sales revenue – whether existing or new. Plus, with a contrary effect: Revenue would even increase significantly!

Too good to be true? Extremely difficult to implement?
Is that what you’re thinking right now?

The answer in both cases is ‘no’!
You have certainly heard of the film 300 or possibly even seen it. It is about how a 300 strong, very brave Greek troop faces its Persian opponent, who leads an army with a numerically overwhelming superiority against them. And yet the Greeks win the battle.

Sales organizations today often face a similar mission: It is a challenge of achieving the highest possible customer revenue with a high-performance team and beating the much larger competitor – continuously and permanently.

### Relevant success factors are

- the sales management,
- an excellent and continuous training program,
- a suitably tailor-made incentive system and
- a high intrinsic motivation of all salespeople.

In most companies, however, at least three of these four factors are either not at all considered or insufficiently considered nor implemented. In addition, there is a fifth factor, namely the size of the team, which is often wrongly rated.

In many companies, the team is either too large or the individual performance varies significantly:

The number of salespeople who achieve only average or even below-average results is three to four times higher than the number of those who generate a real return on sales equivalent to twice or three times their own costs (cost to company).
The Pareto Principle

The reason for this lies in the Pareto Principle. I have already shown in numerous publications how the Pareto Principle can be applied to many sales areas and leads to more sales revenue at lower costs.

Applied to sales team performance, it can be concluded that there is a strong imbalance in the distribution of performance in almost all sales organizations: 20 percent of salespeople generate 80 percent or more of the annual sales revenue and gross profit. Sometimes the distribution is 30 to 70 or 10 to 90 percent - but let's assume 20 to 80 percent. The same principle applies to Key Account teams.

Does this mean that 80 percent of sales employees are not doing their job?
This is not necessarily the case, as various factors such as seniority or experience are critical factors here. However, one can basically assume that half of those 80 percent simply do not achieve what they are capable of! This group does not cover their own costs, often not even half of them. Assuming that the employees in question were immediately assigned to another division or even made redundant, the effects would be insignificant or even negligible in terms of the overall sales performance of the team!

How the Pareto Principle works in practice

Consider a 40 odd person team, which currently generates a gross profit on new business of EUR 4,000,000: The top 8 “SEAL” salespeople together generate EUR 3,200,000, i.e. EUR 400,000 per rep p.a. If each salesperson accounts for EUR 125,000 Cost to Company per year, the return on sales for this SEAL top group would be 320 percent (factor 3.2). An excellent result!

The remaining 32 salespersons together generate only EUR 800,000, which equates to an average of a meagre EUR 25,000 per rep - i.e. a negative return of 80 percent (!).

If we now reduce the sales organization by half of the salespeople who make up this 80 percent, the team will be reduced from 40 to 24 people.

The previous customers assigned to the 16 people who are now leaving the team will be evenly distributed among the 16 members of the “SEAL Development” group who remain in the sales team. This has a dramatic, positive effect on the return on sales of the team:
The annual total gross profit was previously at EUR 4,000,000, on average EUR 100,000 per sales rep. Now, however, the total gross profit EUR 4,000,000 is generated by only 24 people, on average EUR 167,000 per sales rep.
This represents an improvement of 67 percent!

Finally, let's look at the total cost of the new sales team compared to the old one:
The old team had an average cost to company of EUR 125,000 per rep: 40 x EUR 125,000 = EUR 5,000,000 compared to 24 x EUR 125,000 = EUR 3,000,000 for the new, smaller team. This accounts for an immediate cost saving of EUR 2,000,000 and equates to a reduction compared to the previous costs by 40 percent!
Who will remain within the team?

The following criteria must be applied when deciding whom of the remaining 80 percent has to leave the team:

- Performance over the last two to three years (positive or negative development)
- Reasons for poor performance (valid/not valid)
- General sales skills
- Sales development potential over the next 12 to 24 months

It is enormously important to carefully select who will be part this group, since we separate the 40 percent of the former total sales team, which merely represent a burden for the team because they have neither sufficient development potential nor a suitable, natural skill set.

At the same time the other group, namely the “SEAL Development Team”, has to be identified, whose members sell currently below their capabilities, but who have a realistic chance to work their way up to the level of the current SEALs in the next 6 to 18 months and therefore may remain in the sales team.
Increase of the Return on Sales

If this transition succeeds, the company would once again increase its return on sales solely from existing resources and without the expensive hiring of new talent.

Let’s assume that half of the “SEAL Development Team” manages to reach 60 percent of the level of the SEALs within 12 months, i.e. achieves an average gross profit of EUR 400,000 x 60 percent = EUR 240,000 while the second half remains at its previous level of EUR 125,000 each.

That increases total annual gross profit to

<table>
<thead>
<tr>
<th></th>
<th>8 x</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SEALs</td>
<td>400,000 EUR</td>
<td></td>
</tr>
<tr>
<td>Development SEALs (Top 50%)</td>
<td>240,000 EUR</td>
<td></td>
</tr>
<tr>
<td>Development SEALs (Bottom 50%)</td>
<td>125,000 EUR</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>6,120,000 EUR</strong></td>
</tr>
</tbody>
</table>

The annual gross profit

Annual gross profit has increased by more than 50 percent after only 12 months, but costs have fallen by EUR 2,000,000 or 40 percent.

However, one should allow for a premium of about 10 to 15 percent on the costs, as salary increases, and higher bonuses are due for better performance. So, if we deduct EUR 300,000 from the cost reduction, we can sum up: The costs of the sales team have fallen by more than EUR 1,700,000 within one year!

Whereas the return on sales was previously minus 20 percent, it is now plus 85 percent!

Expressed in absolute figures, the picture is as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The average gross profit of each sales rep (previously EUR 100,000 p.a.) is now</td>
<td>255,000 EUR p.a.</td>
</tr>
<tr>
<td>The absolute costs of the sales team have fallen by</td>
<td>1,700,000 EUR p.a.</td>
</tr>
<tr>
<td>The total gross profit has increased by more than</td>
<td><strong>2,000,000 EUR p.a.</strong></td>
</tr>
</tbody>
</table>
The Elite SEAL Team

What about the 20 percent of the salespeople, i.e. the elite SEAL team consisting of 8 persons, who achieve best results from the beginning?

You can recognize a genuine SEAL salesperson not only by the excellent sales figures, but also by the following characteristics:

**S** **UCCESS**
Achieve a cost to company return on at least 2.5 or more.

**E** **ENERGY**
Enormously high daily intrinsic motivation, combined with the ability to positively influence both customers and employees, winning them over.

**A** **TTITUDE**
The daily routine is 80 percent decisive for the success of a salesperson. It is therefore essential that the person has the right attitude and is open to working on his or her behaviour. Egos are normal for SEALs, but they must not drift into narcissism - the right basic attitude and identification with the company values is a prerequisite to prevent the former.

**L** **ONGEVITY**
A real SEAL manages in the long run to reach and exceed the high set targets by benefitting from all the above described character traits, but also by always working on improving her performance – based on the motto “You are only as good as your last deal”.
If an excellent sales management, a dynamic incentive system and the right team culture are added, this SEAL will remain loyal to your company for a long time. In addition, a combination of an excellent development program, optional shares in the company and a special training program should further ensure long-term commitment. It is essential to retain this highly effective group of people in the company, especially in times of crisis.

“Virtual” Sales Team

You should also consider setting up a new, “virtual sales team” consisting of the group of 16 salespeople who were formerly producing unsatisfying results.

These could take over customer service in the back office at significantly reduced costs. Or, they could be assigned to other company divisions such as Customer Service or Product Management. After all, every person has a natural skill set and unique talents. Unfortunately, these often are left unrecognized, and sometimes, out of convenience and fear of change, employees want to continue doing what they are not necessarily very good at – like remaining in a sales job. Not least because this job has a number of conveniences such as individual use of time, bonuses, company cars, etc.
That is why it’s important to face non-performing salespeople with consequences.

This SEAL SALES program contributes to

1. the change of perception of the sales department by the other company divisions for the better by the enormous performance increase,
2. the job of a salesperson as such is becoming much more attractive and hence is becoming a privilege to perform,
3. it is easier to attract talent from outside to expand the sales team, because very successful people usually attract other successful people.
The entrepreneurial benefits

In conclusion, we can state that the organisation shown in our example has benefitted from the SEALS SALES program in various ways – both materially and immaterially:

- The average gross profit per salesperson achieved is now over EUR 250,000 p.a. (previously EUR 100,000 p.a.).
- The costs to company of the sales team have fallen by EUR 1,700,000 p.a.
- The total gross profit increased by EUR 2,120,000 p.a.
- The external reputation of the sales business unit within the company has been significantly improved.
- The competitiveness of the entire company has increased.
- Sales head count and hence total costs have been reduced, which means greater resilience in the event of future crises.
- Additional capacities for staffing new product or corporate divisions have been created.

Even if we - extremely conservatively – assume that total gross profit will increase by only 50 percent, we will still achieve a seven-digit improvement in sales results!

Arrange your personal meeting with me today, so that we can discuss your situation and the advantages of the SEALS SALES program for your company!

Ihr Alexander Nowroth

+49 (0) 211 9241 5629
anowroth@lebenswerkconsulting.com
lebenswerkconsulting.com