Achieving Sales Success:

Using Industry Research to Identify Benchmarks and Best Practices

1. Introduction

In an era of financial and operational stress, the importance of sales performance is particularly acute. Every company and every firm in the industry needs to know its sales track record and know where it needs to make changes in order to improve its sales operations and the consequent financial performance.

Due to our company's extensive experience in evaluating and training marketing and sales people in the senior living industry, last year several leaders in industry associations asked us to investigate what the best companies are doing to succeed and even excel in sales performance. The challenge was to identify senior living industry best practices by sales and marketing staffs that are yielding exceptional results.

2. Hypothesis

The central hypothesis behind this request was that <u>the two factors that make the most difference in sales success are the skills of a company's sales people and the systematic use of accurate and effective information systems</u>.

Therefore, the two things we look at in terms of our benchmarking and measuring best practices are the people and the systems. Simply put, it takes people to make the sales and systems to ensure that the people are being as effective as possible. First, we look at the systems. We look at the company's information base: does the company understand where it has been and understand the base information needed to set goals and to measure previous success, and does it have the ability to continually measure on-going performance and report on a regular basis the

critical success factors in terms of measuring what is working and what is not. Second is the actual sales skills of the people. What was the skill level of individuals that were charged with affecting the success factors? This study will focus on those two issues: systems – the company's information; and people – the sales skills of the individuals charged with implementing best practices from a sales perspective.

3. Approach

When attempting to evaluate a company's performance, it is appropriate to begin by looking at its historical information. What is the historical performance of a company, specifically, its performance on key success factors? These success factors include closing ratios, traffic (in-person visits), activity plans of sales and marketing staff, number of sales, etc. It is important for a company to know where it has been and what has been happening before deciding where it should go and what needs to be accomplished. The second area is the goals. Typically, the goals in a company cannot be changed by the sales and marketing directors in individual communities; in developing new communities, goals are set during the financial feasibility analysis, long before the actual performance indicators are known. Once a decision has been made to develop or acquire a community, it is very unlikely that the original sales goals can be changed. But goals are helpful because they provide an initial standard for measuring performance. More importantly, goals matter because they are the basis for directing activity in the company and how it prioritizes the allocation of its resources, time and energy. The third area is the current situation. A company typically cannot change its current situation in terms of the property location, the building structure, the level of activity in the market, and the number of prospective clients in the area. What it can do is recognize key success factors in terms of its current positioning, its current market, and its current customer situation, and adjust its sales and

marketing plan, especially in the areas of sales skills and time management, to react to that situation.

In approaching a project such as this, we had to begin by looking through our database for useful data. For a variety of reasons, it can be difficult to get reliable data from companies in a highly competitive industry. We began by identifying companies with communities of similar size, operating in similar markets, serving similar customers, and with a similar number of communities. Although it is not an exact science, we were able to find several companies in our database with such comparable statistics. Next, we devised a standard sales skills measuring system to compare one company against another. Then, we obtained data about the companies' performance, in terms of performance standards, occupancy and closing ratios. By compiling this information and comparing the companies against each other, it is possible to draw some conclusions about the practices and performances that characterize best practices.

3.1. Lead Tracking and Management Systems

The process of selecting companies for this analysis produced several interesting findings about lead tracking and management systems.

3.1.1. System Design

We found that many companies in the industry have a lack of systems, or an inadequate or inconsistent use of the systems. What this means is that most companies do not have a systematic way to track the number of leads that are coming in and to separate those leads into certain categories or to track those leads through key success points through the sales and marketing process. For example, a company may have a lead management system in place, but it may not be an effective system. Consequently, the sales people and other staff who interact with the customer on the phone and at the front desk do not have a consistent way of writing

down the information and transferring it at some point to a follow-up management system. In those cases, sales people lack accountability, and we find that the data is incomplete or the data is very inconsistent. This is a system problem.

3.1.2. Training

In other cases, companies do have a sophisticated lead management system but the employees either have not been trained well enough to use the system or the employees are uncomfortable using the system.

3.1.3. Motivation

Lack of motivation can also create problems. Employees who do not see the benefit of using a lead management system may be resistant to learning and using it for tracking. Another problem may be that the employees believe there are incentives to not use the system properly because they fear that an accurate tracking of closing ratios might reflect poorly on their performance, and even affect their compensation, bonuses, and continued employment.

For this study, we tried to find companies that were using automated tracking lead management systems or what appeared to be a reliable manual tracking lead management system. In these cases, the companies put a significant amount of emphasis on the numbers and tracked them on an ongoing basis. All those managers involved in the process utilized the numbers from their tracking systems on a weekly and monthly basis to communicate with the sales staff and other executives in the company.

3.2 Consistent and Well-Established Standards

The next step was to identify companies that had consistent and well-established standards for qualifying and coding the leads in the system so that there is some consensus as to measuring the success ratios on different types of leads and different types of customers. For

instance, in our standards we evaluate the leads that come in over the phone and in person, and then try to assess which ones are real customers. Not all customers who call and come in are necessarily looking for the product offered in that community or are realistically in the market within the next six months. (A caveat here: we are talking about assisted living, not independent living.) So, what we are looking for are companies that have consistent standards that are being used throughout the company for taking the leads and loading them into the system they are using, along with a follow-up protocol that specifies particular responses for each type of lead. Another factor is rating the quality of the lead, i.e. hot, warm, and cold. We are looking for companies that actually track through the system those leads that are hot, warm or cold, and also tracking those leads that fall out for some reason or another throughout the process. Without these standards, there is no way for companies to set criteria for measuring closing ratios.

3.3 Availability of Information

The third step was to find companies willing to share information. Many companies at this time are not comfortable sharing their data for fear that other companies may get some proprietary information that would hurt them from a competitive standpoint. So companies generally are reluctant to talk about their leads. In addition to that, we found that companies don't necessarily know what their closing ratios are or there is a dispute as to what those numbers actually should be.

4. Benchmarks

4.1. Closing Ratios

This begs a question: what is the average industry closing ratio? What should the closing ratios be? Once you agree what the closing ratio is from a definition standpoint, what types of closing ratios do you need to be successful? In doing research throughout the industry and

informal interviews, we looked at 15 different companies with a total of over 500 communities. Three fifths of those companies had more that 50 communities each, while the other 40% had less than 50 communities each. For the most part, we found that their estimates of average closing ratios generally fell into one of three different groups. At one end, a company would say it was closing one in eight. In other words, for visitors whose first contact was either on the phone or in person, 12% of those making an initial visit resulted in a move in. Other companies said they were doing about 1 in 14, which would result in about an 8% closing ratio. Finally, we found a number of companies use a standard of about one in ten. The average in the industry seemed be about 10%; this is consistent with our research findings of how companies have performed over the last five years.

When we are talking about closing ratios, we want to make clear at this point that what we are looking at is a closing ratio that includes three components. The first component is from inquiry (which could be over the phone or in person) to an onsite visit and/or a tour. The second component is between the onsite visit and making a deposit. And the last component is from the deposit to move-in, which is commonly referred to as the conversion ratio.

This last step is critical because one of the significant factors that affects the success or failure in a community, and a great indication of the quality of the sales approach used by the company, is the conversion ratio. The experience of most communities is that a certain percentage of people who offer a deposit back out of the process at some future point. This is the result of at least two conditions. One is that a community does not have space available. Sometimes, people put a deposit down on an apartment, hoping an apartment will open up, but at some point their needs grow to the point where they cannot wait any longer and the community does not have availabity so they have to go somewhere else. The second condition that also

happens in the industry, and may be more telling, is the fact that people put a deposit down but later change their minds. They may have felt they were under pressure or did not feel comfortable with their decision, and later they return and ask for their deposit back. Such an occurrence often reflects a sales protocol within the company that tends to be less needs-focused and more sales-focused. The result is that the sales person does not consistently develop a good base relationship with the customer and doesn't sufficiently identify the needs clearly, and consequently they fail to present a solution to the customer that matches the customer's perceived need. In this case the customer feels "high pressure" and later becomes uncomfortable with the decision.

One of the things we have found is that, to achieve good closing ratios, sales skills are critically important on that initial phone call. A 1998 study by the National Investment Conference reported that directors of assisted living communities identified an average of 8.25 competitors in their area. Based on a number of informal inquiries to assisted living experts, many people make six to eight phone calls to assisted living communities before they choose to visit. This begs the question: Why do people feel they have to make all of these phone calls before they make a visit? Is it possible to get them to commit to visit without doing all of this data gathering and, if so, how?

Mystery shopping research has lead us to the belief that, in many cases in our industry, this is an area were the skill sets are weaker, and the opportunity to establish a relationship with customers on a phone call is lost. In the absence of making a connection at an emotional or value level, the customer is left to his or her own resources. As a result, potential customers try to do a lot more research over the phone on their own in order to get educated and make their own decision as to where they think they need to visit. When customers focus on data gathering,

price, and amenities, then those of us in the industry have lost the opportunity to focus on how we can meet their needs and provide value. The key to achieving this connection is a highly skilled and focused sales approach on the phone.

We will see that, in the most successful companies, the closing ratio from the phone call to the visit is much higher than average. We think this is a result of the skills and performance of those sales people; they have the ability to build a relationship with the customer over the phone, develop some sense of what their needs are, and therefore present a more compelling reason to come in and visit.

4.2. Sales Skills

We looked at four basic areas in which the sales skills of the communities included in this study would be measured.

The first one was the ability of the sales person to build rapport with a potential customer, both on the phone and in person when they visited, and build a relationship. We concluded this was important in the initial phase of the sales process because, by building rapport, we:

a) help to build an atmosphere of trust,
b) help the sales person to identify real issues to talk about with the customer, and
c) position the sales person and the company to do value-based selling.

Secondly, we looked at the ability of the sales person to match values with their customer or identify what the customer’s real needs were. We looked at their ability to do that in three areas:

a) building a one-on-one relationship with the customer,
b) identifying key customer's needs in order to later match their values with community benefits, and

c) asking the customer for a decision and overcoming the customer's objections.

From the skills standpoint, we looked specifically at the sales person's ability to be an effective questioner and listener to accomplish these objectives.

The third area selected was the sales person's ability to create a "different and better" story, namely:

a) to pinpoint the customer's value issues,

b) to highlight the community's strengths and compare those to the customer's needs, and

c) to powerfully match the values of the customer with the strengths of the community.

In this case we looked at the sales person's ability to bring the story about the community to life for the customer by matching the community's services and features with the customer's needs.

Fourth, we looked at the ability of the sales person to help the customer take the next appropriate step in the process. We wanted to evaluate the sales person's ability to

a) ask for some kind of specific next action step and be able to recognize objections that would come afterwards,

b) have the confidence, knowledge and skills to help the customer overcome those objections, and

c) ask for a decision again.

5. Findings

After reviewing all of the data available for this research, we selected three companies for detailed analysis. Each company had more than 50 buildings; each company was in the position to provide services nationwide; each company offered services in their building ranging from independent to assisted living and generally were mixed properties. The average size of these

communities was over 100 apartments, and all these companies had onsite sales people who worked full time.

5.1. Data Collection

The data used in this analysis came from a basic mystery-shopping program in which we used the same standardized mystery shopping survey for all three companies. We had over 100 mystery shops for each company in our database using the same basic protocol. Mystery shoppers made inquiries over the telephone, following a scripted mystery-shopping procedure. The mystery shopping process is admittedly not a rigorous scientific method. There are many variables that can affect the success of the mystery shop and the accuracy of the mystery shop, ranging anywhere from the sales person not having their best day to the customer handling each call in a slightly different manner. Nonetheless, given the number of shops and the standardized shopping protocol, this mystery shopping research does tend to point to some significant insights as to what some of the best companies are doing differently than other companies that are scoring lower in terms of overall closing ratios.

5.2. First Impressions

First of all, we look for whether or not they ask the person for their name, telephone, and address. As shown in Exhibit 1, all three companies have a high incidence of employees not asking for these things. This suggests that these employees have not taken a great deal of time to get to know the person on the other end of the call or have not gotten the information in order to do the appropriate follow-up. It also suggests that the information in the lead management system isn't necessarily correct because, in this case, an average of about 40% of those calling are not giving their name, phone number, and address. Unless the listings in the lead management system show a similar ratio of missing information, it is probable that these leads

are not going into the lead management system. This reinforces the assessment that the numbers that companies use to measure performance typically are not accurate or reliable. Another interesting difference in Exhibit 1 is that Company A has the highest percentage (40%) of sales people getting both the phone number and address, while Company B has the highest percentage of the getting the address only. This is a significant issue because many employees focus on sending information to a customer rather than inviting them to come in for a visit. This also is an indication that this company's sales force is not necessarily trained very well; they tend to mail information more often and to not invite people in for a visit. As a result, the customer is controlling the information gathering process and is much less likely to come in for a visit where a sale can be made.

[Exhibit 1 about here]

5.3. Establishing Needs

The next three exhibits present information about the process of establishing needs. Exhibit 2 shows how the three companies compared on the subject of asking permission to establish needs. The four options appear in order from best (asked permission and explained why in a way that created great rapport) to worst (did not ask permission or explain benefits). Notice that Company A and Company B (at 38% and 39%, respectively) seem to be far ahead of company C (5%) at the top end of the scale. This is important in that, when the sales person starts off the conversation by respecting the customer and asking for the opportunity to ask questions further, it sets the stage for more information flowing from the customer, which helps the sales person become more effective.

[Exhibit 2 about here]

Now it is time for the sales person to actually ask the questions that help to establish the customer's needs. Exhibit 3 reveals that Company A again leads the pack, asking two or more questions about 68% of the time. In Company B's case, they dropped down to being the company that asked the fewest questions. Company C does ask more questions than Company B. It is also interesting that Companies A and B don't ask any questions about 14% of the time. While Companies B and C are more likely to ask only one question, this is often nothing more than asking for the caller's address. From a qualitative standpoint what they are doing is asking for the address so they will know where to send the information, again focusing on mailing the information instead of personal one-on-one communication.

[Exhibit 3 about here]

The rest of the process of establishing needs is accomplished by listening to and clarifying the customer's responses to those initial questions. Several methods of doing this are used in the ratings in Exhibit 4. Company A outperforms the other two in all areas: showing empathy for the customer, repeating answers to make sure the customer's needs are clearly understood, showing interest by asking for details, and responding with general information. Again, Company A clearly seems to be a more highly trained sales team.

[Exhibit 4 about here]

5.4. Discussing Rates

The next exhibit shows how the companies deal with rates. Ideally, the sales person's response when the customer asks about rates is to explain that there is a variation in the rates and that without more information the sales person cannot give specific rates that would be reliable. The flip side of that is that some companies end up telling the customer what the rates are specifically or saying there is a specific range of rates. The performance of Company A, in

terms of explaining that there is a variation of rates, is the highest, with 70% of the calls handled properly. Exhibit 5 also shows that other responses occur in Company A at very low levels. What this indicates is that Company A's sales people are continuously trying to sell value instead of price.

[Exhibit 5 about here]

On the other hand, Company B tends to explain the rates more readily, both in detail and with ranges. In the industry, this is sometimes referred to as rate dumping. When a customer asks about rates, the sales person volunteers the rates, gives the customer what they want, and eliminates the need for the customer to either stay on the phone and learn about the community or come in and visit. The old saying is, "In the absence of value people buy on price." And sales people who are not as well trained tend to fall into that trap and set a price rather than value. In the competitive market that currently exists, selling on price can be detrimental, because in many cases the competitor is out there lowering the price in order to survive even when the value is much higher than the price reflects. Generally, companies cannot compete on price, and so those sales people who sell on price can be very detrimental to the company's health.

5.5. Presenting the Community

The task of presenting the community over the phone can seem to be a daunting one. In reality, it is a simple formula: the sales person's task is to paint a picture of what it is like to live in the community and do so in a manner that conveys a sense of how the community is different and better than other alternatives. The aim is not comprehensiveness, but a sketch that will generate interest in a visit. What is reflected in Exhibit 6 is that Company A and Company B far exceed Company C in their ability to paint a picture of the community and what it is like to live there. Unfortunately in Company B's case the presentation is going to end up being a little

hollow due to the fact that they did not ask many questions during the earlier stages. As a result, they do not have a lot of personal information about the customer, and therefore most of the presentation is a laundry list of all the different services offered and a very general presentation. On the flip side, Company A has a lot of personal information, has been asking many personal questions, and really has the ability to paint a very personal picture of what it is like to live in the community.

[Exhibit 6 about here]

5.6. Asking for a Visit

After the presentation of the different and better story, it is time to ask for the next action step. In simple terms, this is the moment for the sales person to ask for or strongly encourage a very specific commitment on the customer's part to schedule a visit. Examination of Exhibit 7 may produce some surprise. Company B has a very high percentage of cases where its sales people are expressing a vague invitation to visit, such as "Stop by any time we are always here." This is undesirable because no specific agreement or commitment has been reached with the customer, and the customer is very unlikely to have any sense that a commitment has been made.

[Exhibit 7 about here]

Looking for a specific appointment to be encouraged and set, Company A again is slightly higher. But what is unanticipated is Company C's strong showing as the highest performer in terms of setting a specific appointment. Unfortunately, in Company C's case, while they do end up asking for and attempting to set a specific appointment (because it is Company C's corporate standard that no one gets off the phone without trying to set an appointment), the results are disappointing. Because the sales process or sales presentation has been relatively hollow, no rapport has been built, few questions have been asked, little information has been

gathered and the presentation has been weak, the request for a specific appointment is rarely as successful and usually many objections are given.

As a result, companies whose sales people skip some of the basic selling steps and selling stop points or value points end up having less success at the end when the customers realize that they don't have the information to make a decision. Again, in the case of Company A, 26% of the time an appointment is set, and in another 33% of the time a visit is encouraged. Unfortunately looking at it from a customer's perspective when there is a vague invitation to visit or no visit at all encouraged, both of those count as a situation where no action step is really encouraged and no objection is required from the customer to postpone an appointment. Therefore the sales person is very likely to get off the phone not knowing what objections the customer may have and not having an opportunity to overcome those objections and ask again for the visit.

5.7. Overcoming Objections

In Exhibit 8, which contains information about overcoming objections, Company A's performance is once again the best in response to objections raised by customers. Their efforts to make a second attempt to require or ask the customer to come in for a visit were significantly better than the competition's. This reflects a highly trained sales team and one that has more success. The other telling statistic in this exhibit is the other companies' lack of effort at dealing with objections. In this situation, customers get off the phone with unanswered questions that usually are addressed by some competitor down the road, who gets the visit and the customer.

[Exhibit 8 about here]

5.8. Offering Information

We now look at Exhibit 9, which reports on the offer made at the end of the call to send information. In the senior living industry, there is a tendency to send information. Sending information is the best ally of a shopping customer who wants to look at several different communities and get as much information as possible before they make a decision. Unfortunately, it also produces customers who end up being confused and have a tough time understanding exactly what they are looking for. So the customer who gathers a lot of information ends up not being helped through the decision process, which can be difficult and confusing to one that is not educated about the industry. The industry is still, it seems, like all three companies, which settled almost 50% of the time for offering to send information without arranging a visit.

[Exhibit 9 about here]

In these cases, it would be better to encourage sales people not to offer to send information except as a last resort. Generally, they should already know whether or not they have won the customer. When it comes down to whether the sales person has really connected with the customer, according to the National Investment Center, families looked at an average of only 1.4 assisted living communities before they made a decision. This research also showed that the majority of assisted living residents never visit more than one community prior to moving in. Clearly, it is in the best interest of the customer and of the community to have the customer come in and visit instead of receiving information in the mail.

5.9. Evaluation and Recommendation

Exhibit 10 is one of the most telling. At the end of the conversation, shoppers reply to two questions about the overall experience with the sales person. In almost 100% of the cases, customers' evaluations were that they found the sales person amiable and personable, and they

would be willing to visit the community. The other question concerns the customer's willingness to recommend the community to someone else. This measure is highly reflective of their confidence in the ability of that community to meet the needs of the consumer. As shown in this exhibit, Company A was more than twice as successful as Company C, and Company B was not at all successful in convincing callers that they were a place that they would feel comfortable recommending. The message is: "I will go there and visit, but I am not comfortable or confident enough in the community to send my friend there." A goal of the sales people in these companies should be to convey a level of confidence over the phone to a consumer that they would be willing to recommend it to a friend. Clearly in this case, Company A is much more successful than the other companies.

[Exhibit 10 about here]

5.10. Closing Ratios

So what is the bottom line? As illustrated in Exhibit 11, Company A reported an overall closing ratio of about 18-20%, Company B had a closing ratio of 8-10%, and Company C's ratio was 10-12%. Company A is clearly more successful than either of the other two at turning initial inquiries into actual move-ins, so much so that its sales performance might be examined for evidence of industry best practices.

[Exhibit 11 about here]

6. Identification of Best Practices

In light of these findings, what is it that generates the success of the best-practices company? From an information systems perspective, it is clear that companies need a good solid base of information to understand what their closing ratios are and to measure how successful they are. In the area of company standards, they need to have standards set for each step of the

sales process and specific protocols as to how sales people are to handle those steps and the corporate information systems that go with them.

Beyond these practices, it is evident that the skills of the sales people can clearly affect not only the overall impression they give a potential customer but also their overall success. From this research, we can identify four key sales skills that most correlate with sales performance as measured by both willingness to recommend the community and closing ratios.

First, companies whose sales people ask permission to establish the customer's needs are more successful. They are taking the time to connect with the customer, and it pays off in the end.

Second, in the area of listening and clarifying needs, the practices of showing empathy for the caller's situation and asking for more details about it correlate well with sales performance. Because they work on building a relationship and ask questions so as to let the caller do the talking, these sales people understand their customers better.

Third, in responding to rate inquiries, the sales staff in a "best practices" company did not provide a range or specific rates, but rather did a better job of encouraging a visit or making a general connection between prices and needs. Thereby, these people generally moved the focus away from price and other facts to needs and value.

Fourth, this research has shown that, when sales people handled objections by attempting to overcome them and making a second attempt to set a visit, they achieved significantly higher closing ratios.

In addition, we found that the customer's willingness to recommend the subject community to a friend is a strong indicator of how successful the company will be in closing sales.

Our research is that more successful companies are experiencing about a 50% closing ratio factor between the call and the visit. Furthermore, the most successful companies are measuring the difference between general inquiries and referral inquiries; this distinction is between people who are calling from general advertising and those who are calling and coming in based on a recommendation from some knowledgeable person or close friend. This separate tracking is based on the fact that closing ratios from leads to deposits are very different for general and referral leads. Successful companies in the industry are trying to achieve a 50% closing ratio factor from visit to deposit on referral leads and a 30% closing ratio factor between visit and deposit on general leads. Those companies also set a target of a 50/50 split between general and referral leads in terms of total incoming calls or visits. These closing ratios, combined with no more than a 10% conversion fallout from deposit to move in, can accomplish an overall 18% closing ratio – almost twice as good as the industry average.

END

Reference

National Investment Conference, National Survey of Assisted Living Residents: Who is the Customer?, Annapolis: National Investment Conference, 1998.

Keywords: assisted living, sales skills, information systems, sales performance, closing ratio, best practices.

Achieving Sales Success:

Using Industry Research to Identify Benchmarks and Best Practices

William Nowell

And

Jeff Rexhausen

Mr. Nowell is President
and
Mr. Rexhausen is Vice President of Research and Development
for
ServiceTRAC, LLC
1525 N. Granite Reef Road, Suite 11
Scottsdale, AZ 85257

480-941-3121 (phone)
480-941-5246 (fax)

wnowell@servicetrac.com
jrexhausen@servicetrac.com

Note: ServiceTRAC is a national consulting firm offering a wide range of sales management, evaluation, and training tools for the senior living industry.