

The Next Evolution of Inside Sales: Rep Development Programs

By Lauren Bailey, President Factor 8

In 2012, Microsoft asked a key question about their Inside Sales force, and the answer is one that will change the way we view the on-boarding of our Inside Sales channel. Like most of us, they were challenged by attrition and long ramp times to quota, and wondered how much the on-boarding period was costing them. But one better, they asked, “Where are we losing more revenue?” The answer came as a surprise.

We modeled their situation including attrition and ramp rates and then measured the top-line revenue they could recoup by moving either number down to best in class ranges. We call this result a “Revenue Refund.” It doesn’t require additional headcount or investment to achieve, it’s money we’re “giving away” today when our staff leave their seats early (attrition) or take too long to be productive (ramp). The Revenue Refund isn’t the hard cost of hiring or training, but the amount of the opportunity cost we recoup when we correct performance. Using a similar model to the one we used with Microsoft, we found that a company hiring 150 reps with approximately \$200K annual quotas could expect the following:

Cutting attrition by 50% will produce a \$19 Million Revenue Refund.

Cutting average ramp time by 50% will produce a \$57 Million Revenue Refund.*

Imagine the surprise Microsoft and other companies experience when they see these kinds of numbers – all revenue that could be recognized if we could positively impact attrition and ramp. Like many companies, Microsoft was initially concerned about attrition, but the numbers proved that like many of us, they were worried about the wrong number. Then they asked two even smarter questions:

If we can gain this much in one year, what could their second & third years produce?

If our reps are successful sooner, wouldn’t that also reduce attrition and move the number even further?

Like usual, the great minds at Microsoft were on the right track. Although valid, attrition may be a concern of yesterday. Cutting edge companies instead are looking at the effects of rep development on numbers like ramp, percent of team to quota, and percent of floor trending upward.

How many of us as Inside Sales leaders are asking smart questions like these? Can we measure the opportunity cost of slow ramp? Do we look where our floor is trending or just if the team hit the overall number? And perhaps even more importantly, if our competition is starting to ask these questions, why aren’t we?

At Factor 8, we believe that multiple forces are aligning to make the development of our sales teams the next evolution of Inside Sales. These forces include:

- 1. A convergence of industry trends and challenges that point to training as a one-stop solution**
- 2. Executive Attention**
- 3. The Revenue Refund: The secret revenue source producing hard numbers with improved ramp, performance, attrition**

A Convergence of Trends and Challenges with One Solution:

Businessweek reported recently that 2 million new Inside Sales jobs will be added in the US by 2020¹. We can count on many of these jobs being located inside vs. outside according to Bob Perkins, Founder of the American Association of Inside Sales Professionals (AA-ISP) who cites Inside Sales growing at a rate of 14x Field Sales. This means that as an industry, most of our Inside Sales teams will be growing – either due to customer demands and the need for more sales talent, and/or the move from field sales resources to Inside Sales.

In AA-ISP's 2013 Industry Trends and Challenges report, the issue Sales Leaders selected as their “#1 challenge” more than any other issue was “Recruiting².” Most of us have felt this pain in recent years while growing our sales teams and/or replacing those we lose with our high industry-wide attrition. As President of the Phoenix chapter of Inside Sales Professionals, I can tell you anecdotally that I get contacted for help with recruiting at a rate of 3 to 1 vs. any other topic. Unfortunately, this trend will only worsen as The Bureau of Labor Statistics reports fewer people are entering the workforce than are leaving it in the next five years (thanks to our Baby Boomers and economically-induced early retirements³).

As our sales organizations grow, our talent pool is shrinking, and competition over great Inside Sales talent will increase. Our only available pools of candidates may soon be those with little or no experience, and those coming to Inside Sales from other professions and industries. Do our current rep training programs support this? Factor 8 conducted two informal surveys in 2013 asking this very question. We asked approximately 50 sales leaders about their satisfaction with their current rep on-boarding / development programs (read: job training, not HR-led orientation day). 53% replied that they were dissatisfied or strongly dissatisfied with their program's ability to train new hires to do the job. While speaking at a recent front-line conference for Inside Sales Professionals of the 120 people in the room, less than 5 raised their hand to indicate their current new hire training program had prepared them to do their job. Now imagine this level of job training with the completely inexperienced candidate.

According to studies done by The Corporate Leadership Council in recent years, large Inside Sales centers focusing on the acquisition of new clients average over 50% attrition rates in our industry. Best in class centers operate just south of 20%⁴. If our recruiting teams are telling us, “We're rowing as fast as we can” to bring in new talent, it is apparent there is a hole in the boat. Even when our most qualified candidates are found and on-boarded, our average attrition rates show that we will be replacing one of every two to five of them before the end of the year.

When looking at all of these trends together, several conclusions may be drawn:

1. We need new ways to attract great Inside Sales talent
2. We must reduce the attrition rates of our current talent
3. We must expand our pool of candidates outside of those with previous track records in Inside Sales

Strong new hire development programs help us achieve all three of these goals simultaneously.

Aberdeen studied recruiting and attrition in Inside Sales and asked both sales leaders and reps the reason they were leaving companies. “Development Opportunities” was selected #1 by over 25% of reps surveyed⁵. AA-ISP's 2013 survey of over 1000 reps and leader echoed this report. “Training” was selected as a top-five challenge by reps (and leaders!)¹. If we know reps are looking for better development and leaving companies when they don't get it, a strong recruiting tool may be the advertising of a formal training program and the resulting shorter ramp time reps can expect until their commission checks begin flowing.

Going one step further, industry leader IBM has started offering a formal Inside Sales certification to Inside Sales Executives through The American Association of Inside Sales Professionals⁶. This is sure to differentiate them as an employer over others who may offer no new job skills training whatsoever.

The American Society of Training & Development did a study a few years ago that proved Microsoft and IBM's hypothesis right: Reps who feel prepared and successful in their jobs stay at those jobs longer! They show that reducing sales rep ramp time also reduces sales rep turnover. The study compared companies that had informal 3-day onboarding (or new hire training) programs with those that had comprehensive and formal 3-week programs. Although the right length and structure of each program is different by company and industry, length and formality / structure are two key indicators of the effort and information put into a program. Their results were groundbreaking: Companies with formal programs had attrition rates HALF that of companies with short informal programs⁷.

If we project these results on the example shown earlier, by cutting rep ramp time we would also slice attrition – moving our Revenue Refund to over \$70M. Not by adding headcount. No new products. No marketing spend. Simply accelerating the time it takes our new staff to be productive to a level achieved by our best-in-class peers that have excellent new hire training programs. Surely achieving even a fraction of these numbers is compelling for Executives ramping up their Inside Sales teams.

Finally, with the right sales new hire training program, sales organizations may open their doors to any candidate with the right behaviors, personalities, and cultural fit – knowing that their knowledge and skills may be built. This means the labor pool is expanded to include those with no Inside Sales experience as well as those from other industries and professions. Smart companies will not keep competing for the same talent (and losing up to half of them each year). They will find good people and invest in them with training programs that give them the knowledge and skills needed to be successful. They will build strong Inside Sales people organically, and build their job satisfaction, loyalty and tenure along with them.

Investment in a rep development program directly addresses a top reason for sales rep attrition, helps reps ramp to quota sooner, and expands the hiring pool.

Executive Attention

AA-ISP's 2013 survey may have shown "Recruiting" as the challenge selected as #1 most often, but "Training" showed up most often as #2, #3, and #4 of the top five². These results were similarly mimicked in the rep-level results making "Training" the top overall concern for our industry today.

Additionally, like the reps in the Aberdeen study, 25% of leaders also selected a lack of "agent development" as a top cause for sales rep attrition⁵.

Out of nowhere, executives in our industry have hit the "emergency" button on training – suddenly bringing this topic out of the woodwork to rise above historical issues like "attrition" and "tools."

In February 2013, I had the honor of facilitating a group of Senior Executives who came together to discuss challenges faced by Inside Sales Organizations. In the room were Executive Vice Presidents of Sales, Inside Sales VP's, and Global Directors. The Fortune and Global 500 were represented. This group had risen to the top of their sales organizations and took three days from their packed schedules to come together and share best practices and discuss solutions to our top industry challenges. I worked with the peer group addressing training, and together they identified two key problems with training in their organizations:

Problem 1: We need to define, develop, and deliver meaningful training content that is mastered by our Inside Sales team allowing them to deliver an excellent client experience.

Problem 2. We know we need to be better at coaching but we lack the prioritization, skills and resources to do so.

In conversation, several interesting points were made. As a group, they knew what they were currently doing wasn't working, but ***none had a clear picture of what great training content nor delivery looked like***. Further, every one of the executives relayed that the ***content they get from their own training departments added no value in teaching new executives how to sell on the phone***.

This sentiment in the workshop has been echoed in their investments. Although Training has risen to the top of our executive "watch list" of challenges, spending lags behind. Training Magazine reported that in 2011, companies spent an average of only \$1500/rep in training (less than 1/10 of the cost to recruit a rep in many cases). Even the "best in class" averaged less than \$1600/rep and Industry Leader IBM just under \$1800⁸.

We think this lack of focus and investment is for three reasons:

1. Training hasn't presented as an emergency until now. Why not? In an Inside Sales Organization's evolution, other issues with hard data have trumped it. We see investments first go toward CRM and phone systems, recruiting processes, and marketing integration. Most companies don't get around to addressing rep development until they've already addressed the points above and have reached a maturity level of 2-3 years and/or 30+ reps. It is at this period we start to see impact and feel the pain of attrition, recruiting and slow ramp time. We must also remember that most Inside Sales organizations were created to save costs on field reps, and expensive development programs won't likely be considered until we've tried low cost options (e.g. repurposing field training, informal shadow programs). As Inside Sales grows in number and in tenure, we'll find more and more organizations moving out of start-up and into a maturity phase where training will become a top concern.
2. We don't measure it. Unfortunately, rep development isn't often owned by Inside Sales Leaders. This means that as a general rule, Sales Executives don't speak the language of training, and development stats like ramp time and percentage of the sales team improving or percent of sales team to quota are absent from our sales dashboards. We have all heard that what gets measured gets done, and in the frantic world of Inside Sales performance the executive dashboard is a prime illustration. If it's not on the dashboard, it isn't likely getting the day-to-day focus required to solve the problem and commit to an investment.
3. We're not sure how to fix the problem. External providers are often expert in one area, and our internal Learning & Development departments don't have the Inside Sales expertise to advise us. Like the group of Sr. Executives determined in February, we may have to start at square one by defining what good looks like and then teaming to build it. This is no small task and internal strategy must preclude external investment in a single solution or it can feel like we're taking shots in the dark at the issue. **

In summary, we can conclude that training has hit "high alert" with the leaders in our industry. Inside Sales Executives know that our reps are looking for more training, coaching, and mentoring from their workplace and that they stay longer when well-trained to do their jobs. They also know that our talent is willing to leave an organization to get this development. And as our leadership becomes better educated in training strategy and solutions, as they partner with their internal L&D departments, and as more research and whitepapers like this one hit the airwaves, we will see more strategy, more solutions and more spending. Industry leaders who solve this first will win the competition for talent while they enjoy their talent's loyalty and the payoff of their Revenue Refund.

And as more organizations embrace rep development as the solution, as an industry we will arrive at our next evolution marked by employee engagement, customer engagement and even faster growth compared to other sales channels.

Revenue Refund:

If you're like most of the people we've talked to, some (or maybe most!) of you is still wondering about the revenue numbers we illustrated with earlier. Truth is, the opportunity cost of revenue is difficult to measure, and it takes a tight partnership with your Training and HR departments to get the data you need. As a former leader of both Sales and Training, I found myself uniquely qualified to create the refund model and enjoy helping Inside Sales leaders make business cases for investment by running their numbers. First, let me share how I stumbled upon this secret revenue source:

Ten years ago, as a Director of Training for a large Inside Sales outsourcing company, I partnered with the VP of Sales to restructure our sales new hire training. At the time, it took about 8 months for our 200 reps to hit quota, and turnover was over 50%. (All industry standard for large organizations today.) The VP rightly identified that when we lost sales executives in their first four months, their initial training had to be a root cause.

To improve it, we shortened a four-week program to two weeks, and then extended their overall training period to three months with a series of "come-back" classes. This allowed the high-energy and competitive profiles we'd hired to get out of the classroom and into their "zone" – the sales floor. We limited what we trained up front and instead built mastery of the subjects selected by incorporating lots of role play and live practice dials. We infused even the system and product classes with more sales focus, got managers involved in our testing process, and ruthlessly cut out anything that sounded like theory. Then we brought reps back over the next three months to learn about the supplemental product sets and processes (e.g. handling a return) that weren't critical to their success their first few weeks on the job. In short we used our knowledge of the Inside Sales process and customer needs to structure "just in time training" that built confidence and mastery over time and eliminated the "gap" between the classroom and the sales floor.

At the same time, our VP changed the compensation structure so that reps felt successful earlier. He lowered their ramp quota targets in their first three months, eventually building to the same revenue target in month six. As a result, reps achieved a higher average revenue their first few months on the job, they became fully productive (regular quota) sooner, and attrition dropped below 40%. By the end of the year, we regained over \$100Million in top-line revenue.

The results were astounding. They were also repeatable. A few years later I was recruited to design SAP's sales training strategy for their first foray into telesales. We used the same "just in time" training structure and built a program for ongoing development that kept reps improving over time, but hitting the phones quickly. As a result, our teams hit productivity 40% sooner than their counterparts in the field – and new field reps started requesting to come to the Inside Sales training!

Recently at an Inside Sales conference, we challenged the audience to tweet us their answer to the Revenue Refund challenge. We used a hypothetical company hiring 75 reps in the next year with quotas of \$35K at full production. What would we regain if we shortened ramp from 6 months to 4 months? The range of answers we received clearly told us that most companies aren't measuring this number, and probably aren't even aware of the "refund" available to them! Answers ranged from \$20K to \$25M in year one revenue. The right answer was about \$3.2M.*

As more and more of us model the numbers to see just how steep the impact can be, reducing rep ramp time will become a top goal of sales leaders around the Globe. Where else can we get such profound revenue impact without

adding headcount, releasing new products, or increasing marketing spend? And how many of these other solutions have slashed attrition and widened hiring pools as by-products?

In Conclusion:

Historically, our industry of Inside Sales has not led the way in employee development. An industry born of cost savings, this is no surprise, in fact, Inside Sales has been through many stages of evolution in the past decade. Previously referred to as “call centers,” we seldom had responsibility for a full sales cycle. And rather than replacing field sellers, we too often served as their unofficial internal admins. Since then, we’ve seen an increase in responsibility, an influx of technologies like CRM and phone systems, and improved internal processes like account ownership and lead pass procedures. Today leading organizations are focusing on marketing integration programs like lead nurturing and marketing qualified lead pass programs, and infusion of social selling to both our customers and our target talent pools.

Now, the trends of recruiting challenges, shrinking labor pools, and high attrition require us to do more to keep our top talent and widen our hiring pools. Training has hit the “watch list” of most executives in our industry this year and there is data to support that a good development program will address all three trending challenges.

Is Rep Development the next evolution of Inside Sales? If we’re right and the next new trend is an investment in our people, the great news is that the ROI is waiting. Further, organizations that get there first will win the battle for experienced talent while simultaneously opening their doors to new candidate pools. They will slash attrition, and produce their own staggering Revenue Refund as reps ramp to quota sooner.

We believe these leading organizations will also shape a new era for Inside Sales that fuels our growth as an industry and as the preferred sales channel in our companies.

*If you’d like to calculate your own Revenue Refund, contact us at info@factor8training.com and we will build a model illustrating shorter rep ramp time, decreased attrition, or higher percentages of your sales team to quota. Find out what revenue you’re missing!

** Look for our upcoming whitepapers, “Partnering with your Training Organization” and “What Does Great Training Look Like?” Get notified by following Factor 8 on LinkedIn or signing up for our blog at www.factor8training.wordpress.com.

About the Author:

A fifteen-year veteran of the Inside Sales Industry, Lauren Bailey has worked as both the Director of Sales and the Director of Training while traveling the World to launch Inside Sales teams. As the Head of Global Training for SAP, Lauren designed the company's first Inside Sales on-boarding program and worked hands-on in over ten countries to build their first telesales force. While running training for IBM's first direct sales team, she launched Inside Sales Teams in six countries and redesigned new hire training in the US to deliver reps to the floor faster and selling more – recapturing millions in revenue. As Sales Director for Inside Sales outsourcer Revana (Teletech), her teams consistently exceeded quota while she became known for growing managers into sales leaders.

Lauren lives in Chandler, AZ with her husband and business partner Steve Sharr, and their family of two baby boys, two dogs, and two cats. Lauren serves as the President of the Phoenix chapter of The American Association of Inside Sales, and enjoys digging into sales training design projects as well as speaking at sales and training conferences around the country.

About Factor 8:

Factor 8 is a team of Inside Sales Experts helping organizations get their reps from the DOOR to the FLOOR selling MORE by providing three key services:

- Center Benchmarking – where do you stack up against some of the World's best sales organizations? Where should your investment priority lie?
- Custom Sales Training – your products, your customers + real Inside Sales tactics coached by proven sales leaders
- Sales Floor Solutions – from playbooks and process design to internal development strategies, we combine sales and training expertise to solve problems

Resources:

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