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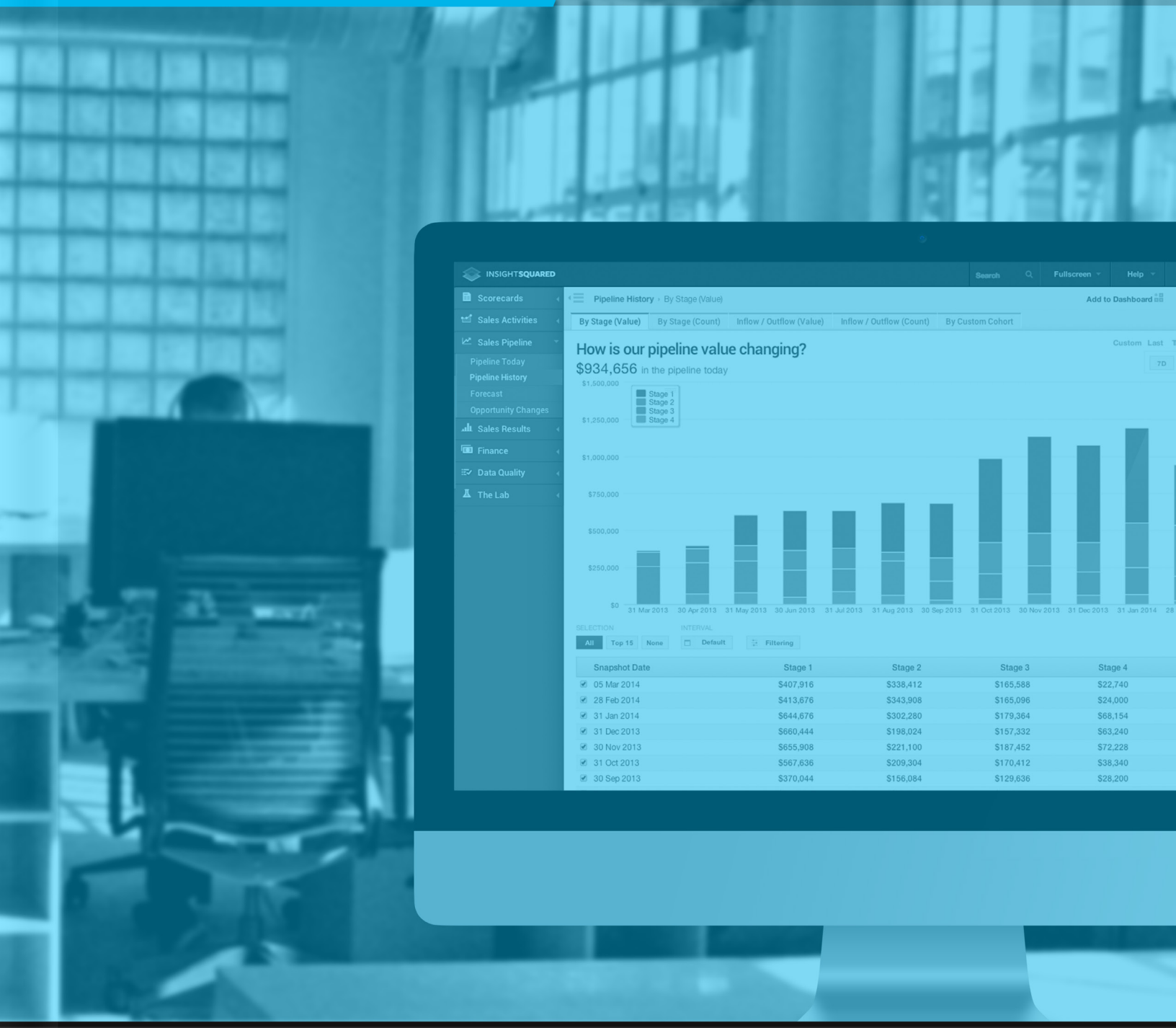

New Benchmarks for

Inside Sales Teams

By Zorian Rotenberg and Nick Christman

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Meet the Authors

Zorian Rotenberg

Zorian is a sales and marketing veteran and a recognized authority on metrics-driven sales and marketing management in the software industry. Prior to InsightSquared, Zorian was on the management teams of several global software companies including Acronis, Veeam and AppAssure (which was sold to Dell), ranging from $8 Million to over $100 Million in annual revenues, each of which he grew by over 100% in revenue every year. He was also CEO at StarWind Software, a software company where he grew sales by 100% globally and North American Sales by 145%+ by using the best practices of metrics-drive inside sales management, lead generation and prospecting.

Zorian has a degree in Finance with minors in Applied Mathematics and Computer Science from Lehigh University and earned his MBA from Harvard Business School.

Nick Christman

Nick believes in smart analytics that help you get stuff done. He is passionate about models and analyses that simplify complicated business problems and let you drive the right actions as a result.

Nick is currently pursuing an MBA at Harvard Business School. Prior to joining InsightSquared, he worked for McKinsey and for a supply chain analytics company. He has a BA from Dartmouth in Computer Science and a minor in Math.

Introduction

Why do we love benchmarks? They give us a performance goal that's clear and objective. When we perform to benchmark, we have proof that we're doing a good job. When we're below benchmark, it's fuel that drives us to be better.

Today, many growing software companies employ a two-team inside sales model, with an Outbound Prospecting Team feeding an Inside Sales Team. With sales models converging, it's become possible to create meaningful performance benchmarks for the two-team model. Below are three excellent benchmarking studies for growing technology companies:

1. Bridge Group Periodic Table of Inside Sales Metrics
2. Bridge Group Inside Sales Report
3. OpenView Partners 9 Benchmarks that Can Help Build a Scalable Sales Machine

So why did we bother with yet another benchmarking study? We are obsessed with answering interesting sales questions using data. And, well, we had more questions.

- How does the sales process differ for companies growing at more than 20% per year?
- How much more work do big deals require? Are they worth it?
- How do sales metrics change as your team scales?
- How much performance variance within your sales team should you expect?
- How do lost deals differ from won deals?

…and we had the data – 12 months of detailed sales data for more than 50 growing software companies with inside sales teams. We hope the following pages provide you with some benchmarks that help you measure your team's performance on some new dimensions.

What Do High-Growth Companies Do Differently?

Question

How do fast-growing companies differ from slow-growing companies?

Methodology

We split software companies into three groups based on sales growth:

- Fast growth: 100%+ growth in the last 12 months
- Slow growth: 0 -100% growth int the last 12 months

Then, we aggregated key metrics over each group. We present the results as a multiple of the medium growth group. For example, if slow growth had an average deal size of $100K and fast growth had $150K, we would say fast growth has a 1.5x deal size.

Result 1: The funnel looks more like a martini glass for fast-growth companies

Metric	Slow	Fast	Fast/Slow
Leads/rep/mth	100 *	136.8	1.4x
Lead : Opp	*10.2%*	*3.2%*	0.3x
Opps/rep/mth	10.2	4.4	0.4x
Win rate (Opp : Deal)	*34.4%*	*35.5%*	1.0x
Deals/rep/mth	3.5	1.6	0.4x

**Data normalized to 100 leads/rep/mth for slow growth*

Figure 1: Funnel for Slow-Growth vs Fast-Growth Software Companies

At first glance, the data is surprising. Fast-growth companies are only winning 0.4x the number of deals of slow-growth companies.

On closer inspection, there's more nuance. First, fast-growing companies see 1.4x more leads per month than slow-growing companies. However, they only convert a small percentage into opportunities. There are a few possible explanations. First, it's possible that lead quality suffers as fast-growth companies ramp up marketing efforts. Second, it's possible that reps are not handling the leads as quickly. However, we think the data suggests that fast-growing companies are qualifying leads more effectively, leading their reps to focus on the right deals that drive results, as evidenced by the next result.

Result 2: Fast-growth companies win much larger deals than slow-growth companies
Fast-growth companies win deals that are 2.8x the size of slow-growth companies.

Now the picture comes into focus: fast-growth companies get 20% better productivity by creating more leads, qualifying them more effectively to focus on a few, large opportunities, and winning those large deals at a similar rate.

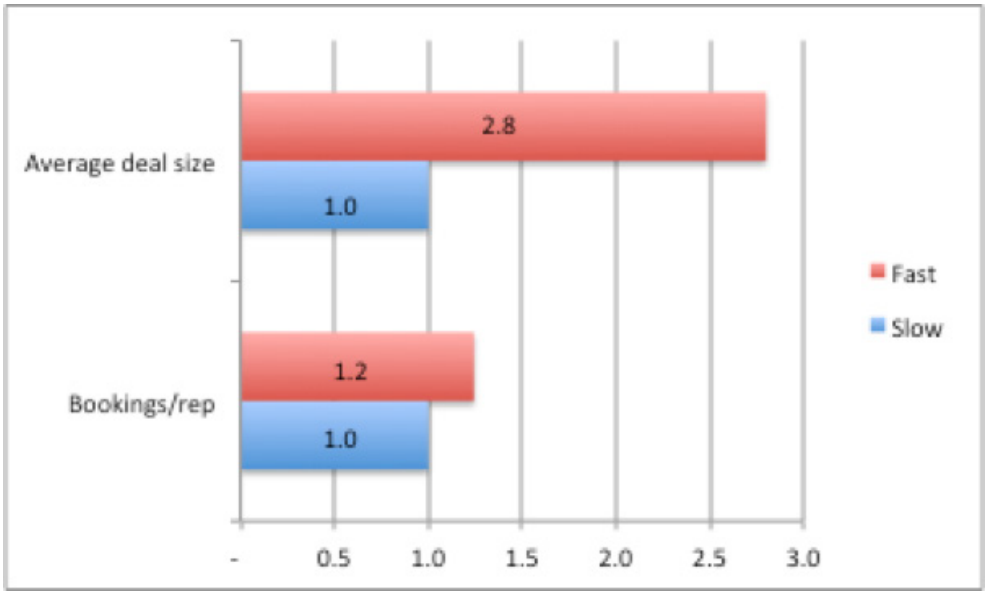

Figure 2: Deal Size and Bookings/Rep for Fast-Growth vs Slow-Growth Companies

Can you see all the key metrics for your business in one place?
Check out InsightSquared's new Sales Manager Dashboard today.

Are Big Deals Worth It?

Question

Our growth study suggests fast-growth companies focus on big deals. But big deals take longer, require more work, and convert at a lower percentage. Given these costs, are big deals actually worth it?

Methodology

For each company in our study, we split deals into quartiles by size. We then calculated metrics as a percent of company average. For example, if a quartile's average sales cycle is 150 days and the company's average sales cycle is 100 days, we calculated the quartile's relative sales cycle as 1.5.

Finally, we aggregated data across all companies to find average relative sales cycle for each deal quartile.

Result 1: Sales cycle elongates by 1.4x for large deals

The sales cycle for large deals (quartile 4) is 1.4x the average. For small deals, it's still almost 70% as long as average.

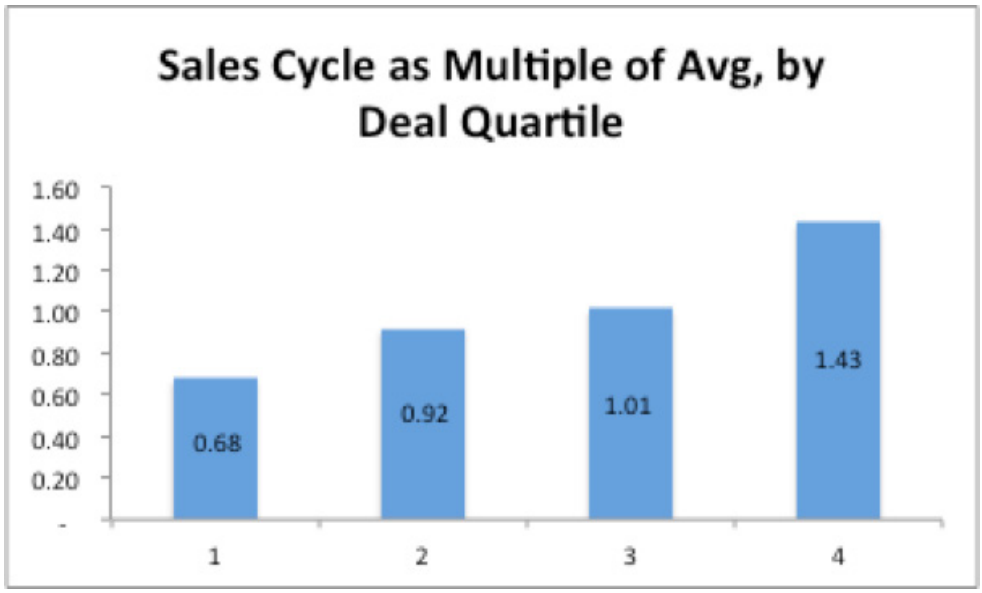

Figure 3: Sales Cycle by Deal Quartile (1 = Small, 4 = Large)

Result 2: Large deals take approximately 1.3x more work

Using salesforce.com tasks as a proxy for the work done on a deal, we see that large deals require 1.3x more work to close. Small deals take 80%+ the amount of work of an average deal, a worrying statistic.

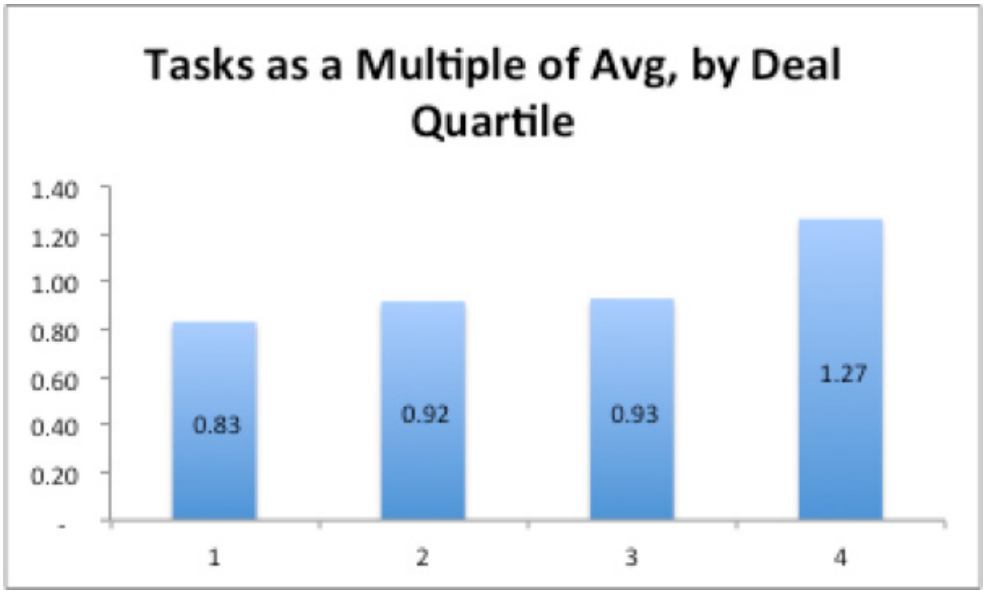

Figure 4: Tasks by Deal Quartile (1= Small, 4 = Large)

Result 3: Win rate is 20% lower for large deals

Win rate is 80% the company average for large deals. Interestingly, it's roughly the same for small deals, even though small deals require 80% of the work. Do reps work hastily on small deals? Is a small deal an indicator of a poor fit? Whatever the root cause, this further indicts small deals.

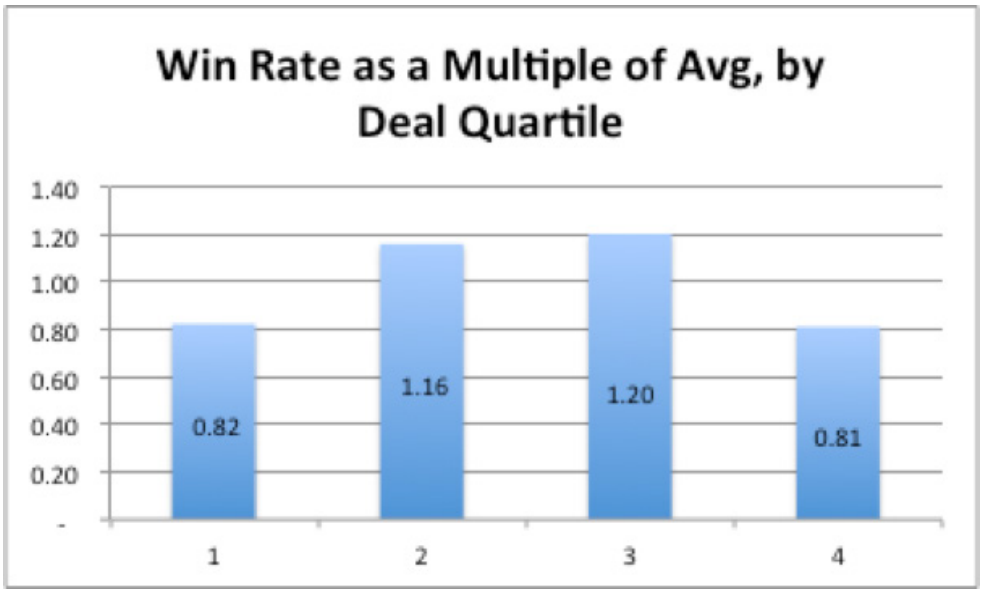

Figure 5: Win Rate by Deal Quartile (1 = Small, 4 = Large)

Result 4: Large deals are worth it because they tend to be 2.6x larger than average

By definition, this chart must skew larger as the quartile increases. However, the magnitude is significant. It says large deals are 2.6x the average deal size, and all other quartiles are smaller than average.

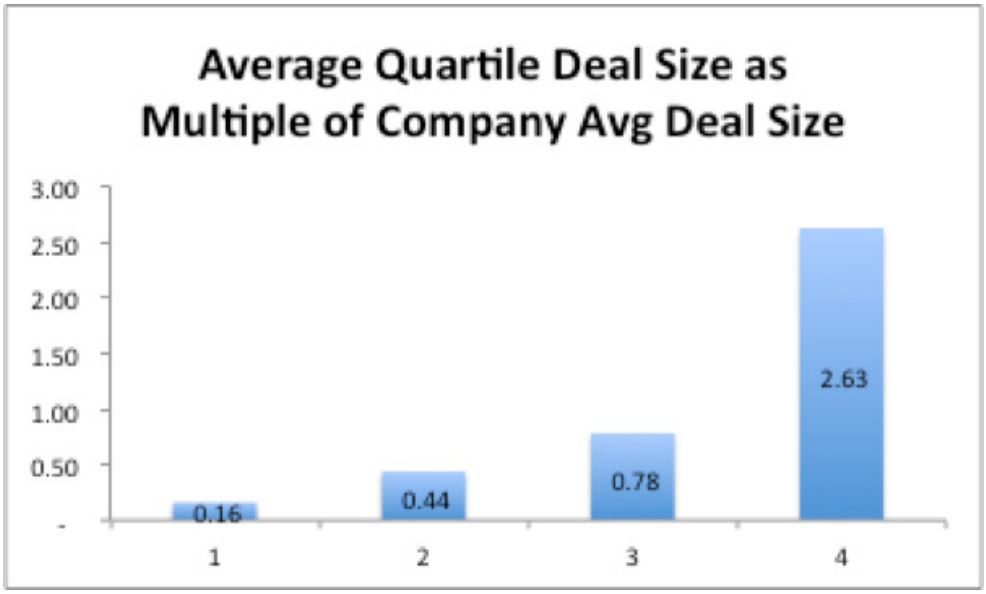

Figure 6: Relative Deal Size by Deal Quartile (1 = Small, 4 = Large)

So what does this all mean? Large deals take 1.3x more work than average deals, but close only 80% as often, so they effectively take 1.6x units of effort, compared to an average deal. However, that deal brings in 2.6x as many dollars.

We can look at this ratio of dollars to units of effort, compared to average, by quartile. This gives us a sense of the relative return for each unit of effort spent on deals of different sizes:

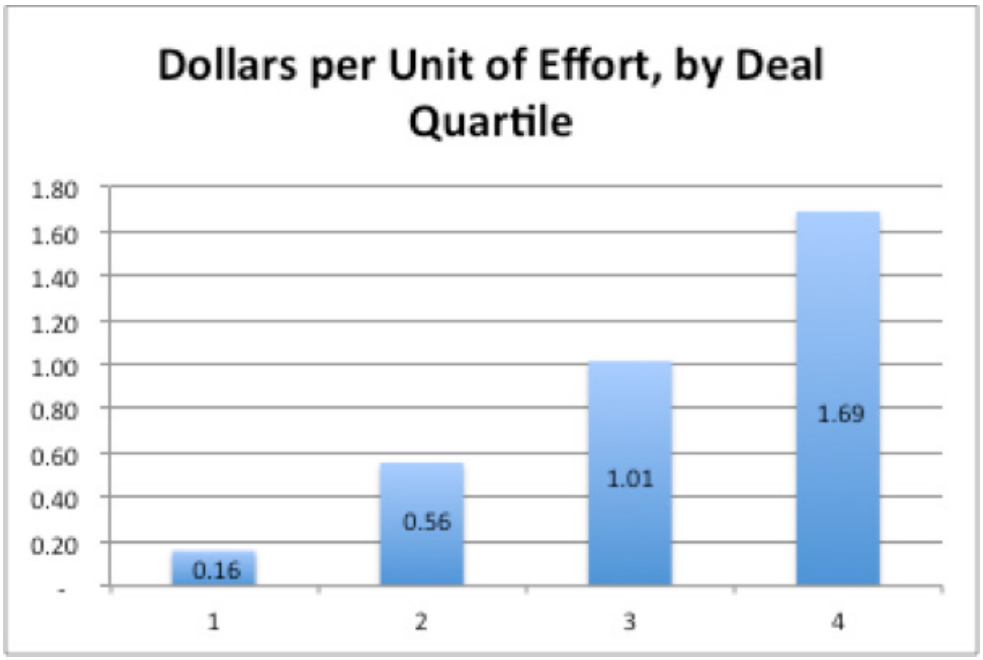

Figure 7: Dollars/Units Effort by Deal Quartile (1 = Small, 4 = Large)

These numbers are calculated as:
(Quartile Deal Size / Average Deal Size) divided by
[(Quartile Tasks/Average Tasks) * (Quartile Win Rate/Average Win Rate)]

This data makes a compelling case for pursuing large opportunities – time spent on the largest deals yields 1.7x the return of an average deal – and an even more compelling one to ignore small opportunities, where time spent yields only 0.16x the return of an average deal.

Are your reps focused on the right deals?
Check out InsightSquared's Pipeline Today report.

How Much Should Your Team's Performance Vary?

Question

As your sales team expands, you'll see variance between your top performers and your bottom performers. How much variance is normal?

Methodology

For each company in our study, we filtered down to reps with bookings in each of the last 12 months. We split reps into quartiles by total bookings.

We then calculated metrics as a percent of the reps' average, including only the same reps that had been with the company for 12 months. For example, if a quartile's average sales cycle is 150 days and the reps' average sales cycle is 100 days, we calculated the quartile's relative sales cycle as 1.5.

Finally, we aggregated the data across companies to find how much performance varies on average between quartiles of reps.

Result 1: Top performers close many more deals

It's not surprising that top performers close the most deals, but magnitude of the difference is noteworthy. They do 1.8x more deals than average reps, and this turns out to be their main source of differentiation.

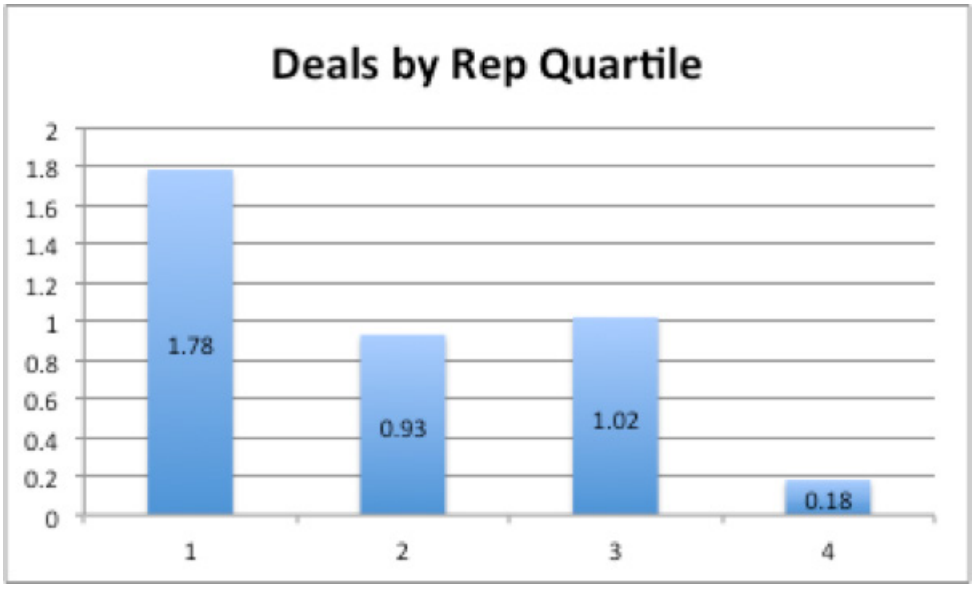

Figure 8: Deals by Employee Quartile (1 = Top, 4 = Bottom)

Result 2: The top two quartiles close slightly larger deals

The top two quartiles of reps close deals that are on average 20% larger than average, while the bottom two quartiles close deals that are 20% smaller than average. This suggests better reps are equipped with better skills to handle large, complex opportunities.

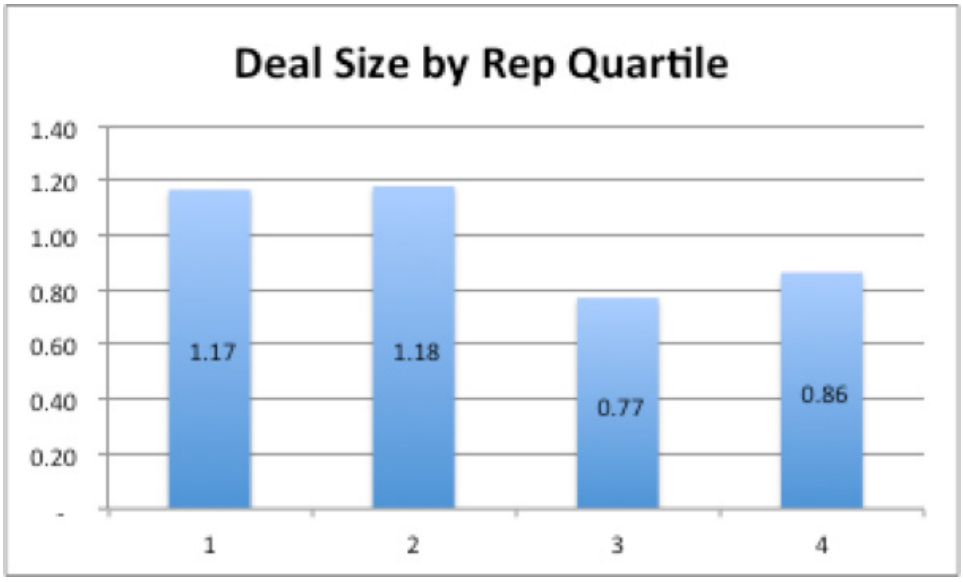

Figure 9: Deal size by Rep Quartile (1 = Top, 4 = Bottom)

Result 3: Win rate and sales cycle don't differentiate top reps

Top reps do not excel with unusually high win rates or unusually short sales cycles. This is an insight: on average, top reps are not using a different process, or demonstrating unusually effective closing skills. They're applying the process to a larger number of opportunities, and closing deals with a slightly greater average size.

The more striking insight is that, in both categories, bottom performers are significantly worse. This suggests that low-performing reps are struggling with both sales results and the sales process. Can you coach your bottom performers to improve their process, or do they fundamentally lack the skills for the job?

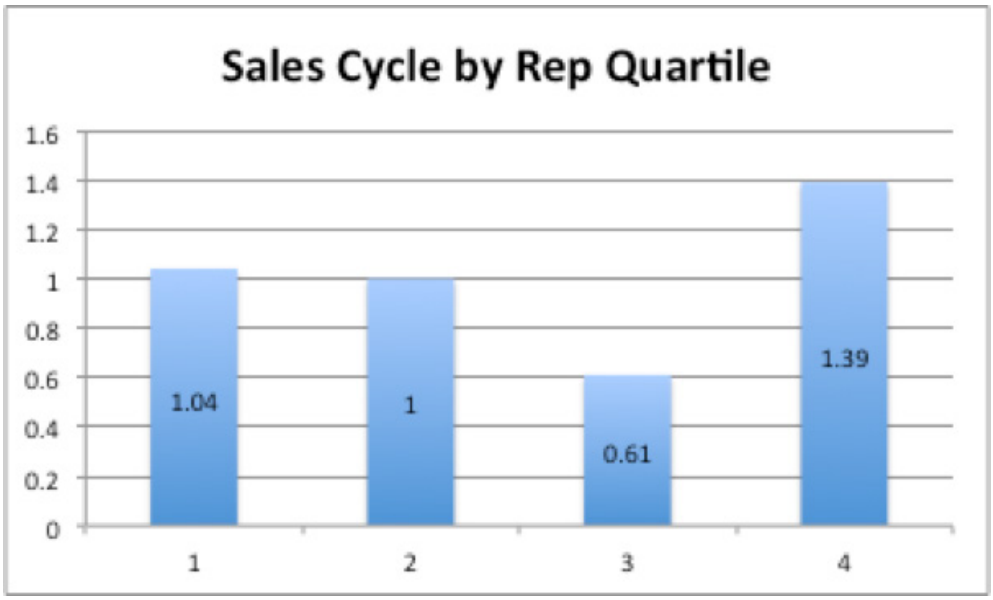

Figure 10: Sales Cycle by Rep Quartile (1 = Top, 4 = Bottom)

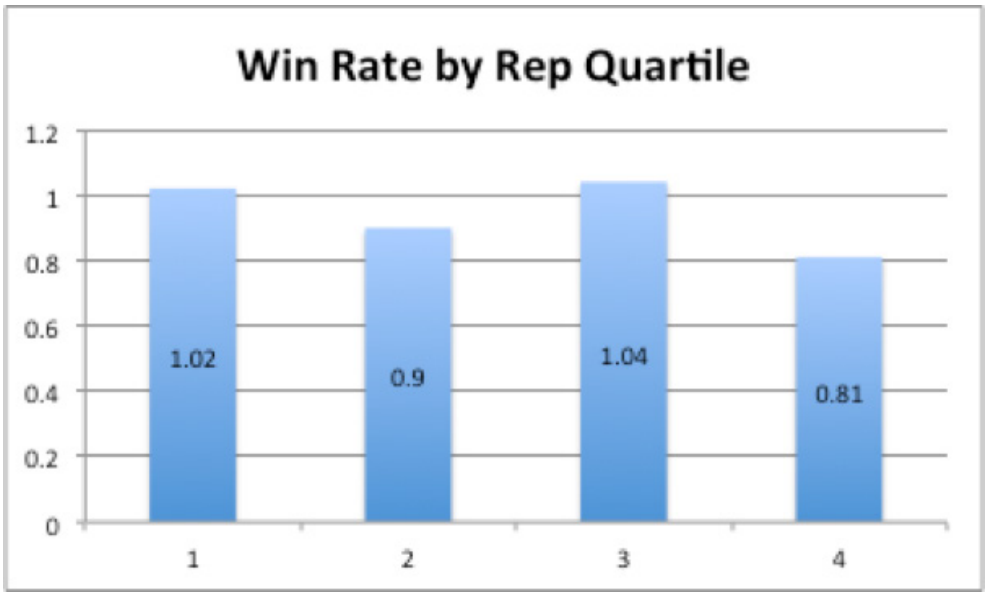

Figure 11: Win Rate by Rep Quartile (1 = Top, 4 = Bottom)

So what can we take away about top-performing reps? They get more deals done, without any major advantage in win rate, sales cycle, or deal size. This means they're either working harder or working smarter. Which is it for your reps? And how can you spread their habits to develop more great reps?

Do you want to see your reps' performance data in real time?
Check out InsightSquared's Employee Dashboard.

Are You Spending Too Much Time Chasing Bad Deals?

Question

No one wants to give up on a deal once they've put a lot of effort into it. However, as a sales manager, you need to focus your reps on the promising opportunities and cut out pipe dreams. Are you spending too much time chasing bad deals?

Methodology

For each company in the study, we compared average metrics for closed-lost opportunities relative to closed-won opportunities. For example, if the average closed-lost cycle is 150 days and the average closed-won cycle is 100 days, we calculate the relative value as 1.5x. Then, we aggregated these metrics across all the companies in the study.

Result 1: Reps spend 2.7x as long on lost opportunities

The average "loss cycle" – days between creating an opportunity and closing it as lost – is 2.7x as long as the average win cycle. This data suggests that there's an opportunity for many companies to manage their pipeline more effectively. The top quartile of companies have a loss cycle less than 2x their win cycle. Do you really need more than 2x the normal sales cycle to ferret out bad deals?

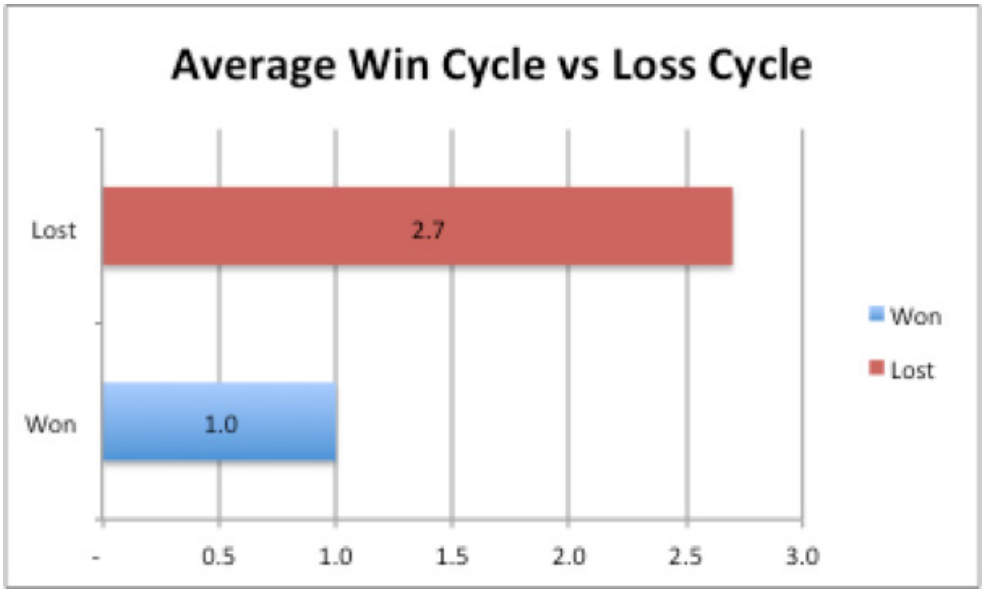

Figure 12: Average Win Cycle vs Loss Cycle

Result 2: Reps are working on bad deals

But, you might say, reps don't actually work on bad deals; they just fail to go into the system to close them out. First, that's a problem for you as a sales manager. You'll never have an accurate view of your pipeline. Second, it's not really true. Our data indicates that reps do 90% as many tasks on deals they lose as on deals they win.

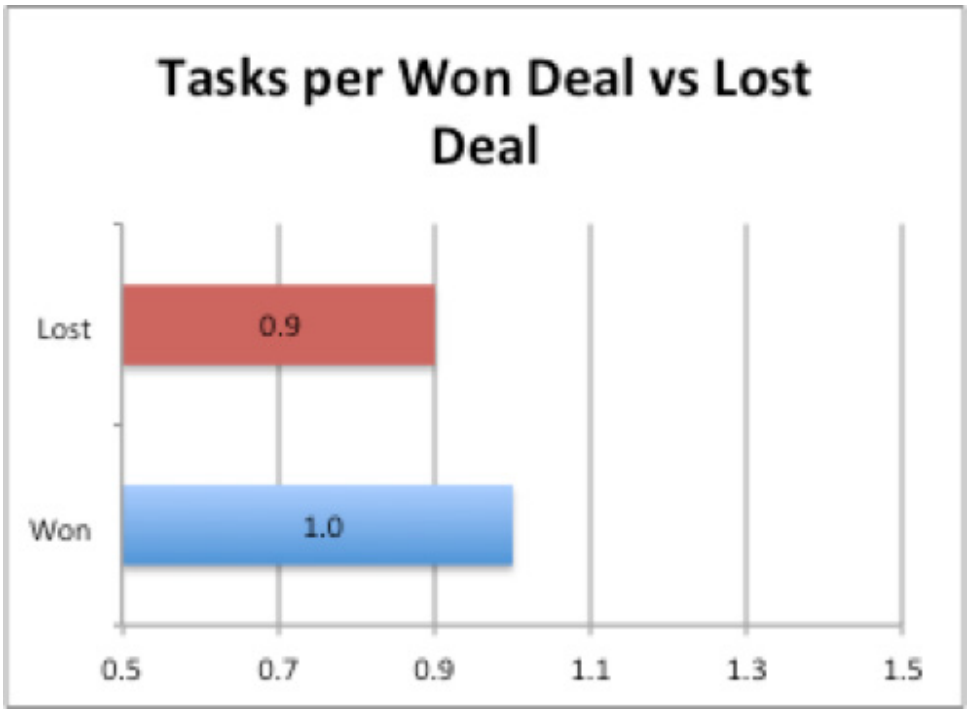

Figure 13: Average Tasks per Won Deal vs Lost Deal

Result 3: Lost deals are 1.9x larger than won deals

This is a tricky result to interpret. Lost deals are 1.9x larger than closed-won deals. Does this mean you should discourage your reps from focusing on large deals?

We'd argue no. In fact, this data suggests that reps may ignore larger, more complex deals to close smaller opportunities, leading to closed-won deals being smaller. First, make sure your reps are sizing their opportunities realistically. If you're still seeing larger lost deals than won deals, you might have an opportunity to improve sales results. We'd recommend working with your reps to identify the most promising large deals and to create a detailed tactical plan to close them. Then, they can focus on driving results on deals that matter, while deprioritizing small deals and closing out large deals that are hopeless.

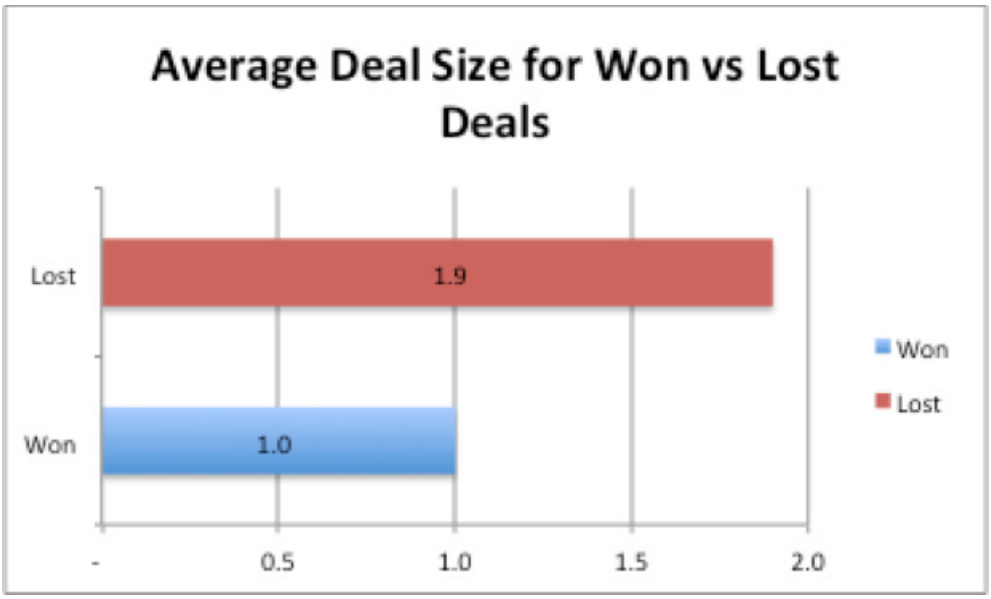

Figure 14: Average Size of Won Deals vs Lost Deals

How do your win and loss cycles compare?
Check out InsightSquared's Sales Cycle by Won-Loss today.

Takeaways

In this eBook, we've presented some benchmarks that should help you assess and manage your sales teams. Here are the major takeaways:

1. Large deals drive fast growth. If you want to grow 100%+, it's easier to focus your reps on a few high-potential opportunities than it is to bring on many more new reps to close many small opportunities.

2. Large deals are worth it. Though they take more work, the reward more than justifies the extra effort.

3. Top-performing reps drive the majority of deals. However, their process does not differ from average reps in obvious ways. Are your top reps working harder, or working smarter? Which of their habits can you spread?

4. Bottom-performing reps are worse in every category. Do you need to do more training, or do you need new people?

5. Your reps are probably spending too much time on bad deals. If you can work with them to focus on high potential large deals, you may be able to increase their productivity and drive growth in your organization.

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About InsightSquared

InsightSquared is the #1 Salesforce Analytics product for small and midsize businesses (SMB). Unlike legacy business intelligence platforms, InsightSquared can be deployed affordably in less than a day without any integration costs and comes preloaded with reports that real business people can use. Hundreds of companies and thousands of users around the world use InsightSquared's award-winning analytics to maximize sales performance, increase team productivity and close more deals. Based in Cambridge, Mass., InsightSquared was recently named one of the "Best Places to Work in Massachusetts" by the Boston Business Journal.
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