



# Business Case for Sales Training

By Jim Dickie and Barry Trailer

## Introduction

A research client recently set up a briefing call with us to discuss CSO Insights' position on the value of sales skills training. During the initial conversation, it became clear that what they really wanted to know was if they needed to invest in providing sales skills training for their organization—which was a mix of both seasoned professionals and people new to sales. We explained we didn't have a "position" on the matter, but that a deep dive into our existing study data should provide one.

We conducted a review of the input we received from over 2,000 companies as part of our 2013 Sales Performance Optimization and Sales Management Optimization studies. For this analysis, we initially segmented the study data based on the effectiveness of the sales skills training the companies provided to their organization. We then did an additional analysis focusing on the effectiveness of coaching training given to sales managers, since they often take the lead in reinforcing/enforcing skills training.

The results of this benchmarking effort were intriguing, particularly when we looked at the differences in sales performance as related to the effectiveness of a company's sales skills and sales management coaching training programs. Since we found that questions relating to the return on investment of sales training programs are common among our clients, we created the following analyst briefing to share with all our Advisory Services clients regarding this sales training assessment.

## Sales Skills Training Overview

As we profiled in the 2013 Sales Performance Optimization study analysis, we found there are multiple types of educational programs companies may offer their sales teams, including product or services training, the customer's marketplace, CRM system utilization, and sales skills. Before we go further, let's clarify what we mean when we refer to "sales skills" training to ensure we are all on the same page.

During a sales cycle, there are many specific skills salespeople need to effectively execute to get the prospect to agree to purchase a product or service. These include prospecting, call planning, relationship building, needs analysis and prioritization, objection handling, purchase justification, consensus building, and negotiations.

In our 2013 Sales Performance Optimization study, we included a question that asked participants to rate the quality of their company's sales skills training program. We found that 10.7% of the programs exceeded expectations, 42.5% met expectations, and 43.5% needed improvement. We also found that 3.4% surveyed did not know how effective their programs were, so they were excluded from further consideration.



We then used those sales skill program ratings to segment the Sales Performance Optimization study data. The first query we ran was to determine what the average total training spend was for each of the three groups. Table 1 summarizes these findings.

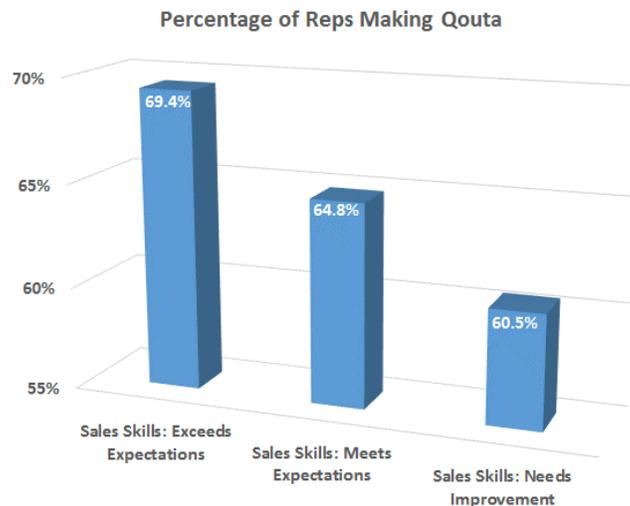
Total Training Spend as Related to Sales Skills Program Ratings	Sales Skills Training: Needs Improvement	Sales Skills Training: Meets Expectations	Sales Skills Training: Exceeds Expectations
Annual Investment in Training per Salesperson	\$1,815	\$2,196	\$2,870

**Table 1 – Improving the Effectiveness of Sales Skills Training Comes at a Cost**

Companies with sales skills training programs that exceeded expectations averaged spending \$2,870 per salesperson, compared to \$2,196 per salesperson for companies with sales skills training programs that met expectations, and \$1,815 per salesperson with sales skills training programs that needed improvement. With the breakdown of the sales skills program ratings and the associated training investments in hand, we further analyzed the Sales Performance Optimization study data to surface insights into what other differences may exist among companies with differing amounts of sales skills training investments.

## Impact of Sales Skills Training on Sales Performance

The primary motivator for investing in sales teams is to increase their effectiveness. One metric we use to assess sales teams’ performance is to look at the percentage of salespeople achieving or exceeding quota. In Figure 1 we see the differences in results when we segmented the study data based on sales skills training program ratings.



**Figure 1 – More Reps Are Making Quota**



Our survey data shows an increase in salespeople achieving quota related to higher sales skills training program ratings. Based on these findings we wanted to explore the key contributors to a higher percentage of sales professionals achieving quota. In drilling deeper into the numbers, we found there is a difference in the outcome of forecast deals between these three groups, as shown in Table 2.

Outcome of Forecast Deals as Related to Sales Skills Training Program Ratings	Sales Skills Training: Needs Improvement	Sales Skills Training: Meets Expectations	Sales Skills Training: Exceeds Expectations
% of Deals Won	44.0%	47.3%	54.3%
% of Deals Lost	30.0%	28.2%	25.2%
% of Deals No Decision	26.0%	24.5%	20.5%

Table 2 – Higher Win Rates

Looking at the Exceeds group, we see that their higher win rate is a result of both lower competitive losses and no decisions as compared to the other two groups. To put this into perspective, consider the following when looking at the impact that a ~10% win rate has between the Needs Improvement and Exceeds groups:

- Assume you have a 100 person sales force, with each rep carrying a quota of \$1M, selling products with an average deal size of \$50K. To make quota the average rep needs to close 20 deals. Based on a 44% win rate, a rep needs to have a forecast made up of 45 opportunities to get to ~20 deal threshold.
- Now assume that they could improve their win rates ten full points to 54%. When you multiply that new win rate times the 45 opportunities we now see that the rep would be closing ~24 deals.
- Closing four more deals that average \$50K each would increase the revenues generated by each rep by \$200K. Factoring in that increase in sales across the 100 person sales force and the results are a revenue increase of \$20M.

Another data point that supports an investment in sales skills training is the insight we found in the Sales Performance Optimization study between successful sales execution and the ratings of the sales skills training program. We looked at two key aspects of selling. One is the ability of sales reps to differentiate their offerings from the competition. This ability can decrease losses to the competition. The other aspect is the ability to align their solutions to the customer’s needs. This can prevent the sales process from stalling out and ending in a no decision. Table 3 summarizes our findings from analyzing these two aspects in relationship to sales skills training.



Sales Execution as Related to Sales Skills Program Ratings	Sales Skills Training: Needs Improvement	Sales Skills Training: Meets Expectations	Sales Skills Training: Exceeds Expectations
<b>Differentiate Versus the Competition</b>	51.5%	72.8%	80.3%
<b>Align Solution to Customer Needs</b>	52.8%	78.8%	84.2%

**Table 3 – Competitive Differentiation and Solution Alignment**

The Exceeds group was significantly more successful (compared to the Needs Improvement group) at differentiating their product offering against the competition and aligning their solution to customer needs. Better sales execution could also be a contributing factor to the higher rate of quota attainment (Figure 1) and the greater percentage of forecast deals won (Table 2) that we found for the Exceeds group.

Looking back to total training spend (Table 1), there is a strong business case emerging for making investments in sales skills training. But we found another positive factor to support investing in sales skills training: lower turnover rates. Table 4 summarizes the findings when we looked at the turnover rates (voluntary – a salesperson leaves, and involuntary – a salesperson is let go).

Sales Force Turnover as Related to Sales Skills Training Program Ratings	Sales Skills Training: Needs Improvement	Sales Skills Training: Meets Expectations	Sales Skills Training: Exceeds Expectations
<b>Annual Salesperson Turnover Rate</b>	25.6%	18.3%	15.7%

**Table 4 – Lower Turnover Rates**

Over the course of our annual Sales Performance Optimization studies, we have witnessed a steady increase in the length of time required to get a new salesperson fully productive. Based on that fact, anything that a sales organization can do to minimize turnover in their sales force can have a positive impact on overall revenue attainment for their company.

## Management’s Role in Sales Skills Training Reinforcement

One additional factor to consider when looking at sales skills training is the investment that should be made to ensure that the skills are adopted by the sales force, and used on a consistent basis. Our research into sales training reinforcement from our Sales Management Optimization study has shown that sales managers play a key

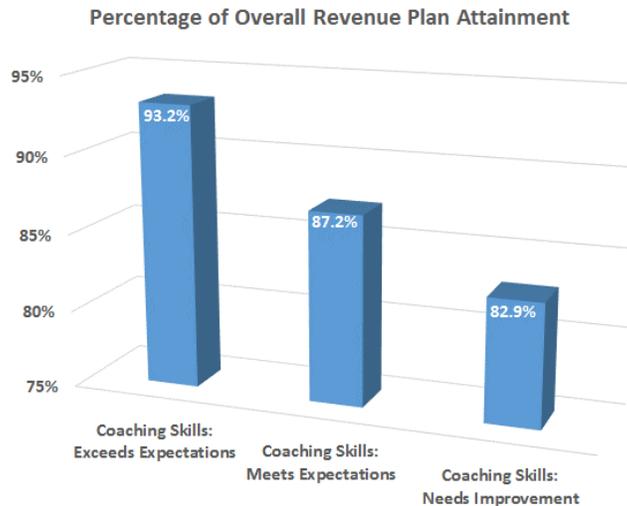
role in making skills training “stick.” When managers are trained on how to effectively coach their sales teams, we see better selling skills adoption as shown in Table 5.

Sales Execution as Related to Management Coaching Program Ratings	Coaching Skills: Needs Improvement	Coaching Skills: Meets Expectations	Coaching Skills: Exceeds Expectations
Identify New Opportunities	48.2%	72.6%	80.2%
Sell Value/Avoid Discounting	46.6%	72.6%	82.8%

**Table 5 – Effective Sales Coaching Results in Better Selling Skills**

Table 5 shows that as the ratings of the sales coaching training programs increase, so does the ability of salespeople to execute key selling skills. In this case, the skills are identifying new opportunities and selling value to avoiding discounting.

In addition, we see the performance of the sales organization improve with better sales coaching. Figure 2 shows the differences in overall revenue plan attainment as related to the ratings of the quality and quantity of the sales manager coaching that training companies provide.



**Figure 2 – Impact of Coaching on Reps Making Quota**

Next, we looked at the average amount each of these three groups were investing in all aspects of sales management training. In Table 6 we see that effective sales management training comes at a price. But reflecting back to the increase in revenue attainment between the three groups, (Figure 2), there is a compelling case for making this investment.



Total Training Spend as Related to Sales Skills Program Ratings	Coaching Skills: Needs Improvement	Coaching Skills: Meets Expectations	Coaching Skills: Exceeds Expectations
Annual Investment in Training per Sales Manager	\$1,498	\$1,850	\$2,891

**Table 6 – Training Investment for Sales Managers**

## Our View

Sales organizations looking to boost sales performance should consider implementing high quality sales skills training programs coupled with sales coaching training for sales managers. Our analysis of the Sales Performance Optimization study indicates that sales organizations that have implemented sales skills training programs that exceed expectations enjoy a higher percentage of salespeople achieving quota, higher percentage of deals won, and lower sales rep turnover.

Advisory Services clients who want to explore these concepts in more detail should feel free to contact their CSO Insights analyst to set up a briefing. Questions or comments regarding this analysis should be directed to:

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## About CSO Insights

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