CSO Insights
Measuring Effectiveness
Chief Sales Officer

Benchmarking Inside Sales & Telesales Performance

Summary Report
Fall 2005

Jim Dickie ♦ **Barry Trailer**

Partner, CSO Insights
Boulder, Colorado

Partner, CSO Insights
Corte Madera, California

Terms & Conditions

Acknowledgements

We wish to thank the more than 400 companies which contributed their time and insights to the development of the research database used in the creation of this publication.

In addition, we owe a special debt of gratitude to Dave Berman of Webex Communications who originally envisioned this research and Anneke Seley and Sally Duby of Phone Works for their experience and expertise in helping us craft the survey instrument.

We also want to mention Rajiv Saxena, Karen Nelson, and Dr. Diane Hodges for their energy and efforts contributing to this project's success. Thank you, All.

Table of Contents

Executive Summary

This report looks at Inside/Telesales effectiveness across industries and more than 400 companies. Over 50 metrics were surveyed, and this report summarizes approximately one-third of these. We found several metrics to be nearly identical to field sales suggesting that even though their operating environments are usually very different, other factors can contribute as importantly as the channel itself. For example, rates of quota attainment, forecast accuracy, and primary customer focus were similar to field sales numbers. Average length of sales cycle (less than 3 months) and turnover rates (42%) were both slightly lower for Inside/Telesales.

More than ever before, companies are trying to contain and even reduce their cost of sales. A major component is to optimize the performance of Inside/Telesales. Initially, in some industry segments these teams were seen as an adjunct to field sales, primarily doing lead generation work and other support functions. This is still a major thrust for many inside organizations with 58% reporting lead generation for field/partner sales reps as a primary responsibility. Further, we see that inside sales reps support four or fewer field/channel reps in half of the companies reporting. Only 10% of respondents have inside sales reps supporting nine or more field/channel reps.

Although the survey instrument also asked a number of questions regarding call center personnel this report looks almost exclusively at Inside/Telesales. The two exceptions and the primary area of overlap today are the two metrics dealing with Lead Generation. Lead Gen, as noted above, is still the primary role of both call center and inside/telesales teams.

However, companies are expanding the role of their contact center personnel to pursue sales opportunities beyond just the initial qualification phase and, in many cases, to close opportunities. This trend is influenced by a number of elements including industry, buyer preferences, complexity, etc. Another element is average deal size which is lower for inside sales--85% were less than $25,000. Still, a surprising 45% of total revenues are generated by inside sales for those companies reporting.

What performance is measured versus measured and compensated is also of interest. This project looked at inside sales (primarily outbound) rather than call centers (primarily inbound), so we did not ask about average length of call, first call resolution, or other metrics that relate more to service. However, the metrics that are being compensated tie directly to sales; number of leads, appointments, and revenue generated. These three dominate the functions being recognized and rewarded.

Quota assignment and attainment are also explored and reveal some interesting insights. A total of 56% of respondents had quotas in either the lowest range (less than $250,000) or the highest (more than $1Million). These findings may lead you to revisit how your own quotas are set and to review patterns of attainment in comparison.

The information contained in this report is designed to help you more effectively chart the course for your own sales effectiveness efforts. Our plan is to continue to analyze the research data and, as new insights emerge, share them with you.

While we believe the issues raised here have broad applicability, we encourage you to only use this information as the basis for brainstorming and goal planning sessions for identifying and prioritizing the operational objectives in your own organization. Everyone can benefit from understanding the strategies and tactics other companies are using, but in the end, you must implement solutions that fit your specific business needs and not those of other firms.

If you would like to obtain a more focused analysis of the data or discuss some of the best practices surfaced for dealing with current sales effectiveness challenges, please contact:

Jim Dickie, Partner
CSO Insights
(303) 530-6930
jim.dickie@csoinisghts.com

Barry Trailer, Partner
CSO Insights
(415) 924-3500
barry.trailer@csoinsights.com

2005 Inside/Telesales Effectiveness Project Overview

This report is CSO Insights' first focused effort into surveying and analyzing Inside/Telesales operations. As a result, it is limited to providing observations without historic trend comparisons. Where appropriate, comparisons are made with field sales figures collected and reported upon for over 12 years. At the same time, there are intriguing and eye-opening insights from these current figures.

The study had good representation for three deal sizes: 1) less than $5,000 2) $5000-$25,000 and 3) greater than $25,000. These ranges made up 43%, 38%, and 19% of survey responses, respectively. This report presents summary results, but where there are noteworthy differences, they are broken down according to these ranges.

It should also be noted that most of the participants were U.S. firms and that the 20% of participating firms from outside the U.S. were from English speaking countries (e.g., Australia, Canada, India, United Kingdom, etc.). There was; however, good participation from companies of all sizes and relative market positioning, as seen in Figure 1.

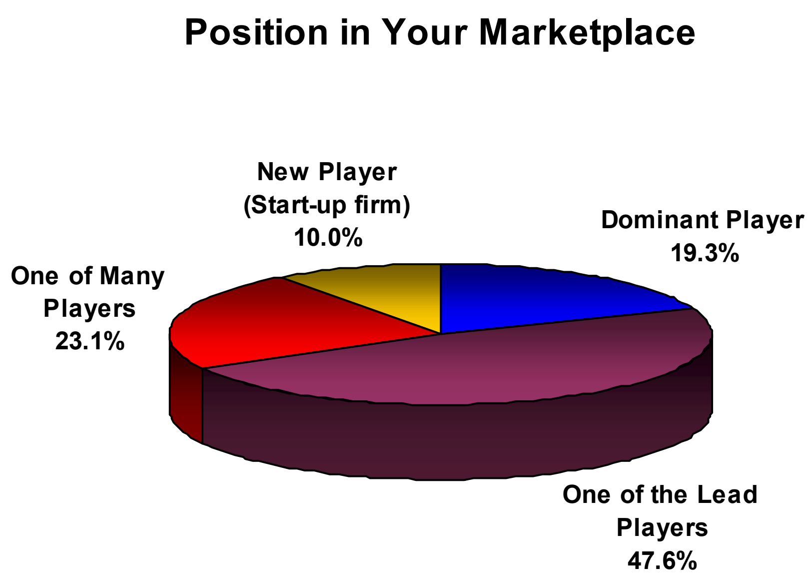


Figure 1

The survey instrument was designed to be completed in 15-20 minutes. Participants had the option to signoff from the site, return, and continue where they left off if they needed to stop to get more information or had a time constraint. Survey questions focused on obtaining feedback on more than 50 different sales performance metrics.

The most frequent person completing the survey was an Inside Sales Manager or Director, followed by Director of Sales Operations. However, participants at executive levels in their companies were also well represented suggesting that the Inside/Telesales increasingly and importantly have the attention of their organizations. This is further supported by the fact that on average, Inside/Telesales account for 45% of total revenues.

With regard to reporting structure, two-thirds of all respondents report into Sales and another twenty percent into Marketing. Customer Support was a distant third in owning the Inside/Telesales. Outsourcing firms and outside lead generation services also participated in this study.

Software and Financial Services ranked first and second, respectively, in having their Inside/Telesales reps responsible for selling products and/or services. However, they were also first and second in not having their inside reps selling and restricting them to lead generation, building and updating the prospect database, etc. This suggests there is still debate about how best to align various sales channels.

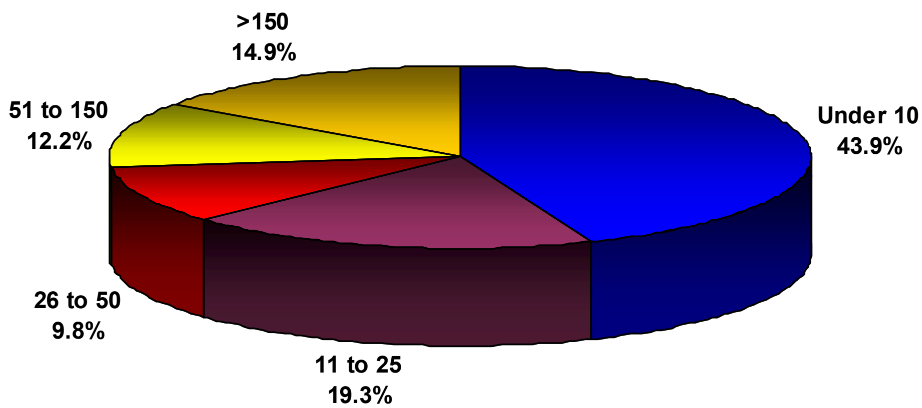
Similarly, while technology today enables inside/telesales personnel to work remotely there remains a predisposition to have them on-site, either at the company's headquarters (60%) or local offices (23%). Home office locations were reported 9% of the time, while Outsourcing and Other each represented 4%.

This report provides a high-level summary of how inside/telesales are organized and performing today. In our next report, we will be looking at technology and the Internet's impact on various sales abilities (e.g., the ability to introduce new products, to accurately forecast business, to create and maintain good references/case studies, etc.). To request a copy of that report, please send an email to info@csoinsights.com.

Inside/Telesales Effectiveness Insights

How many Inside/Telesales reps do you employ?

Number of Inside/Telesales Reps



Key Findings

- Reasonable representation of all sizes inside organizations.
- Inside sales teams of 10 or fewer are still the most prevalent.
- Large organizations break their groups into smaller focused teams.

Observations

Prior to embarking on this project, it was planned to focus exclusively on very large organizations (50+ inside reps). However, as more contacts were made with companies and inside sales leaders, it became apparent that there was merit in looking at all size organizations.

As was pointed out, even very large groups tend to segment into smaller task-oriented teams, (e.g., renewals, upgrades, database building/maintenance, etc.).

Reflecting past surveys, nearly two-thirds (63.1%) of firms are business-to-business (B2B) and only one in six is business-to-consumer (B2C). The data suggest B2B organizations have more small and specialized teams with 53% reporting teams of 10 or fewer and 22% greater than 50.

In comparison, twice as many B2C firms (44%) have inside sales teams with greater than 50 reps, while 23% report teams of 10 or fewer.

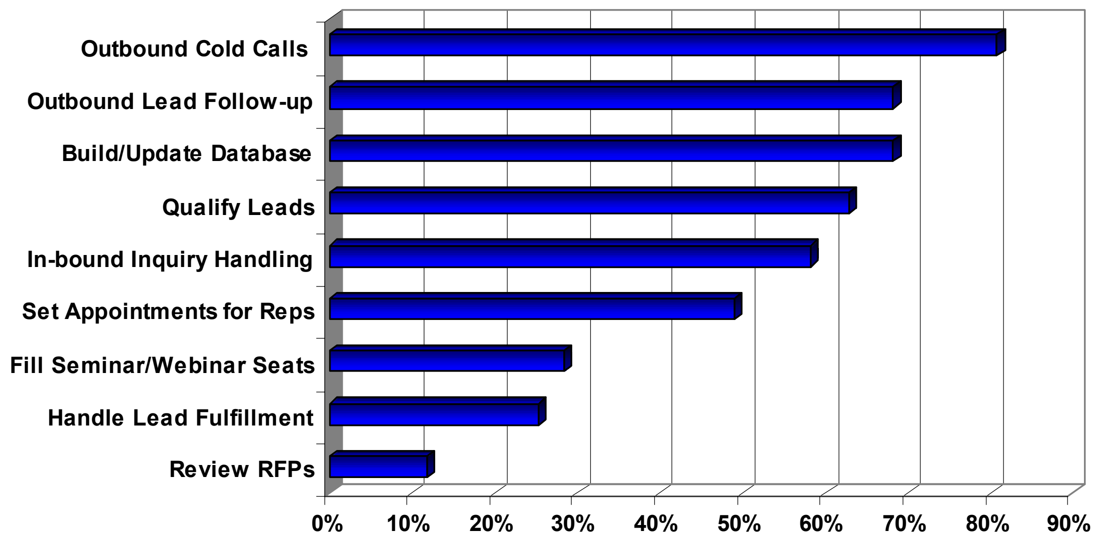
One in five firms has a blended focus of both B2B andB2C. The size of these firms mirrors the B2B figures with 47% reporting 10 or fewer and 26% greater than 50.

Software Companies are the leading industry segment in B2B while, Financial Services lead in the B2C and blended categories.

Notes:

Which lead generation tasks do your staff regularly perform?

Rep Lead Generation Responsibilities



Key Findings

- Lead generation is the primary activity of call center staff in all segments.
- Outbound cold calls remain the leading method of generating leads.
- Definitions of "lead generation" and "qualified lead" are not consistent.

Observations

Like an echo over more than 20 years when *Glengarry Glen Ross* was first published, sales reps were saying then and are still are saying, "*Where are the leads? We gotta have the leads."*

It should be noted that "contact center" and "Inside/Telesales" are NOT synonymous. Traditionally, contact centers have been on the receiving end of calls and have typically provided customer service. Previously, the contact center was an expense center and reactive. Today, it is viewed as a potential revenue generating asset and can be proactive.

Some companies are transitioning their contact center personnel to outbound calls when they have (idle) time and they extend offers to inbound callers.

As an example, think of when you call to activate a new credit card. You may reach an automatic system telling you the card has been activated. Just as likely, you may reach a live person who is telling you the card is active but goes on to inquire whether you would be interested in the bank's credit protection policy.

A total of 60% of companies have lead generation as a primary activity of their call center personnel, and, of these, 80% are making outbound cold calls. The primary focus of these outbound calls is to generate leads, followed next by building/updating the prospect data base.

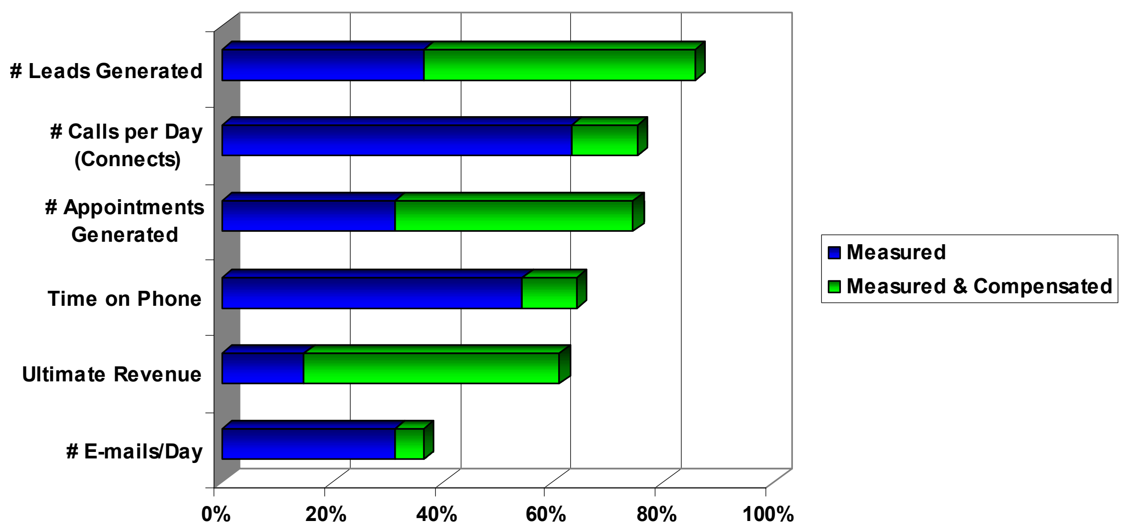
There is work to do in clearly defining terminology and applying it to telesales. With respect to lead generation, there is debate as to what constitutes a "qualified" lead. Is it accurate contact information about a company that meets the prospect profile? Or is it an appointment with a key buying influence with a stated interest in your offer, defined budget, and planned purchase within 3-6 months?

Notes:

Inside/Telesales Effectiveness Insights

Which of the following metrics do you measure vs. measure and compensate?

Rep Lead Generation Performance Assessment



Key Findings

- A range of activities are measured on an ongoing basis.
- Not all activities that are measured are compensated or weighted equally.
- Compensated activities are typically those most directly tied to revenue generation.

Observations

Such phases as *"What gets measured gets managed"* and *"You can only expect what you inspect"* are two of business' truisms. But not everything that gets measured gets compensated.

Previously, the number of calls, connects, and e-mails may have been compensated activities. While those efforts are often measured, today they are compensated only 5-10% of the time.

Similarly, time on the phone is not seen as a key measurement for determining how one gets paid. What is being recognized and rewarded are those activities that are seen to tie directly to revenue generation.

As seen in the chart, leads are compensated about half the time--the most of any metric. Appointments generated are also routinely rewarded.

Generating revenue is often compensated; however, nearly 40% of companies neither reward nor measure this. It may be the view of these companies that the inside team has no control over the eventual outcome, so it should not have its compensation tied to it.

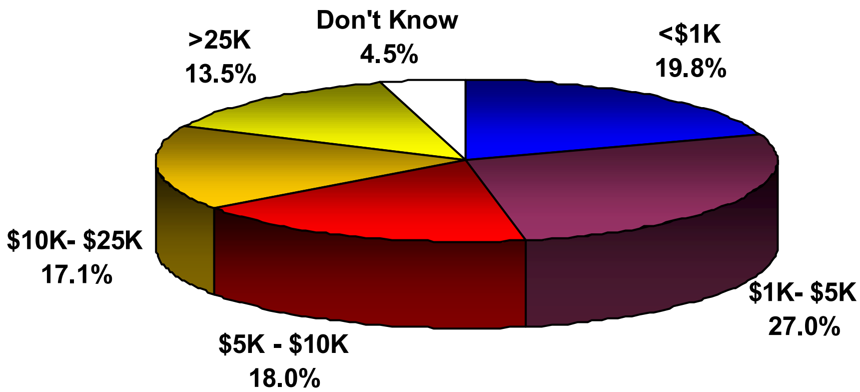
This view may be changing as more companies find the inside team is carrying "lead generation" further into the sales cycle than previously and/or is actually closing sales opportunities. This latter event is happening on a regular basis (57%) and occurring with deals of increasing size (see page 11).

With e-mail becoming ubiquitous and automatic, it is used as a measurement approximately one-third of the time and compensated by only 5% of the companies.

Notes:

What is the size of your average telesales deal?

Average Telesales Deal Size



Key Findings

- ❖ Nearly half of the deals are less than $5K.
- ❖ B2B has many sales in the low-end of the deal size spectrum.
- ❖ Software leads in all but the very lowest end deal size categories.

Observations

The low-end of deal size comprised 46% of all sales, and these smaller deals are not dominated by B2C companies.

There is a slight weighting toward B2C for opportunities smaller than $1000 (24% of opportunities by 17% of companies), but this difference diminishes when the $1000 to $5000 segment is reached.

These two lowest dollar level segments were led by “Other”--no industry was most prevalent. This changed for all those above the $5000 level. Software was the leading company type in every other segment in larger size deals.

Software has a clear advantage in telesales, particularly with on-line meeting and demonstrating capabilities now available. It is easier to demonstrate an application’s usability and features than to convince a central purchasing office for prescription drugs that you can generate significant savings for them over 18 months. Also, in the software industry there is a culture/acceptance of doing business by phone/web. Companies are adapting to the on-line (both phone and Internet) experience and appear to be leveraging these in innovative ways.

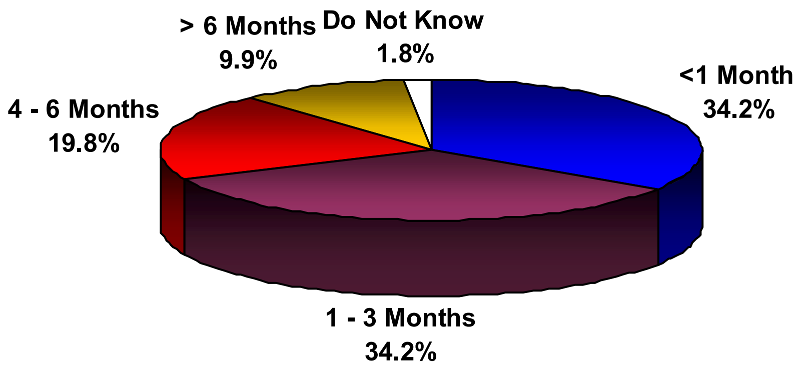
Second to Software between deals of $10,000-$50,000 was Professional Services: Business. In the $50,000-$100,000 range, Telecom companies ranked second place.

Above $100,000, Software, Telecom, and Media/PR tied for first place, but the sample size was too small to draw any meaningful conclusion. It is not as important who is leading in this segment as much as that different industries are closing six-figure deals *on average* with inside reps. (Note: It was not possible to derive from the data whether these were new sales or sales into the existing customer base (e.g., renewals, upgrades, add-on, etc.).

Notes:

How long is a typical inside sales cycle?

Average Sell Cycle Length



Key Findings

- Two-thirds of opportunities close within a quarter.
- Only one in ten firms has inside sales cycles averaging more than two quarters.
- Sales cycle length and deal size tend toward being directly proportional.

Observations

The bigger the deal, the longer the path or timeline needed to bring it to a close. This seems consistent with what you would expect--more people, meetings, approvals, etc. would be required.

However, there is a countervailing philosophy that says, “Smaller deals can be as much work to close as larger deals.” There may be some truth to this contrarian view.

A total of 15% of companies with an average deal size of $50,000+ reported sales cycle lengths averaging less than three months, and no companies in this high range reported sales cycles longer than a year.

At the same time, both the low end (deals on average less than $10,000) and mid-range ($10,000-$50,000) each reported 11% of sales cycles taking more than 12 months.

The next chart looks at a separate but related metric, the number of calls to close. But questions remain: What is happening *during* the sales cycle? And what is happening *to* the sales cycle? Both of these questions point in the direction of technology and how it is being used on both sides of the buy-sell equation.

Increasingly, buyers are initiating buy cycles in advance of being called by or directly contacting the seller. At a recent e-business conference (2005), we conducted an informal poll of the attendees.

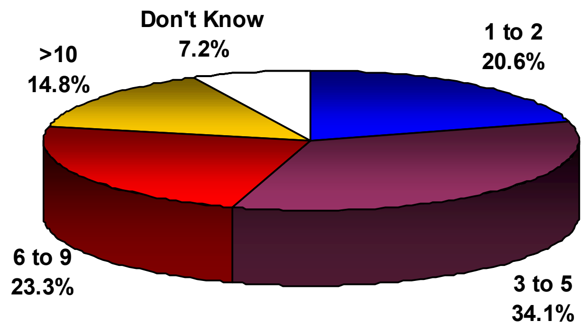
About one-third of the delegates indicated they had purchased a new car in the past two years. We then asked them to leave their hands up if they had not gone to the Web for information on cars before they communicated with the dealership. Everyone in the room had done this.

What impact is this having on sales cycles and the role of sellers? We are preparing a companion piece to this report which examines technology and the Internet and how companies are leveraging these to increase their sales effectiveness. To request a copy of this report, please send an e-mail to info@csoinsights.com.

Notes:

How many calls does it take to close your average deal?

Average Number of Calls to Close a Deal



Key Findings

- One in five deals closes with one or two calls.
- Nearly four of five deals close with fewer than 10 calls.
- That 7% do not know how many calls it takes to close is a little disturbing.

Observations

As noted on the prior pages, a separate but related metric, the number of calls to close is examined. The numbers struck us as low, particularly when more than half of the companies reported averaging 5 or fewer calls. Our advisors also felt this number was abnormally low and suggested we might need a more granular analysis to clarify what is being reported.

For example, it seems these numbers must surely reflect calling efforts once a qualified opportunity has been identified. Telesales reps can make dozens of calls to an account before identifying a real opportunity and following it to its conclusion (successful or otherwise).

A company's inside sales people might make 100 dials to get 35 connects to identify 3 leads to close 1 deal. Each of these leads might take 5 calls to determine if they are moving forward or not. If these numbers were true, the average number of calls to close a deal could be:

A) 50
B) 15
C) 5
D) None of the Above

Why?

In Company A, the Inside Sales Manager might say, "The 35 connects plus the additional 15 calls (3 opportunities x 5 calls each) yielded 1 deal. So, if these figures held true across a number of reps, days or weeks, and products, the average number of calls to close a deal would be 50."

In Company B, the Inside Sales Manager does not want to penalize her people for all the chaff they have to sort through to identify real opportunities. She thinks, “The clock on calls per deal doesn’t start ticking until an opportunity is identified. It’s Marketing’s job to deliver qualified leads, lists, etc. But once the clock starts, I count all calls against our average. If only 1 in 3 opportunities closes, we still had to make 5 calls each to find out which would be the winning one, so an average deal (the winning one) takes 15 calls to close.”

And in Company C, the manager applies the same logic but only to the deal that actually does close. Tracking the call record on the deal that closed at XYZ company shows five calls were made. Company C’s manager says, “When I look across the 120 deals that closed last month, I see that 600 calls were made into those accounts, so our average number of calls to close a deal is 5.”

This is one problem with not having standardized terminology for the numerous, complex, and varied aspects of each company’s sales processes. There are other complications as well. A company that relies on field sales for new customer acquisition and on inside sales for renewals will likely have a higher hit rate (i.e., a lower average number of calls for deals closed) than companies that also acquire new customers via inside sales.

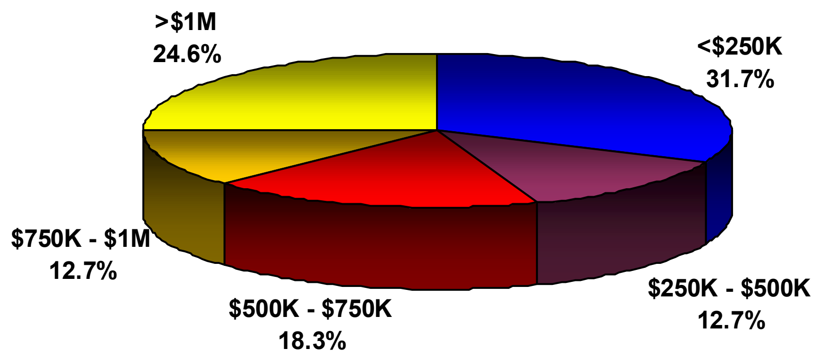
Similarly, companies where inside sales handles only add-on features and/or upgrades will enjoy a statistical advantage over the company that does not restrict its inside sales team’s purview. Deal size, industry, and other variables further muddy these waters.

Finally, the 7% of firms reporting they don’t know their average number of calls per deal is what we find somewhat troubling. It may be that they went through this same debate themselves and opted for the “Do Not Know” answer.

Notes:

What is the average annual quota for inside sales reps?

Annual Telesales Rep Quota



Key Findings

- The lowest and highest quota ranges are also the two largest groups.
- Software companies dominate the upper quota ranges.
- Quota attainment and quota size do not show direct correlation.

Observations

Let's talk money. What are typical quota ranges, what percentage of inside sales reps are attaining quota, and how are they being paid? The answer to the first of these questions is shown above.

Interestingly, the two largest segments of quota reported were the very low end, less than $250,000 per year, and the high end, more than $1Million per year. These two segments represent more than half (56.3%) of the total.

Also of interest is that these two groups showed the lowest quota attainment. The companies with reps' quotas above $1 Million averaged 59% attainment; those with quotas below $250,000 averaged more than ten points *lower*.

The middle segments ranged in the mid-60s (percentage wise) yielding an overall average quota attainment of 58% which is identical to the average attainment of field-based organizations over the past two years. Again, it would seem that there are striking similarities between the performance of inside and outside sales reps despite the significant differences in their work environments.

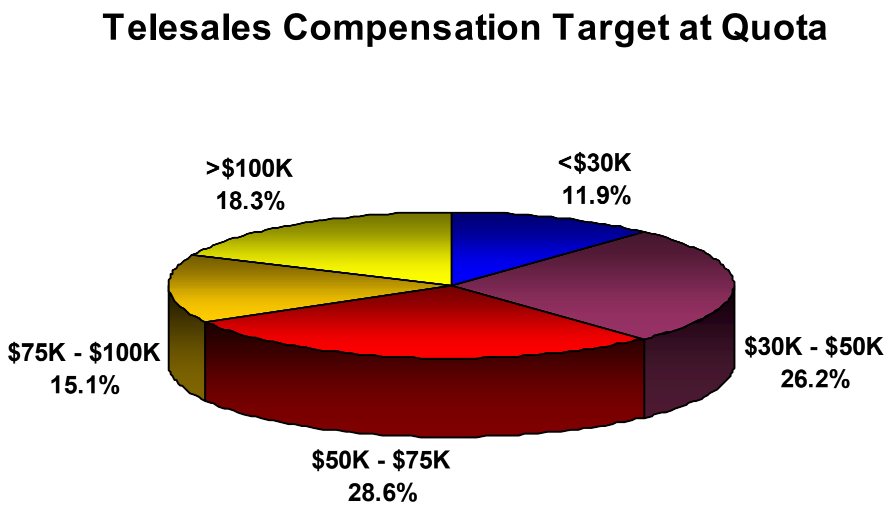
No industry dominated the low-end, but Software companies emerged as quota leaders as the numbers moved up, starting at annual targets of half a million. At the lower ranges, Professional Services were well represented while at the higher ranges Financial Services were more present. An interesting second place tie with Financial Services in the $750,000-$1Million range was Distribution.

Why companies assigning the lowest quotas also achieved the lowest success is a question worthy of further investigation. This group implemented CRM (Customer Relationship Management) systems 20% less than the other groups. Similarly, the <$250K companies also trailed by 20% in investing more than $500 in training annually per rep.

Notes:

Inside/Telesales Effectiveness Insights

What is the total compensation range for inside reps at quota?



Key Findings

- 55% of firms target quota pay between $30,000 and $75,000.
- Smaller and larger firms dominate the low end of the pay scale.
- Nearly one in five firms pays more than $100,000 at quota.

Observations

The mid-range leads the way in compensation with more than half of companies targeting $30,000 to $75,000 at quota.

There is more to do to determine regional and vertical differences, but no industry dominates the lowest end, that is, targeted total compensation less than $30,000. In this range, "Other" is the leader and comprises about one in eight firms reporting.

The smallest teams (<10) make up about half of this figure. In second place are the largest teams (150+) which account for another 20% of the lowest paying group. Off shore companies also are best represented in this segment.

The mid-range is again led by smaller teams followed by the largest with no industry dominating these segments. These are predominantly U.S. firms with B2C strongly represented. Base versus variable pay averages 65% and 35%, respectively in the middle segments.

As you approach the high end (>$75,000), Software again emerges as the dominant industry, but it does not own the upper ranges exclusively. "Other" ties Software for these segments with Real Estate and Security Services as two examples of this composite group.

Software dominates the highest pay level (>$100,000), and the base/variable balance has shifted to 50/50.

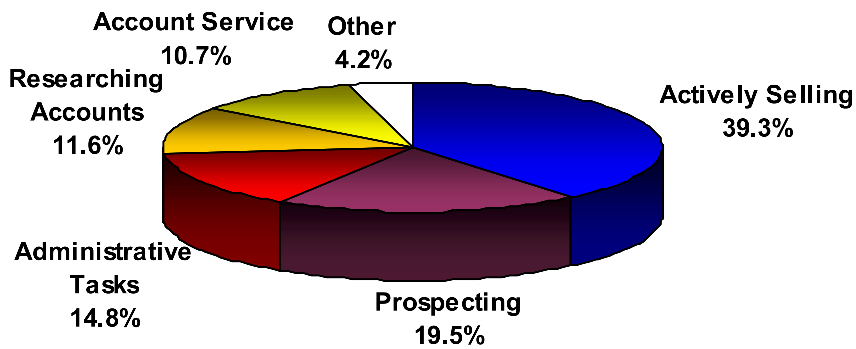
In light of these “summary averages,” it is worth noting there are a small percentage of companies that are either 100% base salary or 100% variable pay. They do not fall into any easy pattern with target salaries below $30,000 to above $100,000 and quotas below $250,000 to above $1Million. No single industry dominates in these cases.

Notes:

Inside/Telesales Effectiveness Insights

On average how much of your inside sales rep's time is spent in each area?

Telesales Rep Time Allocation



Key Findings

- Active selling and prospecting approaches 60% of inside sales reps' time.
- Researching accounts represents nearly an hour each day.
- 15% admin time mirrors field levels for similar tasks.

Observations

How sales reps spend their time is always of interest--and for good reason. We are talking about the revenue generating engine of a business, and any activities that detract from identifying, contacting, and communicating with customers or prospects reduces productivity and total revenue.

It may not be reasonable to target 100% selling/prospecting time, but it is reasonable to determine what an hour a day on research, an hour-and-a-quarter on administrative tasks, etc. are worth.

Here is a formula you can employ:

Number of reps x Average hours/wk/rep x 50 weeks/yr x % of selling time = Sales Capacity

This formula yields total sales hours applied or available per year to generate revenue. Dividing the revenue contribution per sales group yields the value of each selling hour.

For example, if a company has 10 sales reps working 40 hours/week and 50 weeks/year, and 55% of their time is "selling time," they have a total sales capacity of:

10 reps x 40 hours/week/rep x 50 weeks/year x 55% = 11,000 hours

If the annual revenues are $20Million and the inside team generates 30% of this amount ($6Million), it is possible to calculate the worth of inside sales hour:

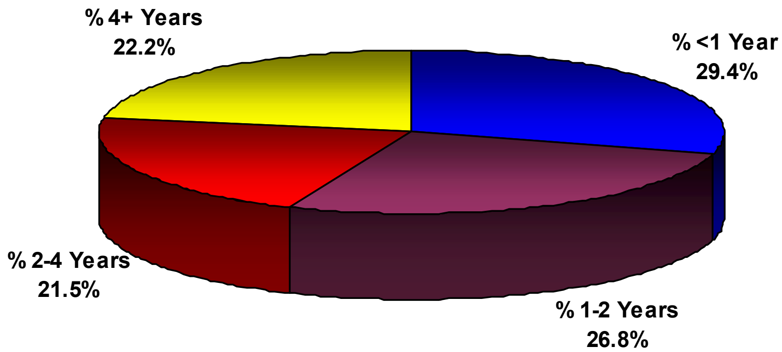
$6,000,000/11,000 hours = $545.45/hr

This is not a place for blame, but when you do the math, there may be a new urgency in addressing items that “corrupt” selling time.

Notes:

What is the average tenure of your inside sales force?

Average Sales Rep Tenure



Key Findings

- Fairly even distribution across all tenure segments.
- More movement seen in higher risk/reward environments.
- Longer tenure does not necessarily translate into better results.

Observations

The chart above can be misleading in the sense that it is averaging tenure of all reps across all companies. There is an old line about averages: If you have one foot in a bucket of ice water and one foot in a bucket of boiling water, on average you'll be comfortable.

With respect to inside sales team tenure, we tried to look beyond these aggregated numbers to determine other insights. For example, looking at companies that have a disproportionate share (greater than 40% in any segment), we wanted to see if certain industries stand out or certain performance levels are attained. We do not want to overreach in our attempt to extract insights, but there are a few interesting notes.

Companies with >40% of their team with <1-year tenure tend to be disproportionately present in the target pay range above $50,000. This was true across industries with "Other" leading, followed by Software and Advertising/PR/Media.

Responding firms with >40% of their team with 4+ years tenure were led by Software (followed by "Other"), but these firms also are at the lower range of targeted compensation (below $50,000) and quota (<$250K).

More intriguing, however, is that of all four slices (e.g., >40% made up of the four tenure ranges above) the most tenured (4+years) has the lowest overall quota attainment.

As always, we recommend readers take these observations as a starting point to considering how their own situations are similar *and* different.

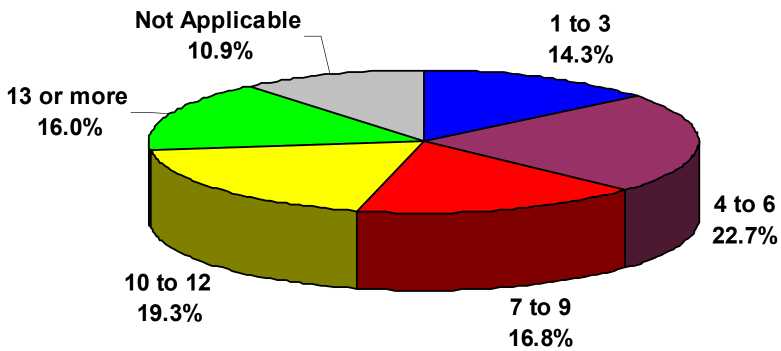
For example, one participating company with an inside team of <10 has 70% <1-year and 15% in the 2-4 years and 4+year segments (i.e., none of their reps are in the 1-2 year segment). Their people average 2 years of experience in sales, lower than the 6.8 years average of the entire population with annual turnover of 50%.

This company spends $1501-$2500 on individual training each year and reports that it still takes >1-year to get new reps fully productive--longer than the 3-6 months typical of their peer group.

Notes:

How many inside sales reps does your average manager supervise?

Number of Telesales Reps per Manager



Key Findings

- ❖ Fairly even distribution among all segments.
- ❖ Surprising relationship between number of direct reports and performance.
- ❖ Little correlation between size of average deal and number of direct reports per inside sales manager.

Observations

A tremendous variation exists in regards to the Inside Manager's "typical" span of control. Every range represented by the segments above was ranked number one within at least two of the average deal size ranges (e.g., <$1K, $1K-$5K, up to $100K+).

A common assumption is that as the average deal size increases, so too does the complexity of the sale. More complex sales require more management attention, etc.

But the 10-12 range was as popular in the $100K+ range as it was in the $10K-$25K and $25K-$50K categories. In fact, 10-12 was the most frequently chosen range for number of direct reports, followed by 4-6, and 7-9 came in third.

The one exception to the above is that the 13+ category did not score highest in any range and declined as the deal size increased. In fact, there are no reports of 13+ direct reports/manager above the $25K deal size.

Perhaps our intuition was at least partly correct, but it was completely shattered in the next moment. We postulated that span of control (the manager's number of direct reports) would be inversely related to quota attainment; that is, as the span of control went up, quota attainment would go down. As span of control went down (e.g., lower levels), quota attainment would go up.

For every sales rep (inside or otherwise) that has ever lamented, “If my manager would just leave me alone and let me do my job…!” there are now data to support them. Quota attainment and span of control were *directly* proportional! Note that 13+ had relatively fewer responses than the other groups, and that overall average quota attainment was 58.2%. These are the quota attainment figures by number of direct reports:

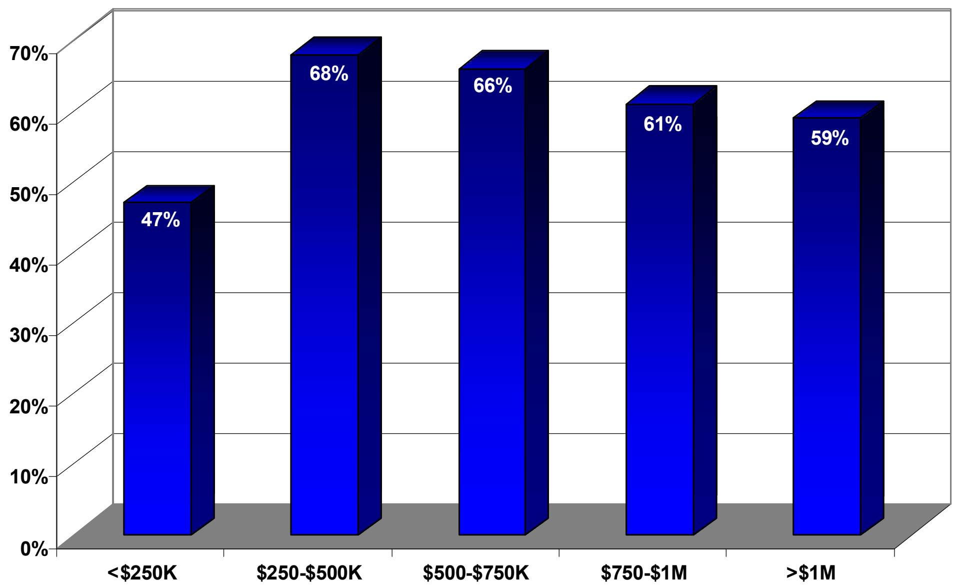
1-3 reps to manager ─ 42% made quota
4-6 reps to manager ─ 57% made quota
7-9 reps to manager ─ 65% made quota
10-12 reps to manager ─ 62% made quota
13+ reps to manager ─ 65% made quota

While companies appropriately continue to invest in training for inside sale reps, it appears there may be strong reason to consider training for inside sales managers.

Notes:

What percentage of your inside sales reps made quota?

Average Telesale Quota Attainment (by quota size)



Key Findings

- Good News: average quota attainment is above 50%.
- More news: average quota attainment is identical to field figures.
- On the surface, there is no clear pattern as to who will or will not make their targets.

Observations

The charts on this and the next page depict quota attainment for three separate views (data slices). The chart above shows quota attainment relative to quota ranges.

As noted on the prior metric (page 26), overall average attainment was 58.2% which is exactly equal to the field figure reported in our 2005 State of the Marketplace Review--primarily a field sales report.

Another way to view the data is not by quota size but by team size, as seen on the next page. It is interesting to note that smaller teams, as with smaller targets, do not score as high as the other groups.

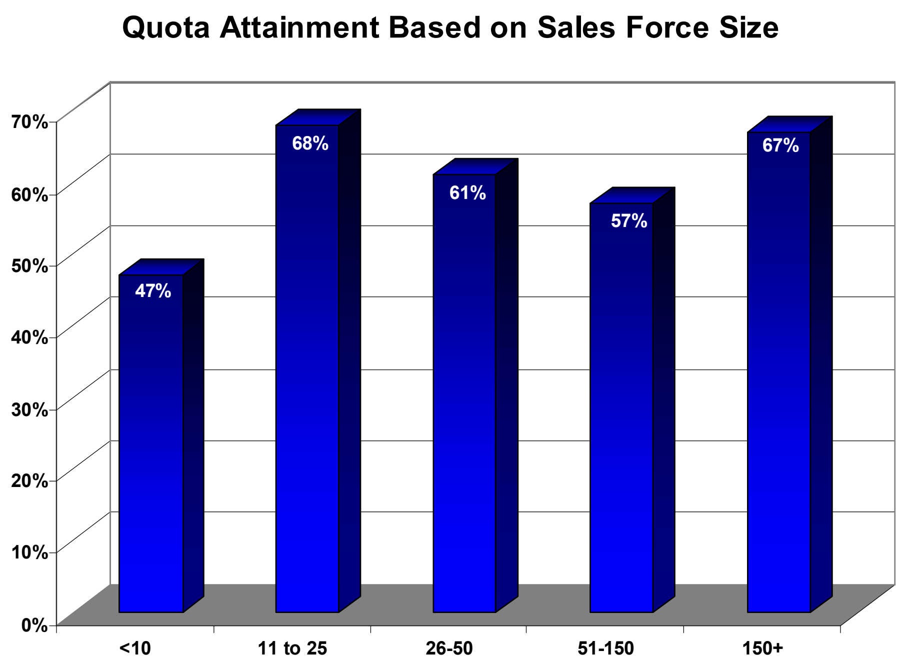
No doubt there are a number of contributing factors including support systems, turnover, training, etc., but there does not appear to be a point of diminishing returns tied to inside sales team size.

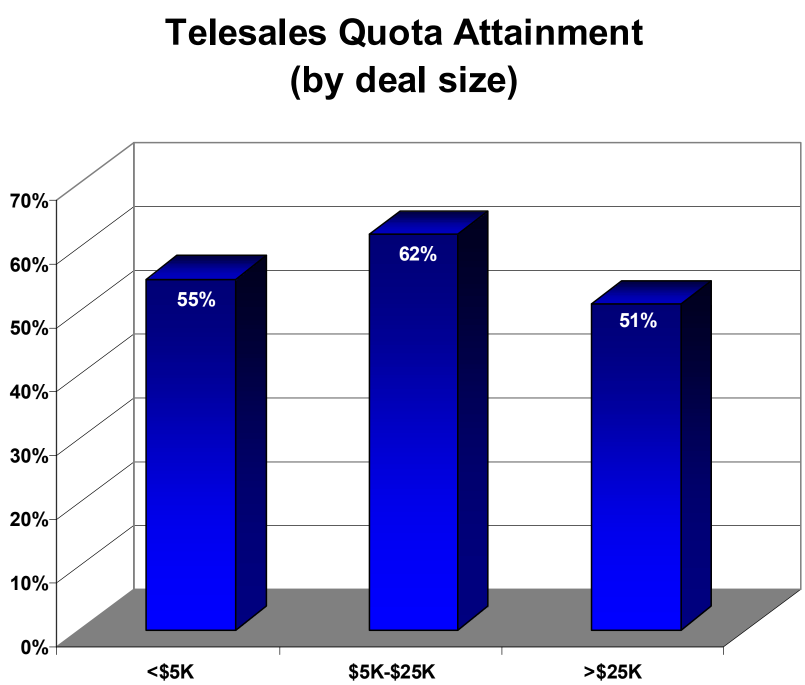
The other chart on the next page shows the three major groupings discussed at the beginning of this report--since these were fairly even in numbers of participants. As can be seen, based on average deal size, the mid-range for average deal size is the highest achieving group at 62% quota attainment.

Notes:

Inside/Telesales Effectiveness Insights

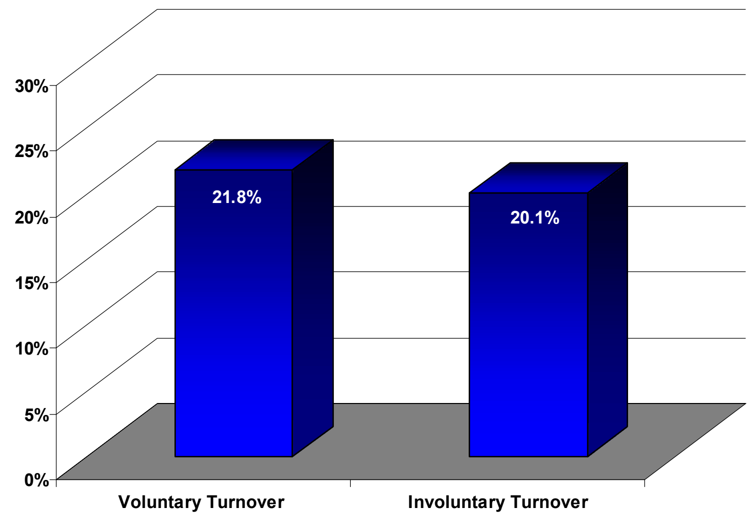
What percentage of your inside sales reps made quota?





What is your annual inside sales rep turnover rate?

Telesales Rep Turnover Percentages



Key Findings	**Observations**
❖ Total rep turnover is above 40%. ❖ Rep ramp up time averages six months or more. ❖ Staffing issues need to be scrutinized and addressed as companies plan to grow their teams.	Turnover among inside sales team members is only slightly lower than the record rates (49.3%) reported in the field as reflected in our *2005 State of the Marketplace Review*. We expect that has moderated somewhat as pent up demand and frustration following the 2002-2004 slowdown has largely subsided. In other words, many who wanted to jump ship already have. But with a 42% turnover rate for inside sales, there is a new inside sales force every two-and-a-half years instead of every two years--better but not great. Other challenges associated with these turnover figures are sales rep ramp up times and overall staffing growth plans. Ramp up time is the period it takes new hires to become fully productive --to attain parity in production with experienced sales personnel. As noted in an earlier example of a single company, turnover ranked at 50%, reps with less than one year of tenure comprised 70% of the inside sales force, and ramp up time was greater than a year. Keep in mind that this was a single, randomly selected company, and these figures may follow a recent organizational shake-up. However, the cumulative result of these statistics is an inside sales team that is never fully up to speed. This scenario may become more common as more than a quarter of responding companies indicate they plan to grow their inside sales teams by more than 30%, and nearly one-third expect to increase their teams' size by 11-30%. Only 2% of respondents anticipate teams shrinking, and 20% expect to remain the same size.

With this magnitude of upward pressure, companies will be tested on multiple fronts. First, are your people staying with you *because* of what you do *for* them or *in spite* of what you do *to* them? If the latter, expect turnover rates to remain high. Second, whether you retain or acquire personnel, getting them up to speed faster than the seven months to more than a year reported by 38% of respondents will be essential to productivity.

Notes:

In Closing…

As noted earlier, this is the first time we specifically analyzed Inside/Telesales Effectiveness. While we were able to gather insights and answer a number of questions, we now have even more issues to explore. We will be further analyzing the data and compiling other reports on the findings.

It is clear that Inside/Telesales is a key resource which a growing number of firms are leveraging to optimize their sales performance (see page 29). The Software Industry led in most categories, principally because it was the first to push the boundaries of what could be sold by phone starting 20 years ago. These firms also tend to be technology rich and their people technically savvy, offer more resources, and have teams in position to fully leverage these. A companion paper to this report will be analyzing how firms are using technology and the Internet in their inside sales efforts. To request a copy of this report, please send an e-mail to info@csoinsights.com.

The question of regulatory impact was a bit of a non-issue. Initially, we thought "No Call" lists and other restrictions would have a significant negative impact on telesales. In the business-to-business space, only 3% plan to reduce their telemarketing/telesales efforts. In the business-to-consumer category, the numbers are more significant with no firms planning to increase their efforts, three-quarters maintaining their efforts, and one-quarter reducing them. Still, 84% of firms anticipate making "No Change" in their telemarketing and/or telesales efforts as a result of government regulations.

Even with increased regulation and competition, roughly one in five firms see things getting easier in the coming year no matter what category (B2B, B2C, or blended) they are in (see Figure 2). One quarter anticipates "no change" while more than half think selling will be harder. Time will tell whether optimists or pessimists win, but those thinking it will be *significantly* harder outnumber their counterparts by more than 2:1.

Figure 2

Regardless of how you view the coming months and years, it is clear that firms that make the most of their Inside/Telesales resources will create a competitive advantage. This initial effort has convinced us that there is more to research in this fast moving and fast growing area. We will be looking at the data gathered and reconnecting with those firms that already stand out in their performance to understand what best practices they have in place to optimize their telesales effectiveness.

No doubt many firms will consider these best practices as “secret weapons” that help them compete more effectively. This is absolutely true, which is why we are continually amazed at how open to sharing many of the leading firms are. They clearly view the glass, not only as half-full, but also abundant and growing. They continue to focus on how to improve and pursue the Olympian ideal: faster, stronger, and higher. And like Olympians, they practice (their daily execution) in private but perform (their company results) in the very public marketplace.

We wish to thank all the people who took the time to complete our survey and shared their private numbers and comments to contribute to increased knowledge for everyone. We look forward to our further connections and analyses in this exciting arena.

Until then, we wish you every success in your inside telesales efforts!

Sell well,

Jim Dickie
jim.dickie@csoinsights.com
(303) 530-6930

Barry Trailer
barry.trailer@csoinsights.com
(415) 924-3500