DEPAUL UNIVERSITY

BEST PRACTICES RESEARCH PROGRAM CENTER FOR SALES LEADERSHIP

BENCHMARKS IN SALES PRODUCTIVITY

SURVEY OF SALES ORGANIZATION PRACTICES

2008

DAVID C. HOFFMEISTER
EXECUTIVE IN RESIDENCE

TABLE OF CONTENTS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The results of this survey have greatly expanded our understanding of the current practices of business with relation to recruiting, training, compensation, and key performance metrics within sales organizations. Key findings in each area are summarized in this section.

Demographics

- Respondents weighted toward smaller firms
- Diversity of sales force is a major challenge
- Aging of sales force will create a recruiting war
- Respondents rank sales as most critical to success

Recruiting

- Cost of Hire averages $27,700
- Education level of new hires is high
- Interview time, criteria and effort is inadequate
- Cost of hire is a significant factor, but often unknown

Training

- Investment to B/E averages $43,000
- Firms offer short, “operational” training programs
- Training fails when behaviors not reinforced and tie to benefit
- Training content lacks focus on legal and ethical issues

Compensation

- Average compensation of top performers is $101,900
- Salary plus commission is dominant form of compensation
- Financial Services continues to heavily utilize straight commission
- Utilization of non-cash compensation is low

Performance

- Turnover (22%) cost averages $35,000
- Performance metrics focus on portfolio management
- CRM utilized in majority of firms, but not all
- Only half of firms provide leadership training

SURVEY ELEMENTS

INTRODUCTION

Every two years, the DePaul Center for Sales Leadership conducts a survey of a broad range of companies across the United States to determine their practices with regard to key elements of the management of their sales organization. This survey represents the second survey that has been conducted and reported, and is conducted by the faculty and staff of the Center for Sales Leadership within the Marketing Department of the DePaul University College of Commerce.

PURPOSE OF RESEARCH

The purpose of the research is to determine the current practices with regard to sales organization management in a wide range of United States companies, and identify significant variances between businesses based on size and type of business.

OBJECTIVES OF RESEARCH

The objectives of the research are to investigate several key areas which will provide a foundation for the continual improvement of the curriculum provided to undergraduate and graduate students by the DePaul Center for Sales Leadership. The key areas of the survey are:

- Identification of company profiles
- Recruiting techniques and practices
- Selection, hiring and training methods
- Motivation and compensation methods
- Management and performance measures

Additionally, it is a further objective of the survey to assess those characteristics every two years, in order to determine specific behaviors which may be shifting over time due to either internal requirements or external competitive events.

EXPECTED INFERRED RESULTS

The results will be analyzed in a number of different ways, in order to provide five key elements to guide the program over time:

- ***Tracking current sales organization behaviors***
  Determining current practices in the recruitment, selection, hiring, training, motivation, compensation, management, and performance measurement of sales organizations will provide benchmarks for sales organizations.

- ***Identifying changes in sales organization behaviors over time***
  Determining changes in specific behaviors over time due to internal and external requirements will help to identify future trends in the management of sales organizations.

- ***Identifying gap areas in curriculum offerings***
  Comparing changes in specific behaviors over time will assist in helping to shape the curriculum for current programs to better prepare students for expected changes in qualifications for entry level sales positions.

- ***Provide business partners with competitive advantage***
  Identification of broad trends in recruitment, selection, hiring, training, motivation, compensation, management, and performance measures will assist our business partners in focusing on improving their competitive position.

- ***Provide business partners with insights for training***
  Identification of skill and knowledge gaps in a broad range of companies will assist our business partners in identifying possible areas in which they will need to buttress their own training efforts to improve their competitive position.

METHODOLOGY OF RESEARCH

The survey was a self-administered survey distributed through direct email solicitation of the subscriber list of Selling Power ® Magazine, as well as postings on the Selling Power ® magazine website to a wide audience of companies and individuals focused on sales and sales organization issues. The response rate is undetermined (n-size = 762), as the total number of website viewers is variable. A series of three email blasts were sent to the entire Selling Power Magazine subscriber list based on targeted job titles specified in the survey, and the survey was posted on the website for three months (August, September and October, 2008). The completion rate was 64%, with 762 surveys started and 488 completed by the respondents. Based on industry practice, incomplete surveys were included in the data analysis.

Data were recorded and analyzed using Qualtrics ® survey system. Cross-tabbed analytical data was conducted based on company size (gross sales) and on specific business segments which yielded satisfactory cell sizes for statistical purposes.

TARGET POPULATION AND SAMPLE COLLECTION

The target population was limited to senior executives at a broad array of companies involved in marketing and sales management, and was directed at the following specific set of job titles:

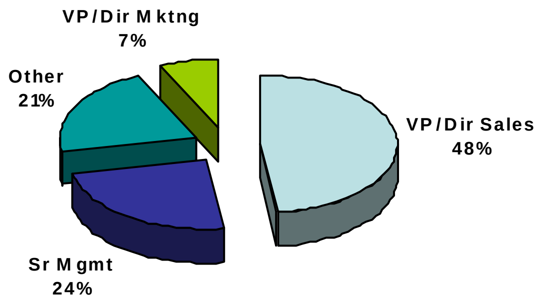
- Senior management (Chairman, CEO, COO, President)
- Sales management (VP of Sales)
- Marketing management (VP of Marketing)
- Human resources (VP of Human Resources)
- Director of Sales
- Director of Marketing
- Other (specified)

DATA ANALYSIS AND FINDINGS

DEMOGRAPHICS

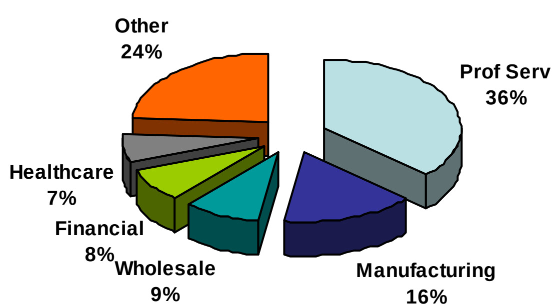
A number of key areas were benchmarked regarding the nature of the respondents and types of companies who participated in the survey related to demographics:

Function and Title
Respondents consisted primarily of Senior Management (Chairman, CEO, COO, President) which made up 24% of the respondents and Sales Management and Directors of Sales (combined), which made up 48% of the respondents.



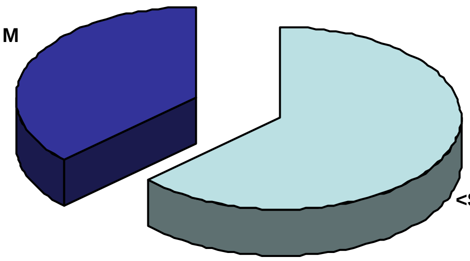
A distinct bias in job title by business size exists in the respondents, with nearly 92% of the Senior Management respondents concentrated in companies < $50MM in sales. The Sales Management and Directors of Sales combined were fairly equally balanced between companies with 52% below and 48% above $50MM in sales.

Business Type
Respondents participate in a wide variety of businesses, but the most dominant business areas (those of statistically relevant size for analysis) were Professional Services, Manufacturing, Wholesale, Financial Services and Healthcare.



A distinct business size bias exists in the Professional Services category, with 81% of firms < $50MM in size. All other categories are relatively well balanced in terms of the sales level of the firm by business type.

Business Revenue
The majority of respondent businesses were under $50MM (63%) in annual gross sales revenue, but a significant number of firms were larger, with 20% of firms reporting revenue $50MM to $499.9M, and 17% of firms reporting annual gross revenue >$500M.



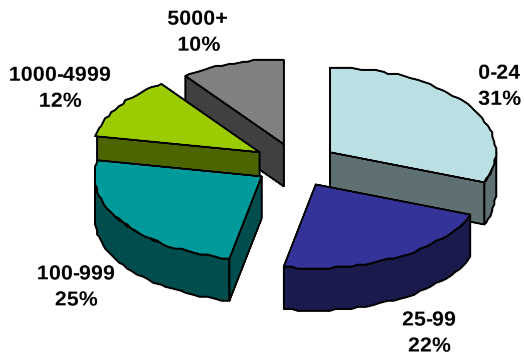
Additionally, it is interesting to note in the chart below (% Type) that 81% of Professional Services firms were < $50MM, with the remainder relatively balanced between the two categories of revenue – while firms >$50MM are dominated by Financial Services and Manufacturing.

Business Type	% Type with <$50MM	% Type with >$50MM	Total
Professional Services	81	19	100
Manufacturing	47	53	100
Financial Services	40	60	100
Wholesale	60	40	100
Health Care	60	40	100
All Other	54	46	100

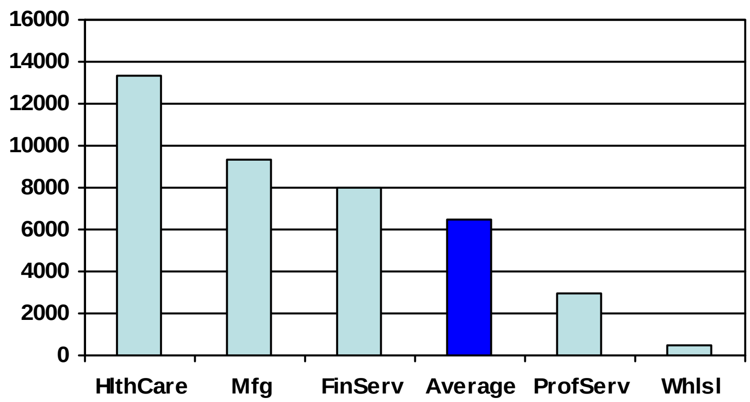
Further, the chart below (% Revenue Category) indicates that the firms <$50MM are dominated by Professional Services (48%), while the firms >$50MM are more evenly balanced with some weighting toward Manufacturing and Professional Services firms.

Business Type	% <$50MM Firms	% >$50MM Firms
Professional Services	48	18
Manufacturing	12	23
Financial Services	5	12
Wholesale	8	10
Health Care	7	8
All Other	20	29
Total	100	100

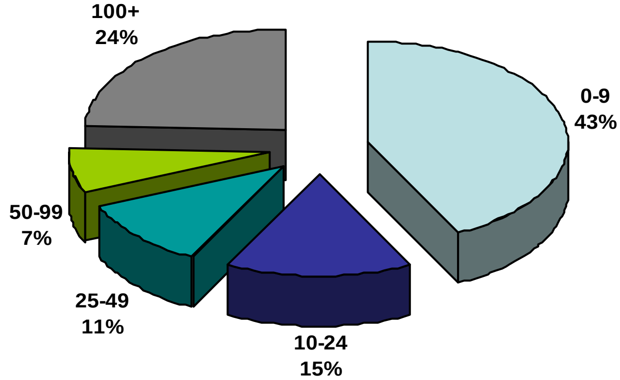
Employee Headcount
The average employee headcount was 6,479, dominated by small firms (53% of businesses employed under 100 employees).



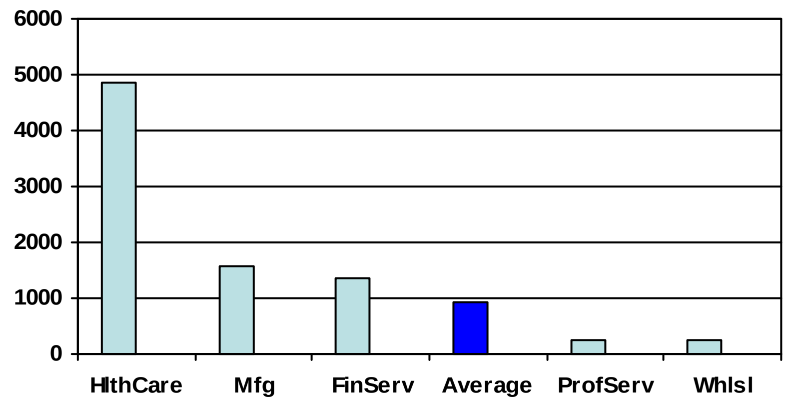
Further, the chart below indicates that Health Care, Manufacturing, and Financial Services dominate in terms of the average number of employees, and exceed Professional Services and Wholesale by significant multiples.



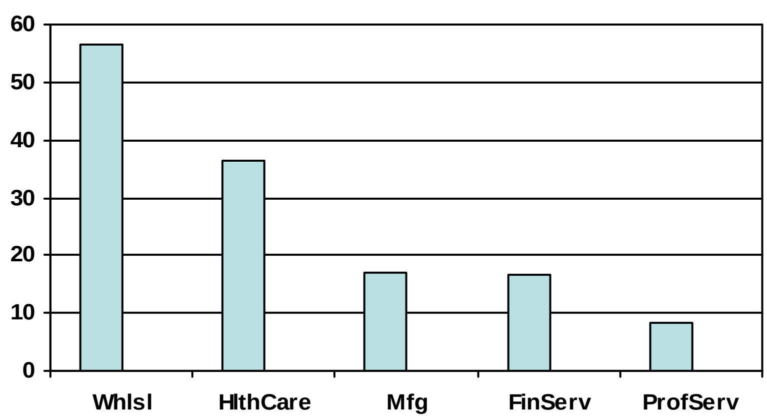
Sales Headcount
The average sales employee headcount was 914, dominated by small businesses (42% of companies had under 9 sales employees). However, a significant shift is evident in the emergence of large sales forces at the other end of the spectrum (24% of companies had over 100 sales employees).



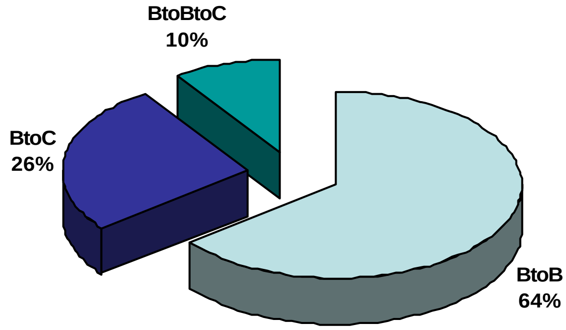
Analysis of the individual business types indicates that Health Care has the largest sales force in numbers by business type, with Manufacturing and Financial Services fielding substantial numbers of sales employees. Professional Services and Wholesale (because they tend to be limited to one or two man operations) do not employ large sales forces.



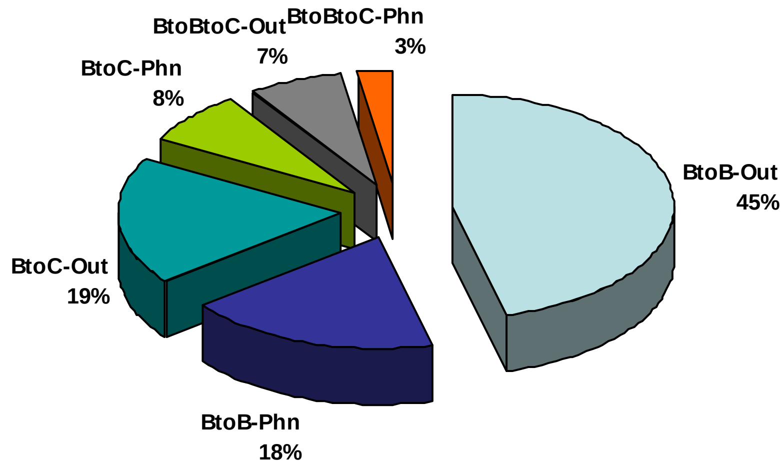
Comparison of various business types in terms of the % of sales employees to total employees indicates that Wholesalers (because they tend to be primarily made up of sales personnel) and Healthcare (because of their duplicative sales coverage models) have the highest portion of their employees focused on sales activities.



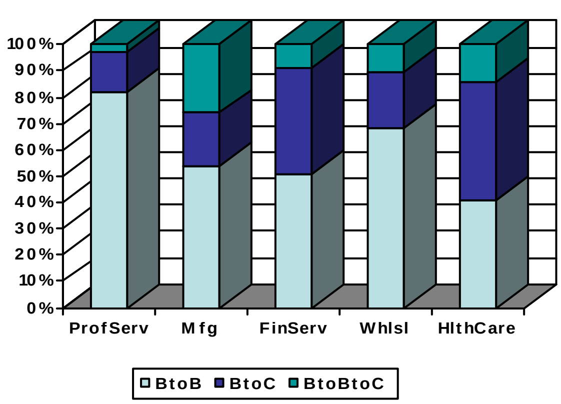
Selling Environment
In evaluating the selling environment (type of selling) of various organizations in which the sales force participates, the vast majority of selling functions are B to B (Business to Business at 64%) and B to C (Business to Consumer at 26%). The B to B to C (Business to Business to Consumer – Two-Step Distribution) selling environment is relatively small (accounting for only 10% of activity) as shown in the chart below.

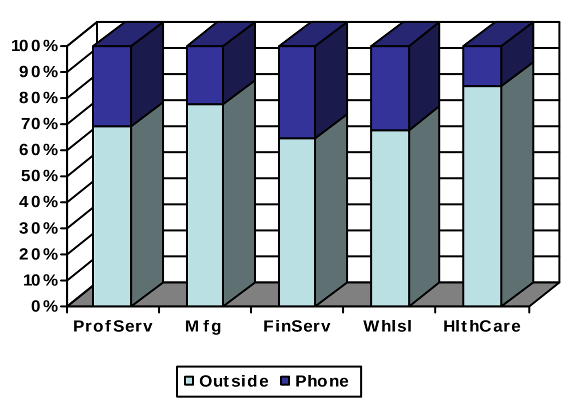


A more detailed break-out of the type of selling (Outside Sales versus Phone Sales) by type of environment is shown in the charts below, which indicates that combined phone selling is a major part of the environment in today's cost-conscious environment (accounting for 29% of all selling activity).

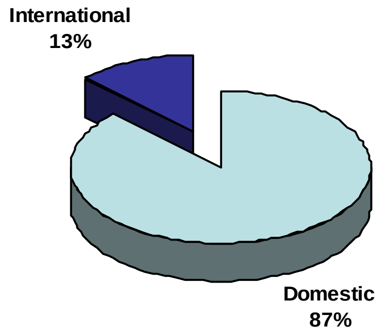


An analysis of the sales environment by business type indicates that wide variance exists from one business model to another. For instance, Professional Services and Wholesale business types are strongly B to B, Financial Services and Health Care strongly B to C, while Manufacturing is somewhat more balanced. Further, the use of Outside Sales personnel is strong in all business types, but Phone Selling is a key factor in Financial Services.

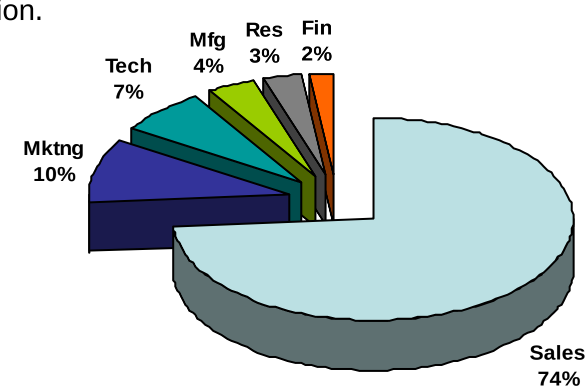




Source of Sales
Most of the respondent firms derived a relatively small percentage of their gross sales from international sources (13%). Larger firms derived 18% of their sales internationally. This level was strongly influenced by Manufacturers, who secured over 21% of their sales from international sources.

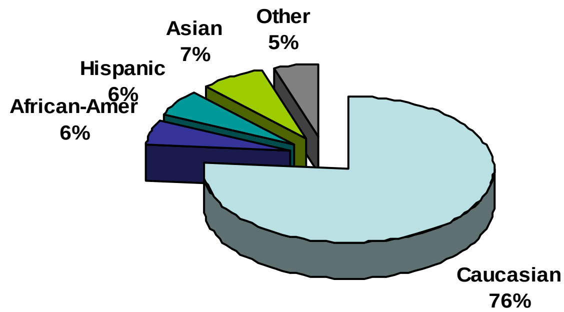


Importance of Sales
All respondents ranked the sales function as critical to their success as an organization, with an average of 75% of respondents ranking the sales as the most important company function.

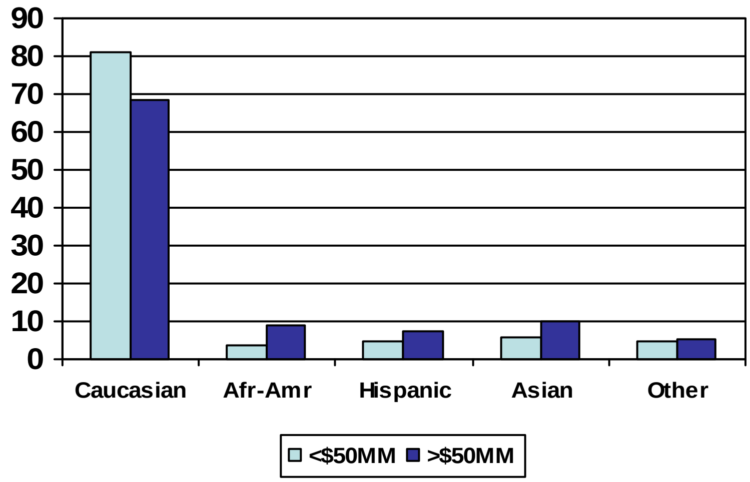


Manufacturing firms only ranked sales at 57% (with more emphasis on manufacturing at 17%), while Wholesale (who are primarily sales bodies) ranked sales at 91%.

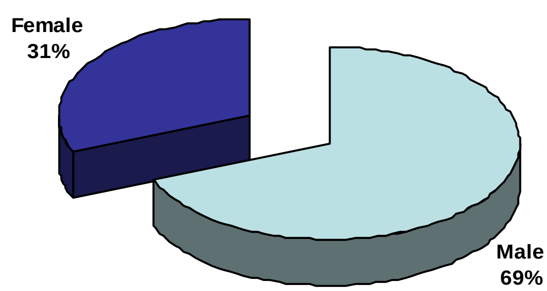
Sales Racial Diversity
Achieving diversity comparable to today's customer continues to be a challenge for most sales organizations. Overall, 76% of respondent sales organizations are Caucasian, with little progress being made from year to year in integrating racial diversity.



Some progress has been made by business size, with larger organizations (>$50MM) achieving a more diverse make-up in their sales forces than smaller organizations (<$50MM) as shown in the chart below.



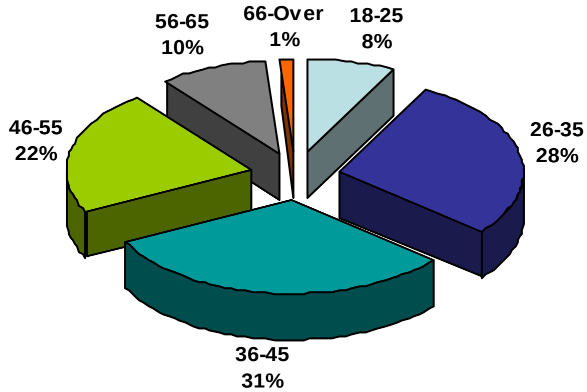
Sales Gender Diversity
Achieving gender diversity continues to be a challenge for most sales organizations, with females representing only 31% of employees in today's sales force.



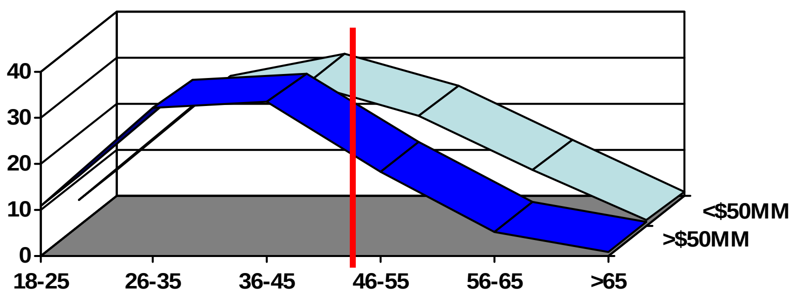
No significant difference exists between small and large firms in terms of gender profile, or in business type, with the exception of higher male content in Manufacturing (78%) and Wholesalers (76%)

Sales Force Age
The profile of age distribution within the sales force continues to skew toward older employees (with 32% over 46 years of age), insuring that acquiring and developing talent over the next 10 years will be an ongoing significant challenge within most sales organizations.

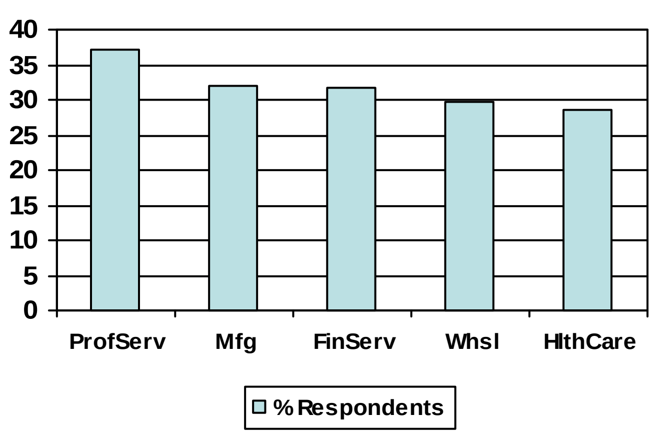
Current labor statistics indicate that most firms will have to face the loss of nearly 30-40% of their workforce by 2016 – a demographic bubble which has already created a fierce battle for talent in the recruitment of sales personnel and other disciplines in today's growing enterprise.



The chart below indicates that smaller organizations (<$50MM) are more challenged in this area, with a total of 37% of their organization over 46 years of age, as compared to 24% in larger organizations (>$50MM).



Within the various business types, Professional Services faces the largest talent shortage in the near term, with over 37% of their sales force over 46 years old.

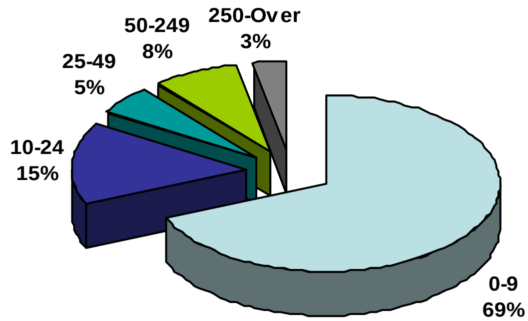


Recruiting

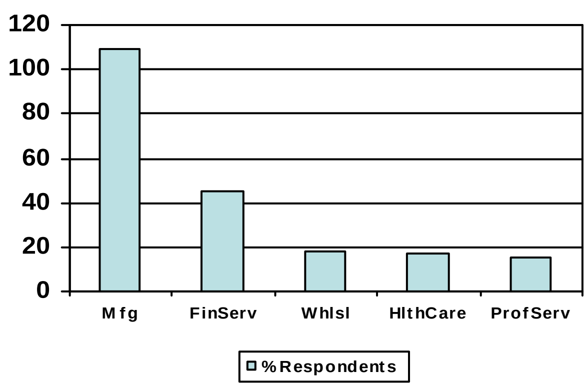
A number of key areas were benchmarked regarding the nature of the respondents and the types of companies who responded to the survey related to recruiting practices:

Recruiting Needs

The number of new sales personnel required annually varies widely, depending upon the size and type of the organization. Overall, 84% of organization respondents hire less than 25 new sales personnel annually.

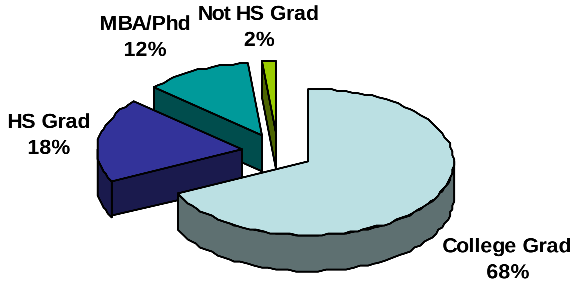


However, depending on the annual gross sales of the respondent, the number can vary widely, with firms <$50MM averaging 7 hires annually and firms >$50MM averaging 98 hires annually. A profile of the average annual hiring by business type is shown in the chart below which shows that Manufacturing and Financial Services reported the highest annual recruiting levels for sales personnel.

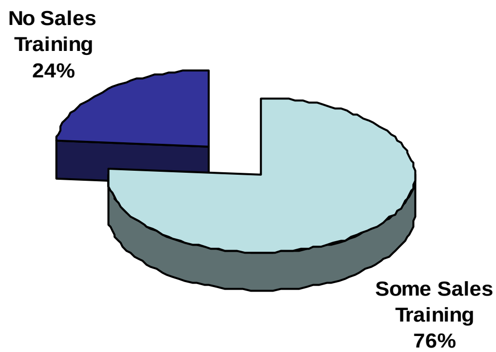


Educational Level

Educational levels of new sale personnel are increasing dramatically, with 80% of new hires possessing a college or higher advanced degree, and only 18% of new hires made from applicants with only a high school degree. Those business types hiring the largest percentage of new personnel with advance degrees were Health Care (18%) and Professional Services (16%).

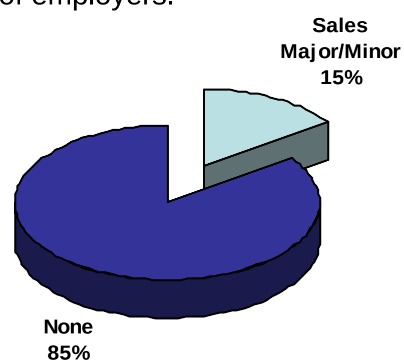


Sales Training Level
Sales training levels of new incoming sales personnel are generally high, likely reflecting firms' historical propensity to hire experienced people for sales positions, as well as the limited capacity of sales education institutions relative to demand:



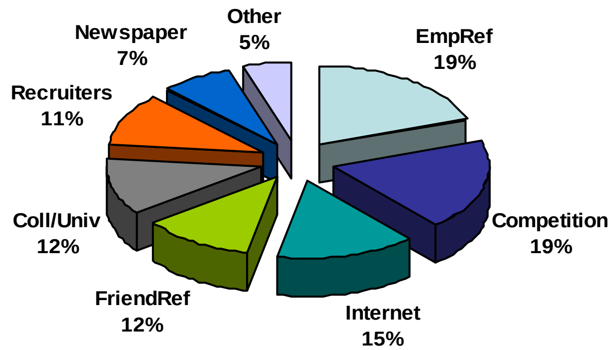
Those business types hiring the highest level of those with training were Health Care (81%), Manufacturing (79%), and Professional Services (79%).

Sales Education
Sales education (in the form of a sales major or minor from an accredited university) program was analyzed, and a relatively small number of new sales personnel are hired from this source (15%). This is most likely due to more to limited candidate supply rather than conscious choice of employers.



Business types reporting the highest proportion with sales majors or minors were Health Care (24%) and Financial Services (19%).

Source of Hire
In spite of the strong desire for college graduates and advanced degrees, respondents continue to hire from other sources at greater levels than directly from universities or colleges – focusing on employee and friend referrals (37% total), competition (19%) and internet job sites (15%). Smaller firms tend to focus on employee referrals (22%), while larger firms rely more heavily on competition (26%) – and both use internet web sites at approximately the same level (14-15%). For all groups, colleges and universities place third or fourth in the selection of a recruiting source for new sales personnel.

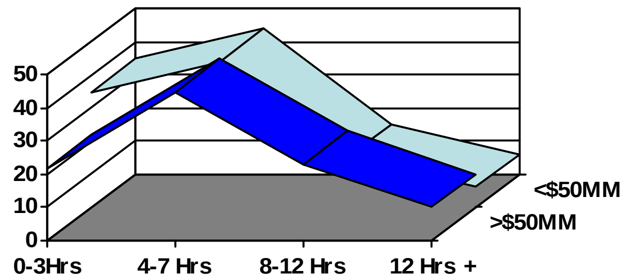


It is interesting to note that networking activities (employee referral, competition, and friend referrals) continue to account for 51% of the sources of new personnel.

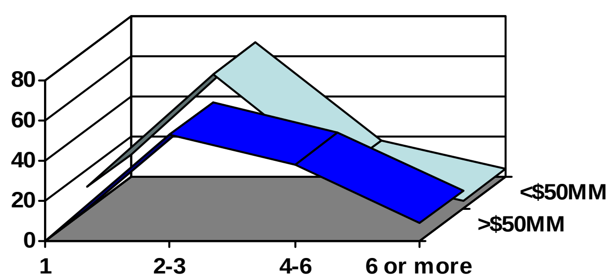
Applicant Evaluation
In spite of experience and research to the contrary, businesses continue to focus on primarily subjective measures when evaluating incoming applicants, as opposed to more reliable and predictive testing proven to have a higher correlation to future success, as shown in the chart below.

Subjective	% Using	Objective	% Using
Personal Interview	93%	Job Description	60%
Prior Experience	77%	Compensation History	40%
Reference Checks	71%	Aptitude Tests	39%
Application Forms	66%	Personality Testing	39%
Background Checks	65%	Intelligence Tests	18%

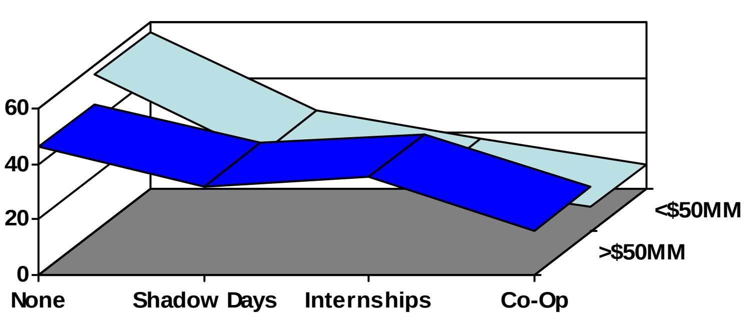
Interview Process
In spite of their extensive use of the interview process, business respondents continue to provide minimal time to the interview process (30% spending 3 hours or less). Larger firms tend to spend more time on the interview process (33% spending 8 hours or more) and smaller firms spend less time (35% spending 3 hours or less). Most respondents (44%) spent an average of 4-7 hours in the interview process, resulting in an average interview time of 5 hours before hire.



Interview Personnel
In the interview process, a limited number of people make the final hiring decision, as most companies (62%) interview candidates with 2-3 people as a matter of practice. Larger firms report no instances of using 1 person for an interview, and 38% utilize 4-6 people for the interview process, assuring a better assessment process of the candidate. The average number of personnel who will interview candidates is 3, providing limited insight into the candidate qualifications at best.



Cross Evaluation
In the selection process, companies generally do not take advantage of cross-evaluation opportunities, with 53% providing no experiences at all – and only 30% offering Shadow Days/Ride Along, 24% offering internships, and 12% Co-Op/Work Study programs. Generally, larger firms offer more of these opportunities (likely due to greater resources) than smaller businesses.



Information Value
Respondents evaluated various sources of information regarding candidates, and then ranked them on a scale of 1-6 (1-not at all important to 6-extremely important) as shown in the chart below. This ranking reinforces the high value that recruiters place on the personal interview and subjective elements, as opposed to hard objective data, which is ranked considerably lower.

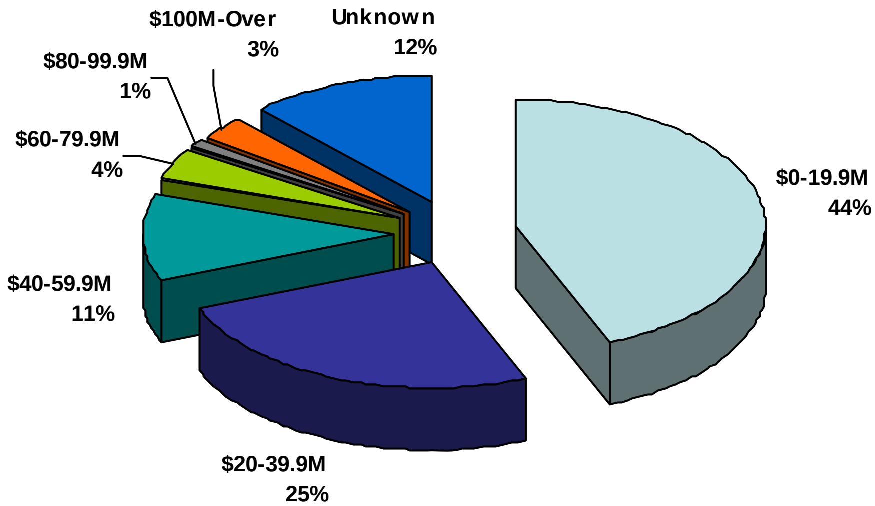
Information Source	Ranking
Interview Process	5.3
Prior Experience	4.9
Reference Checks	4.6
Personality Tests	3.7
Biographical Information	3.6
Aptitude Tests	3.4
Intelligence Tests	3.2

Characteristics Value
Respondents evaluated a number of personal characteristics of candidates, and ranked them on a scale of 1-6 (1-not at all important to 6-extremely important) as shown in the chart below (only the top 7 are shown out of 16 measured). It is interesting to note that the two most commonly mentioned talents in current literature are ranked the highest in this survey as well, although they have often been expressed as empathy (ability to listen) and need to conquer (perseverance) in work published in the Harvard Business Review, "The Mystique of Salesmanship" by Robert N. McMurry,

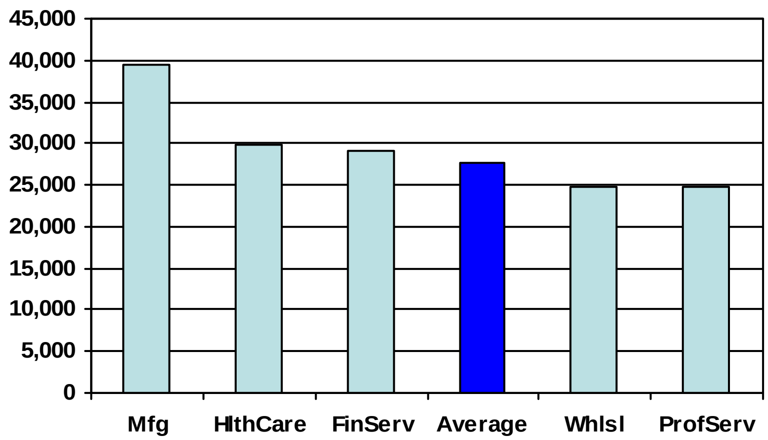
It is further very interesting that respondents ranked all 17 personal characteristics from 4.4 to 5.6 – while ranking information value from 3.2 to 5.3, indicating their preference for assessing personal talent rather than objective numeric information.

Personal Characteristic	Ranking
Ability to listen	5.6
Perseverance	5.4
Goal Orientation	5.3
People Skills	5.3
Verbal Skills	5.2
Tenacity	5.2
Belief in Product	5.2

Cost of Hire
Most respondent companies were aware of their COH (Cost of Hire) for personnel, and the average cost for all respondents was calculated based on the data at $27,727 per hire – with large companies averaging $35,714 and small companies averaging $23,563. It is interesting to note that 12% of firms simply did not know or understand their COH for sales personnel.



Significant variance exists in the COH by business type, which is shown in the chart below. The highest COH is experienced by Manufacturers at $39,535 and lowest COH by Wholesale at $24,824.

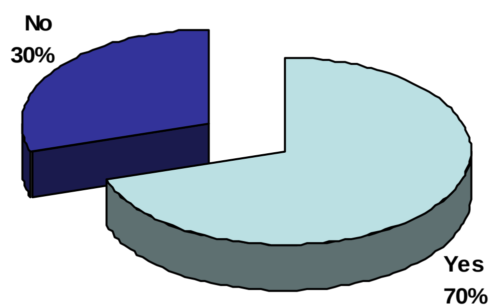


TRAINING

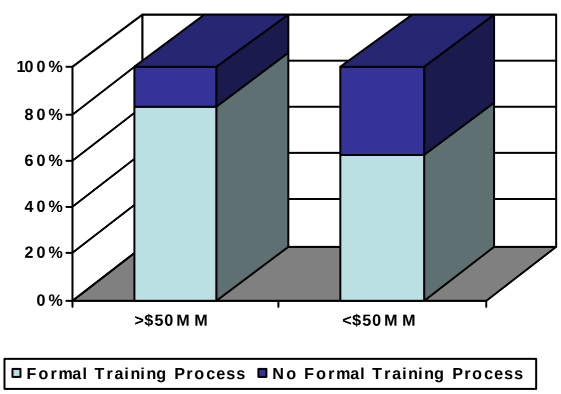
A number of key areas were benchmarked regarding the nature of the respondents and the types of companies who responded to the survey related to training methods:

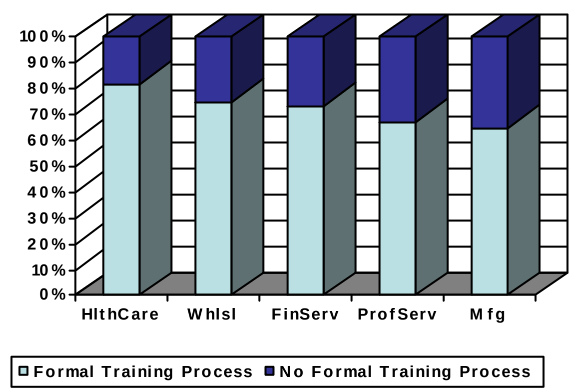
Formal Training

The majority of firms have a formal training process in place (70%), but it is alarming that 30% report having none. Increasing competitive environments have led to a significant reduction in resources for training and integration, leaving many firms with no specific path for new employees to enter the firm.



A higher proportion of larger firms have formal training processes than smaller firms, and there is significant difference between business types, with Health Care (82%) and Wholesale (75%) reporting the highest levels as demonstrated in the charts below.

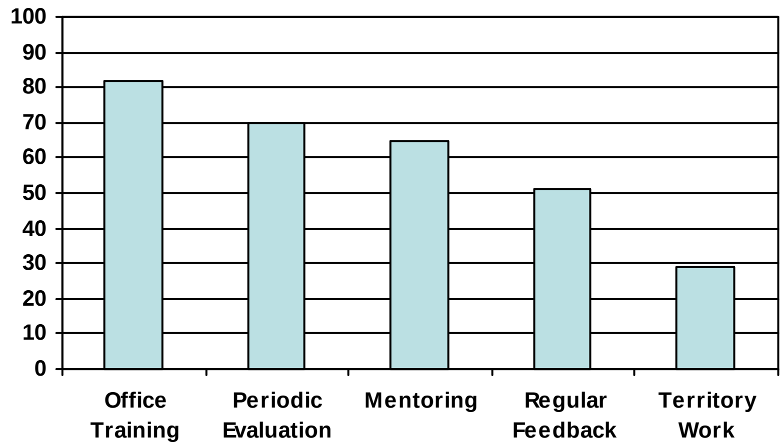




On-boarding Methods

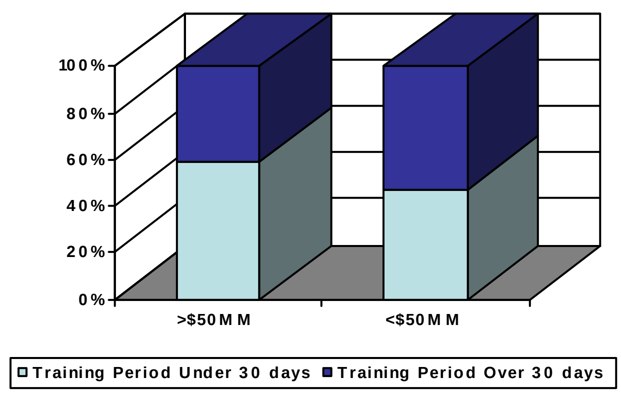
Businesses use a variety of methods to integrate new sales hires into the organization. The most prominent is basic office training (likely procedures, etc), but it is encouraging to see that the majority of firms provide periodic evaluations and mentoring to new hires to engage them in their assigned tasks. From a sales execution standpoint, it would be desirable to see a higher level of “in territory” work with experienced sales professionals, as this would be invaluable training to assist new hires in their learning cycle.

In general, larger firms tend to do more of everything for new hires, likely due to their access to more resources and more formal on-boarding plans. Little difference was shown within business types.

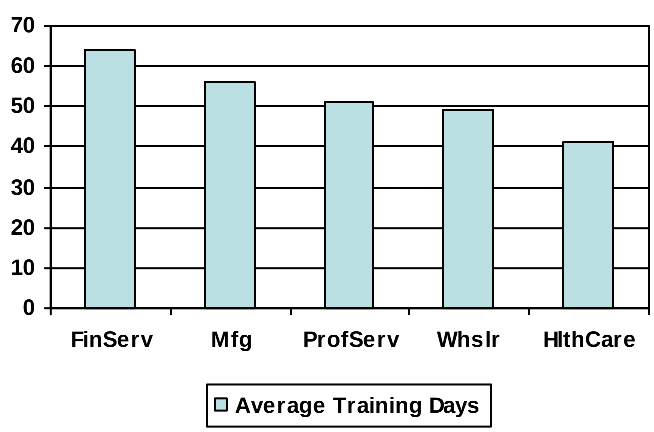


Training Period

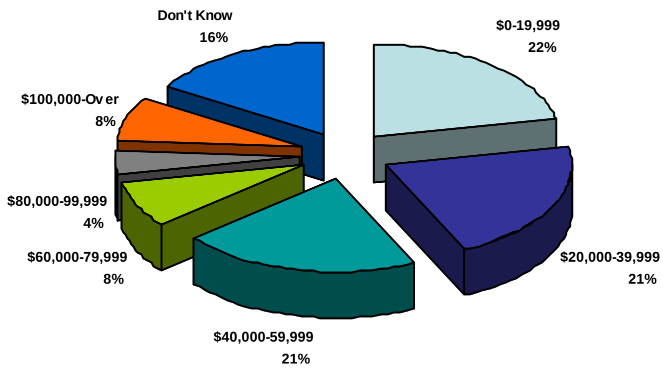
The average training period in respondents to this survey was 52 days, with larger companies providing longer training periods (58 days) than smaller companies (50 days). While not a significant difference, it does indicate the additional resources provided to new personnel by the larger firms.



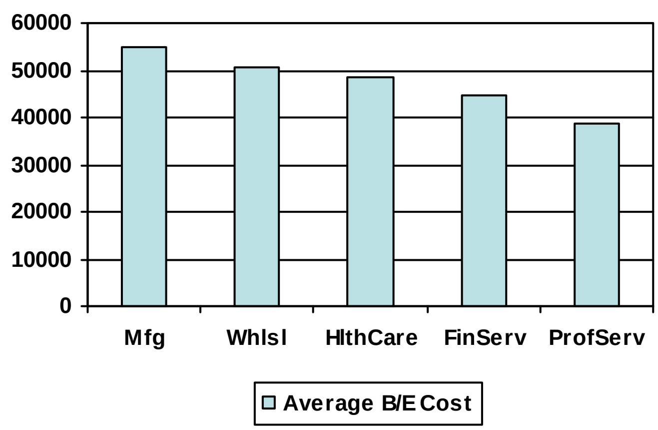
Some difference in training period exists among business types, with Financial Services and Manufacturing providing the longest training periods.



Investment to B/E
The investment to break-even level for a new sales person in an organization is most significant, averaging a total of $43,095 for all respondents. Smaller organizations have a lower investment level of $37,317 and larger organizations a higher level of $53,095.



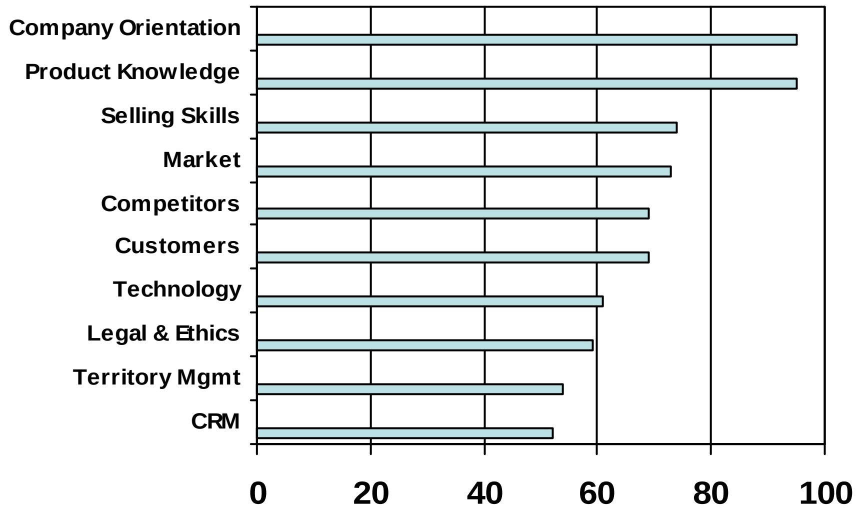
Further, average investment levels vary considerably by business type, as shown in the chart below. Manufacturing and Wholesale segments invest at the highest level, both in excess of $50,000.



Business Topics
The topics covered by most businesses in their orientation are most often very basic information related to the objective facts of their business, and less toward the behavioral characteristics that will lead to greater efficiency in their sales force selling activities (such as technology, territory management, and CRM systems).

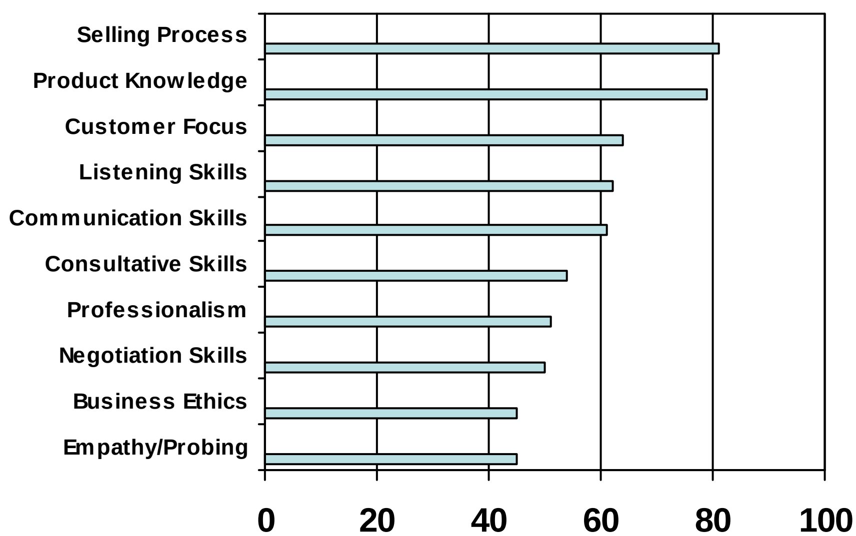
Topical emphasis can be detected within various business types as it relates to the specific needs of their business, such as a higher focus on competitor information in Manufacturing and Health Care firms, selling attitude and skills in Financial Services firms, and customer information in Wholesale firms.

Charts indicating the % of firms teaching these topics are shown on the next page.



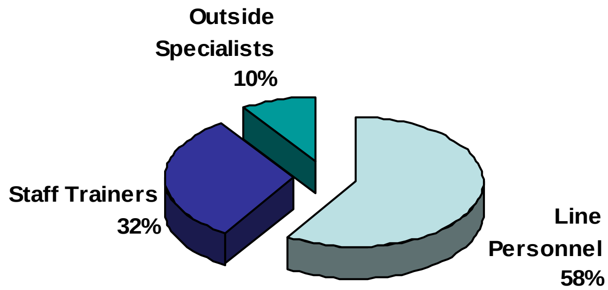
Skill and Knowledge Topics
An analysis of the skill and knowledge topics continues to reinforce the very fundamental nature of training at businesses today, with the primary focus on the selling process, product knowledge and customer skills.

It is encouraging to note that more relationship building skills such as listening skills, communication skills and consultative skills are taught at more than 50% of firms in the survey. However, it is disappointing that a stronger emphasis is not placed on compliance with legal issues and ethical considerations of the selling profession.

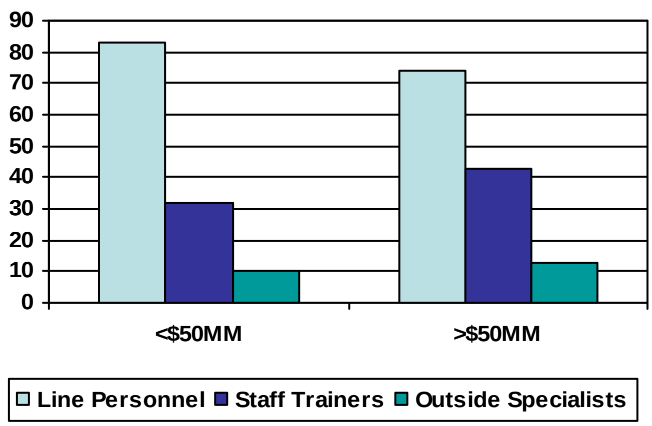


Training Source

The majority of businesses (80% of all respondents) choose to utilize their own line managers to train new sales hires (potentially providing them with inadequate line training and wasting valuable sales management time).

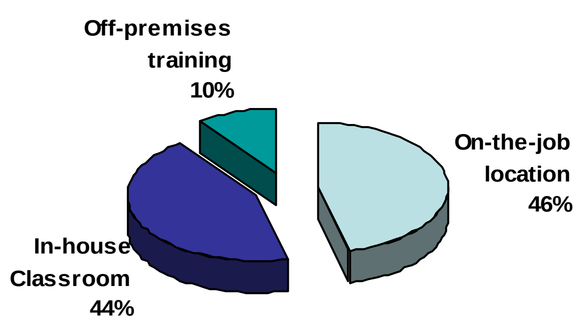


The chart below shows larger businesses use more staff trainers and outside training specialists at nearly twice the rate of smaller businesses (likely based on more resources).

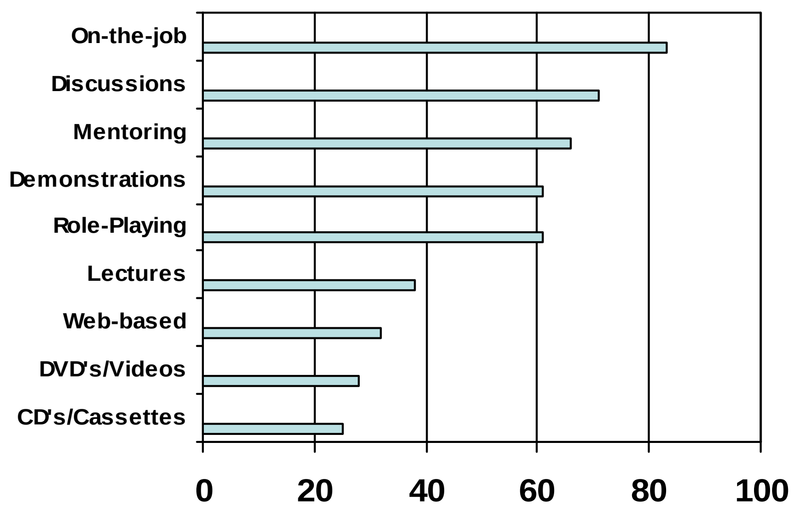


Training Location

A large number of the respondents hold their training session at a company location or on the job (90%) as opposed to off-site locations. While this may be more efficient, it also runs the risk of too many interruptions and distractions to conduct effective training, and the inefficient centralization of resources.

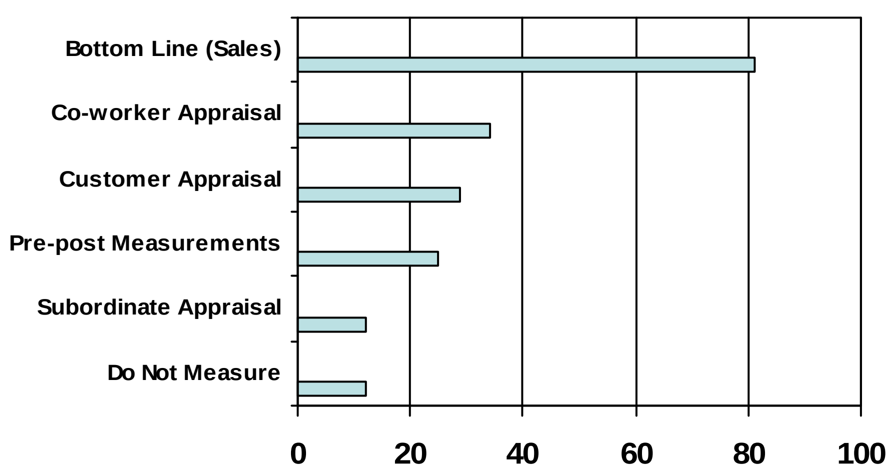


Training Techniques
On a broad spectrum basis, most businesses seem to eschew more formal methods of training (likely due to cost control motivations) and lean heavily toward on-the-job types of situational experience as indicated below. Fewer firms focus on formal lecture or technology based training as a dominant technique.



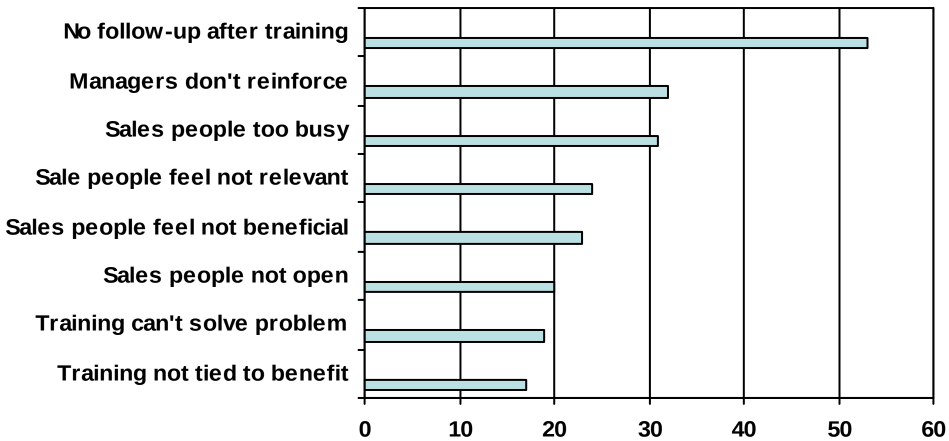
However, while larger and smaller businesses tended to utilize the situational experience at the same level, large businesses (likely due to greater resources) utilized lecture and technology based training at a much higher level than their smaller counterparts.

Training Measurement
In all business respondents, the key measure of the success of training programs was very heavily focused on bottom line sales (a correlation is always difficult to make in most circumstances). Very few businesses had formal pre-post measurements to determine if training concepts were understood and applied following the training, although larger businesses tended to utilize this method at a higher rate than smaller firms.



Training Failures

The primary reason for the failure of sales training within business today revolves around the combined effect of lack of follow-up to insure behaviors are consistent with the goals of the training, the absence of a link between benefit (compensation) and behaviors that are the goal of the training – and to some extent, the inherent nature of the sales psyche to resist training.

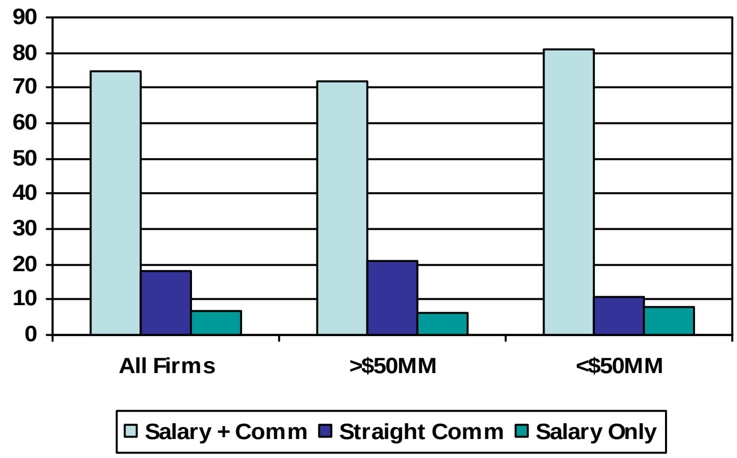


COMPENSATION

A number of key areas were benchmarked regarding the nature of the respondents and the types of companies who responded to the survey related to compensation programs:

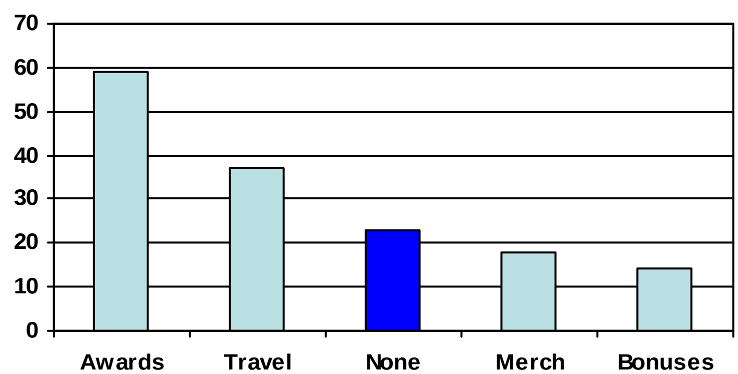
Salary and Commission

The vast majority of businesses (75%) reported using a salary plus commission plan, while larger businesses were above the average in use of salary plus commission plans (81%) and smaller businesses above the average in use of straight commission (21%). By business type, the highest use of salary plus commission was Manufacturing (82%), and the highest use of straight commission was Financial Services (22%), Professional Services (19%) and Wholesale (19%).



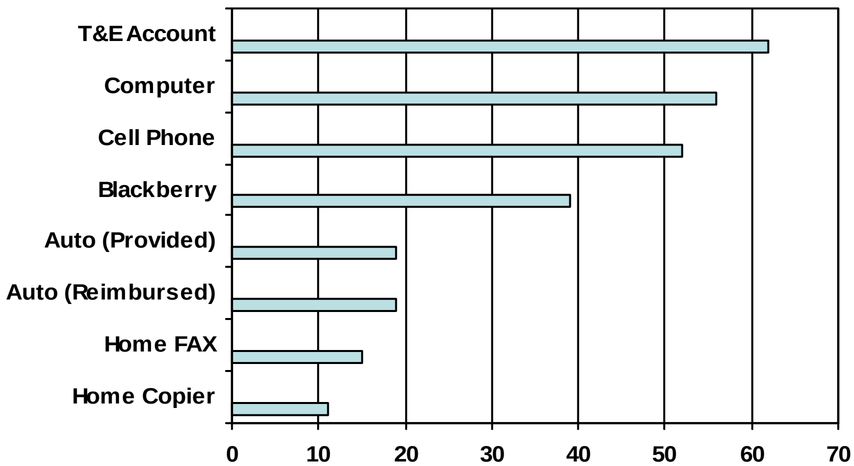
Non-Cash Compensation

The use of non-cash compensation continues to be a significant technique in many businesses, particularly with larger firms who utilize all of the methods listed in the chart below at higher levels than smaller firms (likely due to more resources). Among types of businesses, Health Care uses awards and honors at a significantly higher rate (71%). Of interest is the fact that 23% of firms use none of these techniques whatsoever.



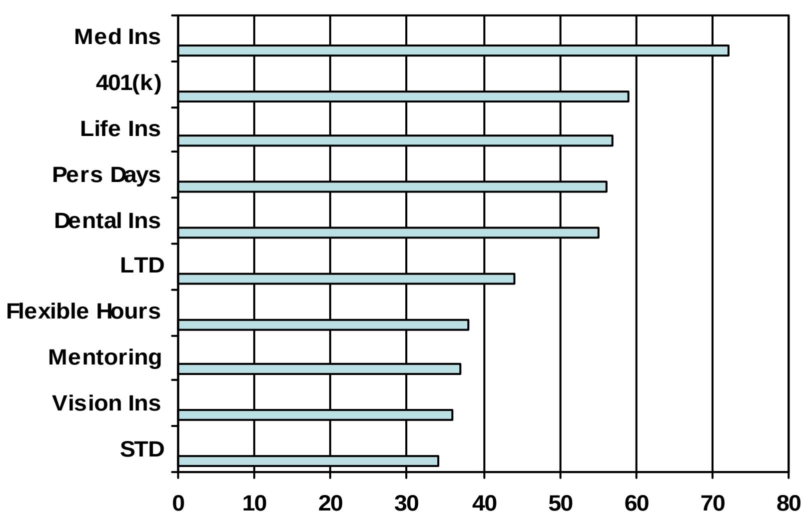
Job Perquisites

All businesses provide standard perquisites for the sales position, some at greater levels than others. As would be expected, larger firms (likely more resources) tend to provide all items at greater levels than smaller firms. Manufacturing firms provide substantially more perquisites at all levels than other business types.



Fringe Benefits

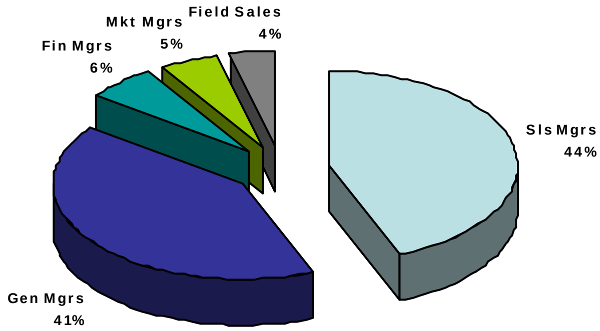
Nearly all businesses provide fundamental fringe benefits, although larger firms (likely higher resources) tend to provide significantly more fringe benefits than smaller firms of all important benefits.



PERFORMANCE

A number of key areas were benchmarked regarding the nature of the respondents and the types of companies who responded to the survey:

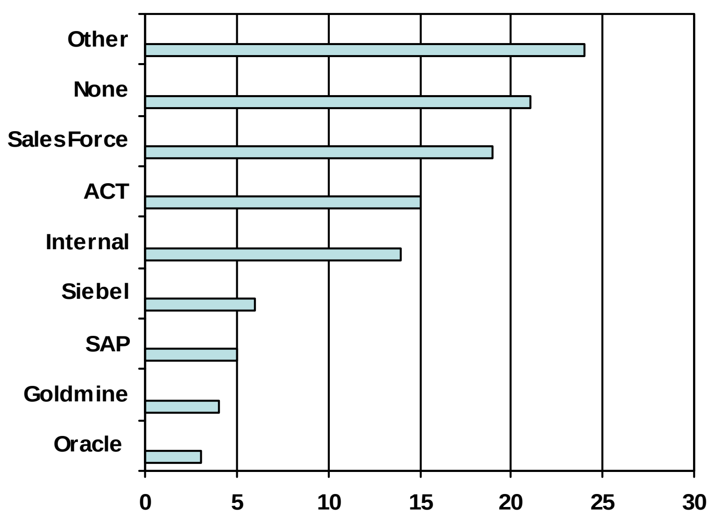
Goal Setting
In most businesses, the task of goal setting falls to either the Sales Manager or General Manager, depending upon the type of business. Other business disciplines, while they may exert a tangential influence, only nominally affect the final decision.



CRM Utilization
As a management tool, the utilization of a CRM system to improve sales efficiency is critical to success of the sales organization. Nonetheless, 21% of all respondents indicated that they did not use any system at all.

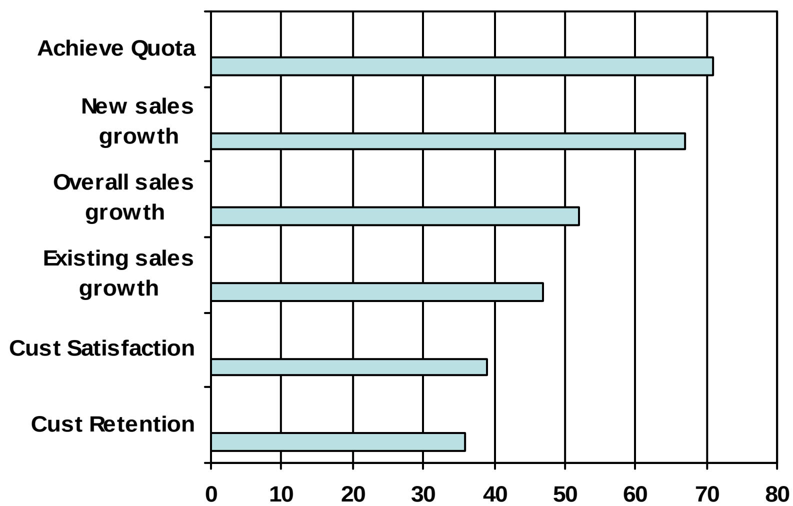
The "Other" category contains a wide range of small providers. The most common mentions (in order of frequency) were in-house systems (18), Microsoft CRM (10), Outlook (9), and Sugar CRM (6) out of a total of 128 responses – the large remainder reflects the proliferation of other brands used in the CRM space.

While larger firms use more enterprise solutions (Siebel, SAP, Oracle) than smaller firms, their usage of the on-demand systems is similar to smaller firms, indicating a "creep" into the corporate enterprise systems by on-demand software.



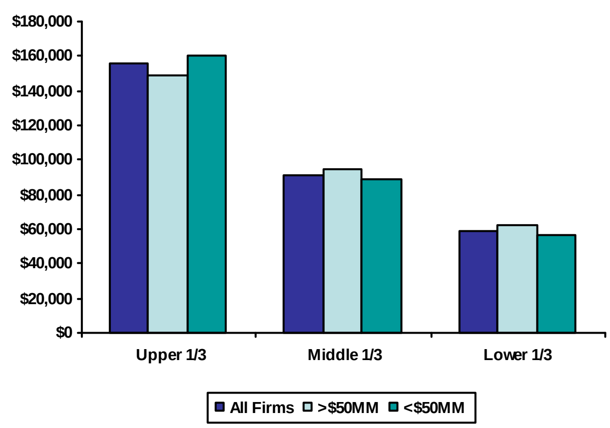
Performance Metrics

Traditional measures such as quota achievement and sales growth by segments such as overall, existing and new growth continue to be the benchmarks used by managers of top performing sales organizations.

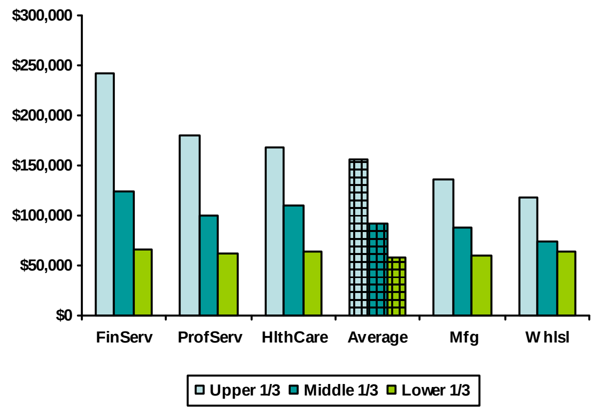


Performance Pay

The average pay for sales personnel for all respondents was $101,900. When comparing firm gross sales, the average did not vary significantly. However, when comparing the performance sectors, all businesses showed dramatic difference in compensation related to performance. Individuals moving from the lower 1/3 of performers increase their compensation by 55%, and those moving from the middle to upper 1/3 of performers increase their compensation by an additional 70%. The difference between lower and upper performers is a factor of 2.6 time current salary.

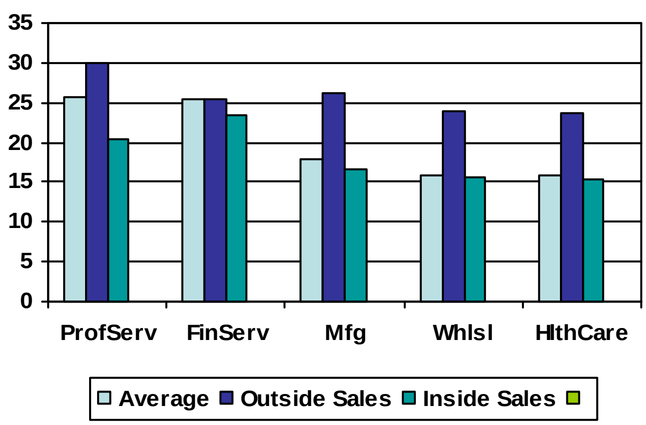


Analysis of business segments indicates that Financial Services has a disproportionate compensation increase at the upper 1/3 level, and that Professional Services and Health Care provide better compensation increases than average at all levels



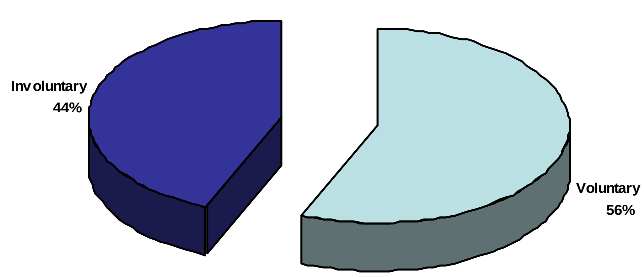
Annual Turnover
Average annual turnover for all business reported was 22%, with Professional Services (26%) and Financial Services (25) having the highest turnover.

Interestingly, the annual turnover rate of Outside Sales (28%) significantly outweighs that of Inside Sales (20%). Given industry experience, it is likely that many of the respondents were reporting customer service turnover, as opposed to outbound sales turnover, as it is our experience that outbound selling operations have significantly greater turnover than field operations.

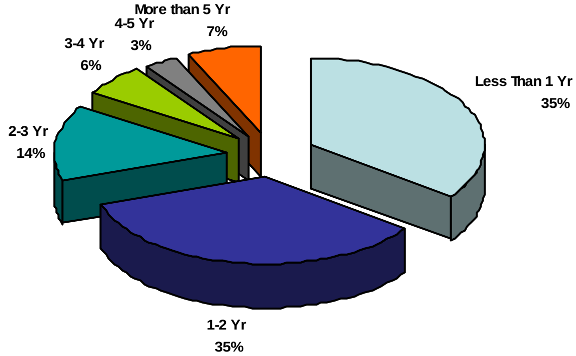


Turnover by Type

Interestingly, voluntary turnover is 56% of total turnover, and does not significantly vary based on the business size. Within business type, Financial Services has a much higher voluntary turnover (62%) than the average for voluntary turnover (56%).

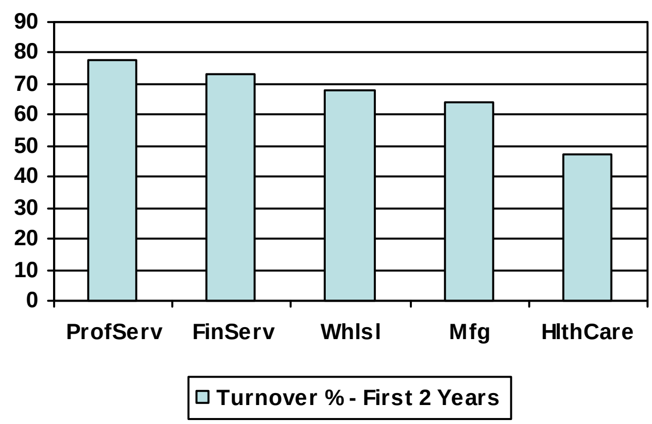


Turnover Time from Hire
In assessing when turnover is most likely to occur, roughly 70% of respondents indicate that it would be within the first two years from date of hire – with a balance evenly split between Year 1 and Year 2.

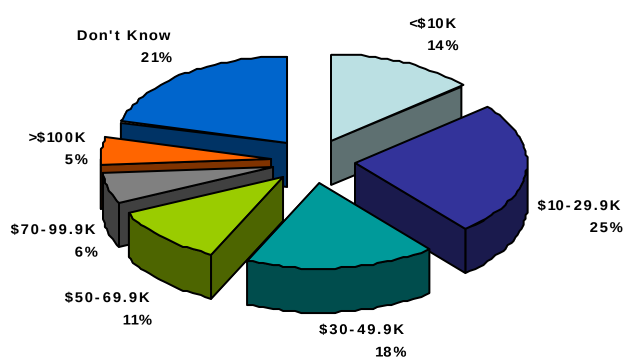


A wide variance exists based on business type related to the estimated percentage that would leave with the first two year period, as shown in the chart below:

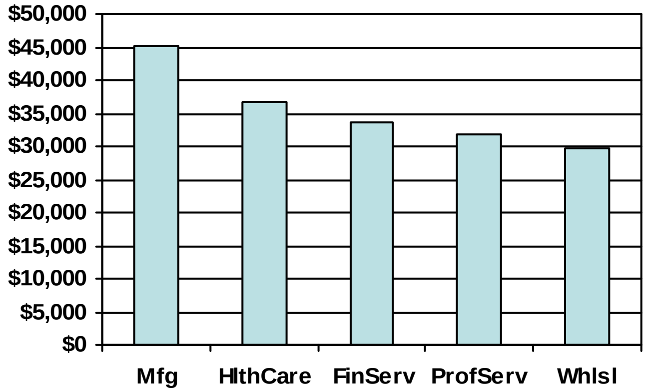
.



Cost of Turnover
The average cost of turnover reported by respondents was $35,001 – segmented by large businesses at $45,325 and small businesses at $28,988.



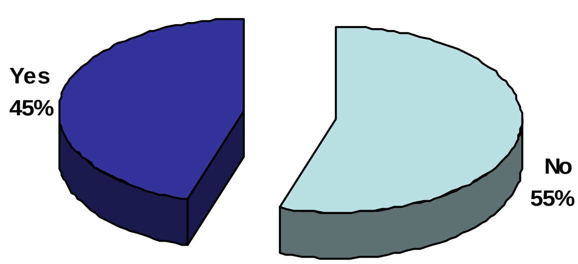
Additionally, the chart below outlines the turnover cost by business type, lead by Manufacturers at $45,325.



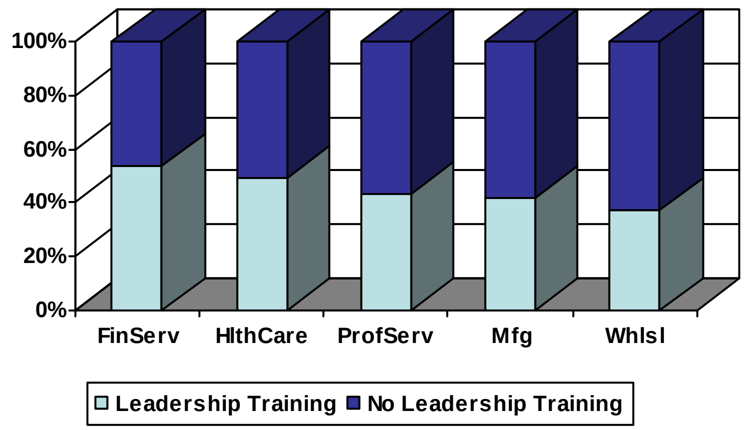
Causes of Turnover
Respondents ranked the most influential causes of turnover as enumerated in the chart below. It is interesting to note that the majority of responses do not rise above mid-point in the scales provided in the survey. In the expanded list in the survey, the "Don't want to relocate" reason was only ranked at 2.0 on the scale.

Turnover Reason	Ranking
Job expectations no longer met	4.0
Unable to see career growth	3.6
Job demands overwhelm personal life	3.4
Poorly managed by supervisor	3.2
Limited earning potential	3.0
Not adequately appreciated	3.0
Not involved in decision making	3.0

Leadership Training
Generally, less than 50% of firms conduct leadership training for sales personnel. Yet, the most significant failure in many sales organizations is the promotion of top producers to sales management positions without adequate training in management skills.



Generally, the most progressive firms in providing leadership training are in the Financial Services (54%) and Health Care (49%) business types.



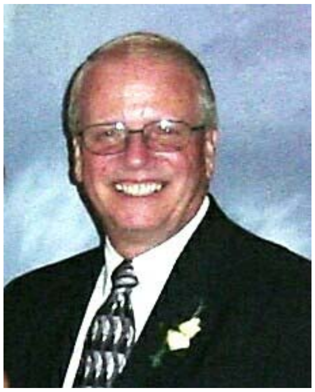
Leadership Skills

Most of the respondents in the survey (55%) indicated that they did not provide their sales personnel with leadership skill training, but those that did indicated the specific skill sets below as being important to their program

Leadership Skill	% All Firms
Performance management	44
Identifying individual strengths and weaknesses	42
Skills and knowledge measurement	36
Strategic objective setting	35
Identifying individual fit in an organization	29
Leadership ethics	29
Managing people by outcomes	27
Talent identification	20

ABOUT THE AUTHOR

David C. Hoffmeister
Executive In Residence - Department of Marketing
Director Emeritus – Center for Sales Leadership
DePaul University



David Hoffmeister is an Executive in Residence at DePaul University's College of Commerce, the Director Emeritus of the Center for Sales Leadership, and is a full time, non-tenured faculty member teaching at the graduate and undergraduate academic levels within the Marketing Department.

Prior to joining DePaul University as an Executive in Residence, Dave enjoyed a successful career in sales and marketing in a wide variety of consumer product companies, such as Swift and Company, Richardson-Vicks, Procter and Gamble, Lehn and Fink, Sterling Drug, and Kodak. In these companies, Dave developed, worked on, or managed a number of familiar household names – from Butterball Turkey and Clearasil, to Lysol, NyQuil, Peter Pan Peanut Butter, Pantene, and Resolve Carpet Cleaner. During his 25 year business career, Dave managed large sales and marketing operations, served as CEO/Divisional President at four major consumer product companies, and started and owned two businesses.

Dave holds a B.S. in Chemical Engineering from University of Missouri, attended the University of Chicago 190 MBA program, received an MBA degree with honors from the Kellstadt Graduate School of Business at DePaul University, and attended the Center for Creative Leadership for advanced management development. Dave is a member and former officer of DePaul MBA Association, DePaul Alumni Association, Who's Who in American Colleges and Universities, Blue Key Honor Society, Beta Gamma Sigma (Honor Society for Collegiate Schools of Business), Phi Kappa Phi (Academic Honor Society) and three time winner of the ***Clio*** Award for Advertising Excellence Worldwide.

With a wide breadth of "C-level" experience, Dave spends a significant amount of his time in consulting with Fortune 500 corporations on general management, marketing, and sales issues.

Dave resides in Chicago, Illinois.

APPRECIATION

The author and DePaul University express our sincere appreciation for the assistance provided to the university in this research project by *SellingPower* ©magazine, and the personal support and assistance of its publisher, Gerhard Gschwandtner. The assistance provided in publicizing this survey and securing respondents has been invaluable.

DePaul University
COLLEGE OF COMMERCE
Center for Sales Leadership

DePaul University
Center for Sales Leadership
1 East Jackson Boulevard - Suite 7500
Chicago, IL 60604-2287

To learn more about sales education at the university level,
visit our website at www.salesleadershipcenter.com

David C. Hoffmeister
Director Emeritus - Center for Sales Leadership
Executive In Residence - Department of Marketing
(312) 933-7430 - dhoffme1@depaul.edu