

Your Quote-to-Close Ratio:

4 Quick Tips to Convert Prospects to Clients - Part 1

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Business owners, in their efforts to acquire new customers, often neglect and overlook important leveraging opportunities that exist within their current marketing activities. In order to better optimize your current efforts, there are a few pieces of information/data you *must* know. One of these – the one I will focus on in this two-part article – is your **quote-to-close ratio**.

The reason this statistic is so important, and the reason that the effort to *improve* it is important as well, is because when the ratio is increased, the profitability is tremendous. After all, you've already spent money on marketing and advertising to attract potential customers to your business. So without any further investment your profits and revenues increase dramatically when your closing rate is raised.

The quote-to-close ratio: A closer look

The quote-to-close ratio (or "conversion rate") is the measurement of actual customers or clients who buy, compared to the number of prospects you contacted or to the number of potential customers who visited your business. If you talked to 100 prospects last month and you got 10 new clients, your quote-to-close ratio for that month was 1 in 10, or 10%. If you had 500 visitors to your website and 75 on-line sales, the quote-to-close ratio for your website is 15%.

It's surprising that when I ask business owners what their close ratio is, many of them don't know or can only guess, but few really know the actual ratios for their businesses. The reason is that business owners don't see the *value* in knowing and using that particular statistic.

By using this statistic as a measurement, and asking "why is it this way", "what can we do with it" and "how can we improve it", it becomes a powerful management tool instead of just another piece

of business data. If your close ratio was 10% this month, what do you need to do to make it 20% next month? If your ratio was 75% in 2004 but only 55% in 2005, what happened in your business to account for that drop, and what do you need to do about it? You need to track those numbers regularly to measure your success at converting prospects into customers. And, everything you do to *improve* your close ratio will automatically improve the results of your marketing efforts.

There are many ways to increase your quote-to-close ratio. In this article, we're going to take a look at four quick fixes that can give you dramatic improvement of your close ratio.

1. Integrate your Unique Selling Proposition into everything you do.
2. Take basic sales training to the next level.
3. Use social proof to your advantage.
4. Incorporate a Risk Reversal component.

Quick Fix #1: Integrate your USP (Unique Selling Proposition)

Your USP describes what is special about your business and answers the question, "Why should I do business with you?" It is whatever is unique about your business, whether it has to do with some feature of the products or services you sell, your location, your customer service policies, or how the products/services will uniquely impact your customers.

Businesses often lose sight of their USPs over time. New employees come into the business and perhaps aren't trained in what the USP means, and how to use it when dealing with customers. Veteran employees might know the USP but get complacent about using it. As a result, the message of the USP often gets diluted or forgotten.

I worked with a client who had this problem: a retail clothing store that offered custom-fit specialty clothing, as well as some brand-name "off the rack" products. They had a 12% drop in sales, but couldn't figure out why. They appeared to have the same number of potential customers coming in,

but weren't converting those prospects into sales, so the 12% represented a drop in the quote-to-close ratio.

Upon examination, we discovered that the store based its sales presentation on promoting the various brand items and competing on price with those items. We also found that the business had a great USP which was built upon the fact that this store provided custom-fitted clothing that would look better and would last longer over time. The customer would feel better in it because it had been specially fit to the individual. But this USP was not being applied in the company's advertising, signage, in-store displays or by the salespeople in the store. Not once did we observe anyone talking about these benefits to the customer. They were not selling what they did best. The owner and the staff were aware that this USP existed, but they weren't leveraging it to their best advantage.

By revamping how the company incorporated the USP into everything from in-store displays and signage (positioning) to better focus on the benefits of their "custom-fitted clothing", to training the sales staff on how to integrate the USP into all their customer interactions, within 30 days the store had made up the 12% in lost sales and in their close ratio! And all because they went back to their roots and focused on something they already had at their fingertips: their existing strengths and a compelling Unique Selling Proposition.

Quick Fix #2: Take basic sales training to the next level

How many times have you been in a situation where you wanted to buy something, but you decided *not* to buy it because something about the sales process turned you off. Maybe the sales person didn't have the people skills necessary to make you comfortable buying from him or her, even if he or she knew all the technical stuff about the product or service. Maybe the website was too confusing or difficult to use, even if all the product literature was there.

When companies provide training to a sales force, the training is typically focused on the technical processes – how products work, what are the features, how they are priced, etc. - so that the salespeople can go out into the world and "sell". Then, when sales plateau or drop, management

sometimes assumes that the sales force needs a refresher of the basic technical sales training, when in fact what is often needed is a focus on *advanced* sales methods: those that focus on the soft skills involved in making a sale. Those soft skills can include communicating, questioning, consulting, listening, presenting, how to ask for the order and how to know WHEN to ask for it, ethical persuasion, enrolling, dealing with angry or disgruntled people, time management, how to prospect and keep your pipeline flowing, how to deal with rejection, and how to manage unforeseen factors. And those soft skills, or lack thereof, have a direct impact on the quote-to-close ratio.

It's worth mentioning here that "sales force" means anyone in the company who is involved in some aspect of customer interaction. Not all businesses will have a dedicated staff of salespeople. So your "sales force" could be your customer service reps, the business owner, or for businesses who sell online, the people involved in designing your website and writing your website copy. Every person who has their hands in any part of the sales process should have an appreciation for both the technical side of sales (i.e., what does the product or service do) *and* the people skills necessary to get your message across and make potential customers feel comfortable in doing business with your company.

In North America, we often make the mistake of perceiving sales training as a "cost" of doing business, but it's really an *investment*, and when you focus on quote-to-close ratio, you'll see why.

Entire industries have been created around helping salespeople achieve better results through the close ratio. This type of sales training takes this one area of the marketing process – the close ratio – and optimizes it by training the sales force on the necessary skills. This is one method that might require an additional financial outlay, but it is one that will have a huge payoff in the long run. To show you why, let's look at an example of one of my clients, a telecommunications business.

The company sells and services cellular phones and sells corporate airtime packages as a business-to-business service. They had five sales people. We analyzed their quote-to-close ratio and found

they were closing at the rate of about 40%. We knew that at 40%, there was room for improvement. So we put together a sales training program that focused on the team's soft selling skills, and we continued to measure and monitor what they were doing vs. their quote-to-close ratio.

By the end of the program, we got the ratio up from 40% to 65% - a 15% increase. And here is what that meant to the bottom line.

- If the ratio was 40% per sales person, then out of every 10 potential customers, each sales person made 4 sales.
- Each average corporate sale was \$2,200, or \$8,800 at 40% ratio (4 sales x \$2,200). This is per sales person. Multiply that by 5 and that's \$44,000 (\$8,800 x 5).
- Now, at a 65% ratio, that would be \$14,300 (6.5 sales x \$2,200). That represents an increase in revenue of \$5,500 per every 10 prospective customers PER SALES PERSON.
- Multiply that by 5 sales people (\$27,500), that's an increase in revenue of \$137,500.

Now, here's the value: the company was spending the money to generate those 50 prospects anyway (10 prospective customers x 5 salespeople), and the cost of finding those clients and doing a sales presentation and trying to close was the SAME no matter what the close ratio. Without increasing the normal costs of prospect acquisition *at all*, there was a direct impact on the bottom line when the quote-to-close ratio was increased. Yes, there was an investment that had to be made in the additional training, but the ROI was astronomical because the company will continue to see these higher revenues indefinitely. The training paid for itself. Knowing that company's quote-to-close ratio and setting our sights on improving it helped improve the client's business in a tangible and measurable way.

In Part 2 of this article, we'll look at Quick Fix #3 (Using social proof to your advantage) and #4 (Incorporate a Risk Reversal component). In the meantime, give some consideration to your own quote-to-close ratio and how you might utilize Quick Fixes 1 and 2 to increase your conversion rate.

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