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WIN MORE SALES OPPORTUNITIES

HOW TO CONDUCT A WIN/LOSS OPPORTUNITY ANALYSIS

WIN MORE SALES OPPORTUNITIES

In business-to-business (B2B) sales, winning a major account or sales opportunity can take a significant amount of time, money, and resources. The process can take anywhere from three to nine months, require a sizeable, up-front investment, and involve not only account and pre-sales resources but also management and executive time. The process is also increasingly complicated by at least four key factors:

1. The sales professional is not as critical a resource for customer education. The Internet has a plethora of information on a wide range of topics and vendors. One of our clients found that 60-75% of its customers conducted research on the Web before a first sales call, a process that is not atypical.

2. Attention scarcity and "overchoice" are the norm. On average, customers see or hear 4,000 to 5,000 messages a day and have an abundance of choices for every criterion and feature.

3. The buying process is more committee-based and ROI-focused. The committee process lengthens the sales cycle, and strong procurement departments squeeze sellers on price and other concessions. In 2006, CSO Insights, a sales and marketing research firm, conducted a study of over 1,300 companies and found that 42% of B2B opportunities take six or more sales calls to close, a figure that has been trending up in recent years.

4. Channels and go-to-market complexity have increased. Many companies ultimately compete with themselves because they present the customer with myriad ways to buy: direct, e-commerce, contact centers, retail, partners, and various combinations thereof. Communication and coordination costs are rising across channels-to-market and with customers.

Given the rising pre-sales investment to pursue and win opportunities today, it's even more important that organizations know why they are winning and losing sales opportunities. However, most firms, by their own admission, are weak in performing this analysis. The CSO Insights study found that only 18% of companies rate themselves as very good or world class in conducting win-loss (W/L) reviews, whereas 41% rate themselves as dismal or poor. In sales, the selling outcome is usually binary – one company will win, and winner takes all. The winning seller or sales team typically wins the entire opportunity and all the commissions, revenue stream, cross- and upsell potential, and referrals that go with it. Understanding why winners win and losers lose is the essence of sales and all competitive endeavors.

If the definition of insanity is doing the same thing over and over again and expecting different results, then not consistently conducting W/L analyses and acting on the results would be insane. That is why it is vital to have an approach to conducting W/L analyses that will improve sales effectiveness and increase the probability of winning sales opportunities.

It doesn't matter if you win by an inch or a mile, winning is winning.

WHAT IS A WIN/LOSS ANALYSIS?

Put simply, a Win/Loss analysis is the process of contacting customers, sellers, and support resources after a particular sales opportunity has been dispositioned and determining what was done right, what could be done better, and what the competitors did right or wrong. Ideally, the analysis should be conducted within two to three months of the opportunity being dispositioned. Also, the larger and more strategic the opportunity, the deeper and more comprehensive the analysis should be. Lastly, both customers and sellers can be contacted regarding the same opportunity to assess alignment around key purchase criteria and drivers.

Ultimately, there may be many reasons why one wins or loses sales opportunities, but there are usually a select few that have the most impact. The Pareto Principle, or 80/20 rule, is likely to hold true: a minority of efforts will cause a majority of results. For example, the illustrative example in Figure 1 on the page 4 shows that four factors (i.e., value story, service, integration, and availability) account for 80% of the loss reasons, which is not atypical as a general pattern. You would also want to look at average opportunity amount when interpreting the chart to fully analyze the revenue impact of losses.

Additionally, a W/L analysis with a recent client found that of 14 key sales behaviors that customers rated in terms of satisfaction with sellers' performance, only three, or 21%, were statistically significant in predicting a win or loss. Those three behaviors included fully understanding the customer's needs, proactively selling and positioning value, and negotiating fairly and transparently. As part of their feedback, many of the customers provided improvement suggestions in each of those areas to improve the client's probability of winning the next sale.

Given the ubiquity of sales force automation systems and data warehouses today, there is no shortage of data. In many sales organizations, however, there are too many metrics and too much data vs. actionable information and insight. This situation often results in the same outcome as if there were not enough data: no action. Organizations either experience analysis-paralysis or are "flying blind."

Before delving into the process of conducting a W/L analysis, it's important to outline some typical factors that should be included as part of the process.

Brand/Image Attributes

- How is the brand promise perceived?
- What is the risk-adjusted brand equity in the eyes of the customer?
- What words or attributes come to mind in describing the company?

Competition Attributes

- How does the win/loss pattern change by competitor?
- What are the perceptions vis-à-vis the competition?
- What are the points of differentiation against the competition?

Offering Attributes

- How are offerings perceived by the customer in terms of price/value?
- What features and/or benefits are missing?
- Does the offering match the customer's needs?

Service Attributes

- How does the customer perceive the company's service capabilities?
- How does service performance impact cross- and up-sell opportunities with existing customers?
- How is service helping/hurting the win ratio?

Seller Attributes

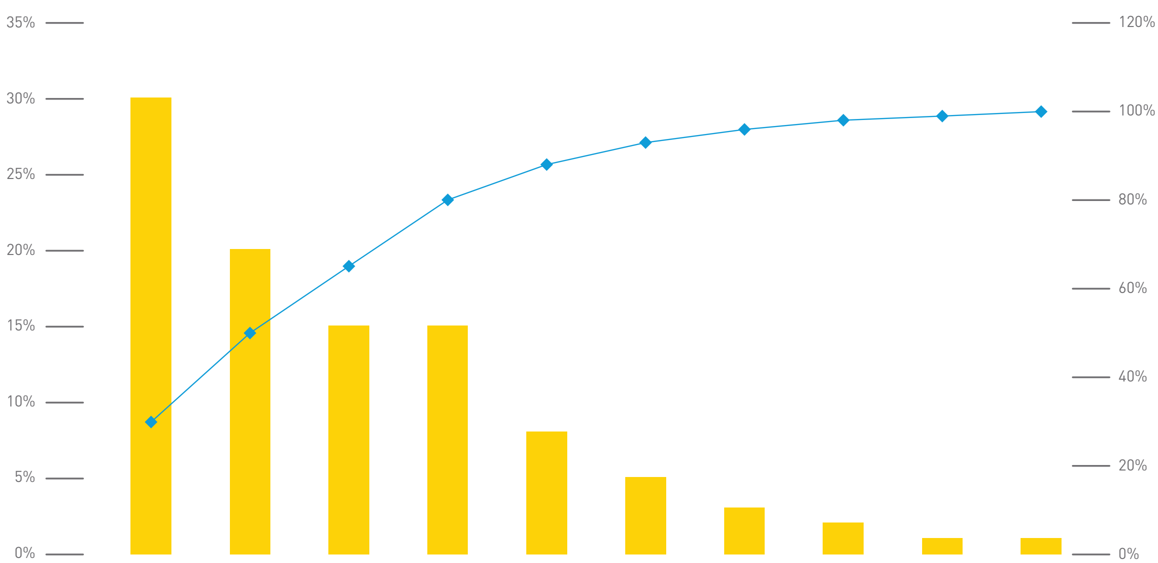
- How do a seller's knowledge, skills, and abilities impact wins/losses?
- How are sellers perceived by the customer in terms of approach, responsiveness, expertise and follow-through?
- What are winning sellers doing/saying that losing sellers are not?

Process Attributes

- How is sales process adoption related to wins/losses?
- Where are any breakdowns in the sales process ?
- How does the opportunity owner orchestrate resources during a sales cycle?

Depending on the industry and project objectives, the factors above can be modified accordingly and could include additional questions around service level agreements, contract content, billing, ability to deliver, and global footprint/availability, among others. Many of the factors will overlap with each other. They should be analyzed holistically. Additionally, a cross-section of stakeholders should review the factors and questions prior to the analysis to ensure that all the governing dynamics of wins/losses are captured. In short, **there is no single magic question** to use in interviews or surveys.

SAMPLE WIN/LOSS FACTORS



	VALUE STORY	SERVICE	INTEGRATION	AVAILABILITY	COMPETITOR	CONTRACT	PRICE	REFERENCES	IMAGE	FEATURES
%	30.00%	20.00%	15.00%	15.00%	8.00%	5.00%	3.00%	2.00%	1.00%	1.00%
Cum%	30.00%	50.00%	65.00%	80.00%	88.00%	93.00%	96.00%	98.00%	99.00%	100.00%

Figure 1

WHAT ARE THE BENEFITS OF CONDUCTING A WIN/LOSS ANALYSIS?

Beyond the obvious reasons to conduct a Win/Loss analysis, there are many reasons that may not be readily apparent. W/L analysis represents a massive data mining opportunity and provides the richest source of actionable intelligence you can obtain from sales results.

In addition to providing sales/revenue uplift (one scenario is described in Figure 2), overall W/L benefits can include both quantitative and qualitative benefits such as:

- Improving sales cycle velocity
- Improving sales positioning
- Identifying characteristics of winning and poorly performing sellers
- Identifying sales behaviors that sellers should do more/less of
- Improving sales strategies against competitors
- Learning when to walk away from business
- Improving your understanding of customer requirements
- Improving marketing communications to better resonate with the customer
- Allowing for more focused training, yielding a higher return on development
- Reducing on-boarding and time-to-full-productivity for new sales reps
- Identifying sales and sales management process breakdowns and remediation strategies
- Improving the offering mix and margin
- Incorporating analysis results into the company's real/near-time feedback system
- Improving channel/go-to-market strategy

Like other analytical pursuits, such as strategy development and business cases, etc., W/L analysis is only beneficial if your company takes action based on the results. Analysis, action, and accountability are the triad that will help to bring about higher win ratios and improved sales productivity.

W/L PROJECT APPROACH

Before conducting a Win/Loss analysis study or project, a company should ensure that its sales data is relatively clean and includes the full universe of opportunities for the chosen time period.

Although many companies have sales force automation (SFA) systems to capture account, contact, and opportunity information, the systems are often inaccurate and incomplete, with "shadow" pipelines residing on individual hard drives or in sellers' heads. Before beginning the project, the sponsor should validate with the sales organization that the selected opportunity pool is credible and complete; otherwise the W/L sample and results may be viewed as dubious. Lastly, even though the sample size may not be ideal, or the data perfectly clean, it's important to be thoughtful about how those potential issues are managed before starting the project. A W/L project can be divided into the following phases:

1. **Define the Problem**
2. **Gather Data**
3. **Analyze the Data**
4. **Develop the Report and Recommendations**
5. **Take Action**

"When it comes to winning, you need the skill and the will."

– Frank Tyger

1. Define the Problem

Most companies define the problem simply as **"I don't really know why we're winning or losing deals"** or "We have a lot of data, but no one pays attention to it, and it's at such a high level that I'm not sure how to take action." These comments can often be heard from vice presidents of sales and/or sales operations.

A key part of initially defining the W/L problem is trying to quantify its impact. For example, CSO Insights has found that only 50% of forecasted opportunities are actually won. That capability – being able to effectively predict what opportunities you will win – is at the heart of W/L analysis. Companies can spend an inordinate amount of time, money, and resources on opportunities they have a low probability of winning and that fit a typical loss profile.

To better calibrate the problem definition, a company may want to stratify the universe of opportunities into specific sub-populations of interest. For example, it may be that only a certain division, product line, or region is having issues. The scope of the W/L project may include only a subset of the sales organization's opportunities for a given time period or it can include all the opportunities with stratification performed in the analysis phase.

A company's overall sales performance and accompanying revenue and profit streams are highly sensitive to small changes in the win ratio. Consider the scenario in Figure 2.

Example, for every 1% increase in the win ratio, this company increases revenue by $40M, net income by $4M, and earnings per share by 4 cents. While this is simplified to make a point about the power of increasing the win rate, it demonstrates that concerted effort at increasing one's win ratio can yield significant financial benefits. Our clients have seen a 1% to 5% increase in win ratio when they take action on W/L analysis results and insight.

Figure 2

Revenue **$1B**
Win Ratio **25%**
Target Pipeline Size **$4B**

win ratio increase
1%

Revenue Increase **$40M**
Net Margin **10%**
Net Income Increase **$4M**
Shares Outstanding **100M**

EPS increase
4 cents or .04

2. Gather Data

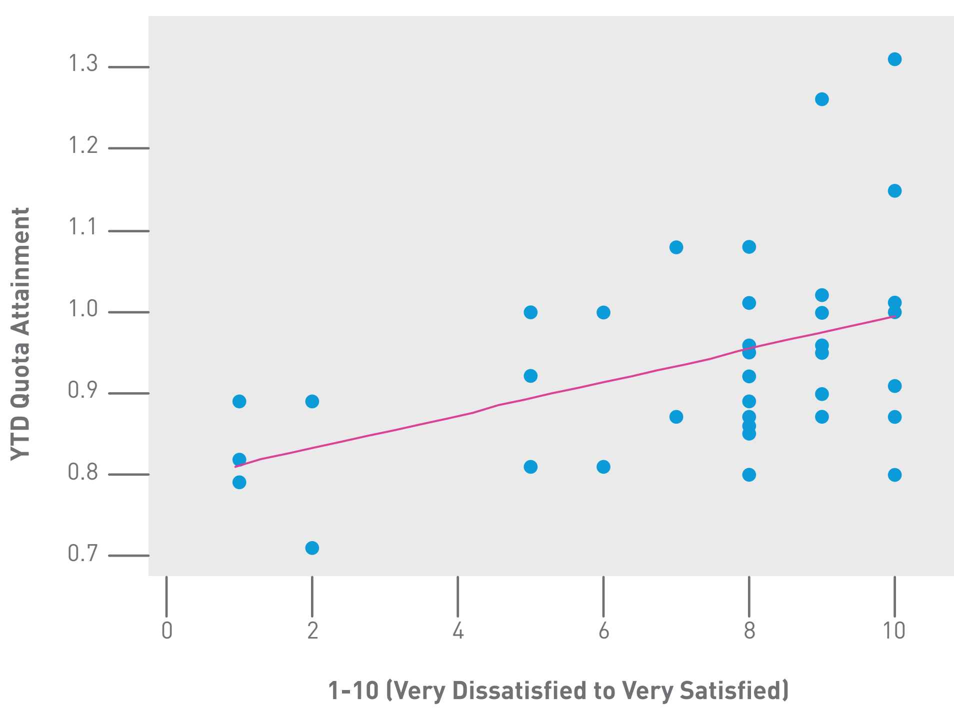
In their first 90 days, most new CEOs or senior executives talk to as many employees as possible to get a feel for their organization in terms of critical business issues, morale, and overall talent. W/L analyses are no different. There is no substitute for talking to sellers, sales support, sales operations, and customers, among others, to understand why the sales organization is winning and losing opportunities.

It's important to **balance typical seller optimism,** the candid comments of customers won and lost, and the analytical rigor of sales operations and management. Initial discussions can help to refine the interview guides for the various constituencies. Standard guides are needed so you can compare and contrast responses across interviewees.

The interview guides should include questions that test each relevant W/L factor on a quantitative rating scale, as well as probe for what could be done to improve performance. It's important to add "color" and qualitative insight to the quantitative data in order to craft actionable recommendations. At a minimum, interview guides should be developed for the following constituencies: customers, sellers, management, and support.

Figure 3

Customer's Satisfaction with W/L Factor



THE VARIOUS ANALYSES THAT CAN BE CONDUCTED INCLUDE:

General descriptive statistics of the quantitative data (central tendency, dispersion, minimum/ maximum values, outliers, etc.)

Groupings, patterns, or clusters of the qualitative data (Pareto charts, emblematic quotes, top/bottom response categories, win/loss clusters, etc.)

Inferential statistics (predictive equations, means testing, correlations, regression {e.g., simple, multiple, logistic}, etc.)

Phone interviews can be balanced with surveys, depending on the needs of the sales organization and the project objectives. Surveys can be useful for collecting quantitative, rating scale-type data, while phone interviews are often effective for qualitative probes and obtaining actionable improvement suggestions. There are pros and cons to each data collection vehicle.

Before beginning discovery, it's important to select a credible sample from the universe of opportunities that you're interested in generalizing to. The sample can be stratified to ensure representation from each relevant sub-population, whether by offering type, size, sales manager, or geography/region, among others. The sample should be randomly selected, if possible, although each opportunity may still need to be checked to ensure that it was a valid sales opportunity and appropriately dispositioned.

Lastly, there are numerous formulas to determine an optimal sample size based on margin of error and confidence level, but there is always the "ideal vs. real" debate. Many organizations select participants based on a convenience sample vs. a random one. The latter is more generalizable and defensible, but may not be possible due to politics, information gaps, and/or data integrity. In practice, the sales opportunities are usually selected via a stratified sample that has both random and convenience aspects.

3. Analyze the Data

Once all the structured and unstructured data is collected, it's time to begin to extract and synthesize the meaningful information and intelligence. A lot of variable or factor relationships will be benign, but each logical predictor should still be tested to uncover the significant relationships. Figure 3 depicts one example of relationship testing between customers' satisfaction with a W/L factor and sellers' year-to-date (YTD) quota attainment. **There is a moderate relationship between a customer's satisfaction with the W/L factor and a seller's YTD quota attainment,** which could lead to some additional investigation and analysis. For example, sellers may be shown to have higher quota attainment when customers are more satisfied with their responsiveness, which could then be a key factor to include as part of a hiring profile, a coaching discussion, and/or a customer experience survey.

Each of the analysis streams above can be stratified by wins/losses, customer/seller, geography/region, specific opportunity characteristics, or an almost endless number of variations. Again, in going back to the purpose of the project, the objective is to find a causal relationship for wins/losses that leads to specific, actionable recommendations.

For example, one such holistic recommendation might be that sellers need to conduct a standard debrief session with the customer after the disposition of every opportunity. For losses, consistent debriefing might be shown to improve win-back opportunities, and for wins, to deepen the overall relationship and proactively address any customer concerns. (See Figure 5 for illustrations of where you might start a further drilldown on key W/L factors and gaps.)

> "The #1 reason we win: the quality of the salesperson—professional, understands customer's business, responsive, strategic, and prepared."
>
> – Sales Manager of a North Highland Client

Figure 4

Sales Stages

	Identify	Qualify	Develop	Propose	Negotiate
Customer Themes	Confused by overall messaging	Product didn't quite fit with needs	Needed more of a solution—products, services, etc.	Proposed pricing was hard to follow	Didn't seem willing to negotiate on basic terms and conditions
Potential Actions	Create clearer, more targeted messaging—test with customers	Improve rep's ability to qualify and conduct a needs analysis	Improve rep's ability to craft and position a solution and leverage pre-sales resources	Create and enforce proposal and pricing standards	Ensure reps know what is negotiable and what is not—the relevant ranges

4. Develop the Report and Recommendations

Depending on the audience, the final W/L report could range from a few slides for an executive team to 20 or more for sales operations. The main parts of the report should be quite simple, with supporting information generally residing in the appendices. At the most basic level, the key parts of the report should include:

- The purpose of the project
- The methodology utilized
- Interviewee characteristics
- Key findings, impacts and recommendations
- Supporting evidence in the appendices

There is typically both a detailed report and a high-level subset that would be used for a presentation. The key goals are to socialize the findings early on, keep the number of recommendations at five or fewer, and make the recommendations actionable and crisp. Ultimately, the sales executives must buy into the recommendations and find them compelling and actionable.

5. Take Action

Many sales executives have stacks of project deliverables on their desks, but often don't take action on the recommendations. To paraphrase an old adage, it's one thing to know what to do; it's another thing to actually do it. Although a single W/L study is unlikely to provide the proverbial "silver bullet", it will provide some actionable insights across the recommendation categories described above. An example in the skills and process category is depicted in Figure 4.

For each customer theme above, there would need to be some compelling evidence that each of them effectively distinguishes between wins/losses. The potential actions, for example, might involve the development of new sales tools, sales training, a mentoring program, and/or new sales policies and processes. Typically, the road to increasing the win ratio is through a set of integrated actions and clear accountabilities. There is rarely a single lever that can be pulled, given the multiple players and functions involved in complex B2B sales.

Additionally, **most W/L recommendations are not radical departures** from the current state, but often more of a "doubling down" and prioritization of differentiating sales behaviors, such as effective targeting, rigorous qualification, and the proactive positioning and selling of value. The majority of our clients are more focused on the effective execution of fundamental sales behaviors than some revolutionary new sales technique or organizational structure.

Lastly, the process of socializing the W/L findings and recommendations and obtaining buy-in is often what determines whether sales executives will take action. Most stakeholders need to feel that they've been a part of the process and have their "fingerprints" on the final recommendations.

> "We are what we repeatedly do. Excellence, then, is not an act, but a habit."
>
> — Aristotle

SAMPLE WIN/LOSS FACTORS

The recommendations should link to the key findings to lend support for making a change. The recommendations can span across both the marketing and sales organizations and move from strategic to tactical. Many of them will fall within the following categories:

Strategy

Sellers may not be differentiating their sales strategy given the situation, competitive landscape, and the unique needs of the customer.

Segments

There may be a significant W/L difference with regard to market segments—the company may be able to create more value or be a better fit in some, but not all segments.

Figure 5

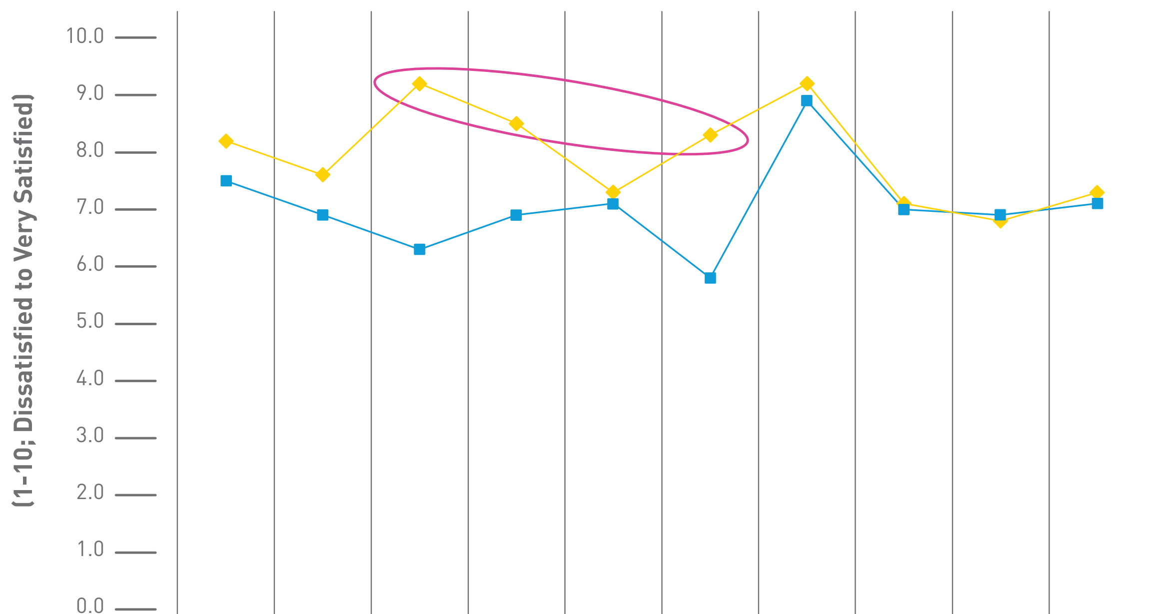


	Image	Service	Offering	Responsive	Contract	Integration	Ts&Cs	Reputation	Req Fit	Scalability
Win	8.2	7.6	9.2	8.5	7.3	8.3	9.2	7.1	6.8	7.3
Loss	7.5	6.9	6.3	6.9	7.1	5.8	8.9	7.0	6.9	7.1

Structure

The company may have issues around coverage and support and may not be structured appropriately; customer losses may complain about availability and responsiveness. Additionally, marketing-sales alignment issues may result in inferior lead qualification and nurturing efforts, creating overall W/L issues.

Sellers

Individual sellers may not fit the new success profile (e.g., consultative sales professional); customer losses may complain of hard-sells and being “sold-to”.

Story

The company/value story may not be credible for a certain subset of customers; customer losses may make comments about the veracity of claims and allegations.

Skills & Process

Sellers’ skills may be weak in terms of solution selling, value positioning, or negotiation, among others, and there may be no documented and enforced sales process that is aligned to the customer’s buying process.

THE MAIN STEPS ARE SIMPLE

It's true that "the devil is often in the details", but W/L analysis doesn't need to be overcomplicated to get started. The process may appear complex, but the basic structure is relatively straightforward. The main steps are as follows:

1. Ensure that each sales professional is capturing all the opportunities they are pursuing.
2. Ensure that each opportunity is dispositioned in a SFA or similar system.
3. Begin to track win ratio for each sales professional and team (e.g., won / {won + lost}).
4. Begin to trend win ratio across time, sales professional, sales director/ manager, competitor, and other relevant categories.
5. As win ratio trends up or down, begin to sample from each impacted population and interrogate some of the factors described above.
6. Capture key findings and pilot potential actions with different sales teams.
7. Loop back to #1 and repeat the process.

All successful sports coaches intently review why they've won or lost a game or an event. They may review game films, the game plan, their competitive strategy, or their overall team dynamics and capabilities. A sales organization should be no different.

If you don't conduct W/L analyses on a regular basis, you are leaving significant insight "on the table", as well as the opportunity to effectively impact the top line and your sales team's ability to compete going forward.

Remember: Your fiercest competitors are learning from every major win or loss so they can become stronger and beat you more often in the future. As George Santayana wrote, "Those who do not learn from history are doomed to repeat it."

Colin Gunter
Vice President, North Highland

Colin serves as Chair for the Customer Interactions Network. As an executive with the Cross Market Services group, he also provides subject matter expertise on sales and marketing strategy, sales effectiveness, CRM, and contact center effectiveness to a variety of clients across industries and non-profits. Prior to joining North Highland, Colin served in leadership roles with a sales process company and a CRM software company. In addition, he served as a manager with Accenture for eight years, where he was deployed to the Financial Services and Healthcare practices.

This article was originally written by Michael Perla and subsequently edited by Colin Gunter.

ABOUT NORTH HIGHLAND

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INFINITELY DEFINITIVE

Of what value is a great solution that's not fully understood and embraced by those invested in it? As far as we're concerned—not much. That's why we don't jam our work with pages of obscure data and industry jargon. We are concise and to the point, seeking clarity in all communication. Yet all of our work is informed by our broad and deep expertise in industry best practices.

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