CHAPTER 1

INTRODUCTION

The beginning of wisdom is to call things by their right names.

—Proverb

It's an interesting paradox—you expect your sales teams around the world to know exactly when they will close their deals, which, when combined and analyzed, drive your forecasts and ultimately your guidance to investors. But you don't really know *why* you are winning and losing deals. And you are expected to make strategic decisions that do not accurately factor in what the sales teams are experiencing on a day-to-day basis.

Or perhaps you're a seller involved in a complex competitive deal trying to get the latest tactical information that will help you win. Your marketing team is telling you to repeat the elevator pitches from their polished slide deck, but they are not talking to you or your specific sales situation. You desperately look for case studies or subject matter experts, but you need the information now or it's over.

Knowing why a company wins or loses is important to improving business performance as well as the company's ability to predict its business outcomes. Driving business performance beyond organic growth takes a combination of innovation, intelligence, customer alignment, and repeatable strategies that drive predictable and successful outcomes. Yet, today, it is estimated that fewer than 10% of the managed opportunities that are won or lost in an organization are reviewed with any amount of rigor. This can expose companies to growing competitive threats found in all areas of their business.

There are many factors that affect whether an opportunity is won or lost. When combined and analyzed, these factors turn into valuable insights that can point to new strategic opportunities, expose potential product or service deficiencies, and uncover otherwise-unknown competitive strengths and weaknesses. Getting to those insights requires that companies are thoughtful about documenting their approaches and self-critical when there is an opportunity for learning.

If asked why you are winning or losing in any particular sales scenario, are you able to provide an accurate and confident reply? In sales, we often rely on the talents of the sales teams to deliver the results, yet we're not really sure of the impact the sales teams have on the outcomes. We must believe that sellers are a critical part of this process, enough so that we spend billions of your hard-earned currency each year training them, assuming that the theory they learned in the classroom will immediately translate into higher performance.

Yet, there are so many other factors apart from sales team effectiveness that contribute to sales performance that are often overlooked. Some of these factors relate directly to the skills of the sales team; others include product, brand perception, services, intermediaries or partner channels, and so on. There is often a strong tendency to look closer at the factors the closer they are within our control, and assume there is causal correlation between these and our performance. This creates fertile ground for tactical and strategic blind spots, which increase performance risks.

The importance of establishing strong and trusted personal relationships is well documented and widely accepted in the sales profession as *the* primary variable within our control. It is often said that people buy from people they know and trust. There are several variations of this business axiom, but the point is the same. However, relying too heavily on personal relationships to win deals and grow the business does not scale well and can lead to a false sense of sound sales and marketing strategies or incorrect assessment of capabilities. An overreliance on relationships may actually mask mediocrity and underperformance in other areas. How often have you felt that despite suspected deficiencies of all sorts, you were still enjoying healthy growth and success? Your intuition is telling you that there are areas of your business that could be improved, but you may not be sure quite where to look.

Perhaps your company is losing ground against competitors and the pipeline is not looking as healthy. A common suspect is your pricing strategy. Assuming that you frequently lose on price might mask many other reasons for declining performance and may cause you to eat deeply into your profit margins when there may be other factors that are more relevant and easier to solve. It has been widely proven that just dropping your price rarely improves win rates over the long term. It is because you have now recalibrated your price, and the perceived value with it, to lower standards. It is against this backdrop of soundly predicting and planning for successful (i.e., profitable, repeatable, and stable) performance that we look closely at the factors involved in sales outcomes.

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There are multiple approaches available to assess how and why opportunities are won and lost within a company. Those approaches typically include primary market research, competitive intelligence gathering and analysis, and third-party-facilitated direct customer post-opportunity interviews. There are likely several formal and informal feedback channels that the product groups comb for additional insights. The often-overlooked (sometimes intentionally) component of this research is the insight to be gained directly from the front-line sellers.

The focus of this book is on gaining actionable competitive insights through the scalable process of quickly and effectively capturing win and loss information directly from those on the front lines who have the clearest view to the action—the sales force. This method of "crowd wisdom" is the power behind the insights captured from *seller-generated win/loss reviews*.[1] The method advocated here does not rely on a heavy-handed top-down approach, nor on one that has a single person or team responsible for harnessing and processing information into actionable insights. In fact, we're demonstrating how a grassroots, bottom-up approach of gathering and aggregating micro-intelligence provides some of the most accurate, relevant, and actionable insights that can benefit a broad group of stakeholders. The organization serves in an enabling and governing role to coordinate and democratize this process to maximize stakeholder value.

The benefits of gaining real-time information at the end of a sales cycle does not replace, but rather complements, those offered by broader marketing research studies, competitive intelligence reports, and customer surveys.

Here, the emphasis is on gaining immediate insights from the source most intimately familiar with your own company, your direct customer, and perhaps your customer's purchasing criteria—the seller. Understanding broader target customer perceptions about your company's products—how your broader customer base feels—falls primarily within the domain and expertise of the product and marketing groups. However, as we will discover, the information harnessed by the sales team should become an indispensable resource for augmenting and validating market surveys and competitive intelligence reports.

TRUSTING TODAY'S SELLER

Many sales performance and product management consultancies, including those that specialize in competitive intelligence, often dismiss the validity of seller-originated win/loss reviews. At some point in the past, this position may have been understandable and perhaps forgiven. Today, the sales profession is producing more sales consultants who are disciplined in understanding customer needs, more competent in guiding the customer's buying process, skilled at marshaling the resources necessary to strategically grow the customer's lifetime value, and taking more accountability for the outcomes of their sales efforts.

It is an unfortunate and pervasive perception that salespeople are not to be trusted with providing performance information that is believed to be largely accurate and actionable. The stereotype of the unscrupulous salesperson permeates pop culture and is continuously reinforced in iconic literary and cinematic works such as *Glengarry Glen Ross*.[2] An unfortunate consequence of this perpetuated stereotype is that there are many who have failed to recognize the elevated stature of the sales profession (and sales professionals) over the past 20 years, which is evolving toward more consultative selling. Increasing solution complexity, lengthening sales cycles, and smarter customers have necessitated a seller who is not only an expert in the sales profession, but an expert in his or her own products and industry.

Why, then, are sellers entrusted to represent and protect the interests of the company at its most visible interactions and vulnerable moments with its customers? When facing customers, salespeople are trained to shine the light on the strengths of their products and services while exposing the weaknesses of their competitors. This "skill" might find its way into how they assess their own performance. Internally, sellers will often shine the light on the strengths of their own performance while blaming weaknesses in pricing or products when they underperform. There is some validity to this argument. However, we should not confuse predisposition to biases with capability to assess business performance. It is in fact the seller who is uniquely positioned to capture the nuances of the factors related to the outcome. If a seller works within a culture of continuous learning and knows that the information he captures and shares will help put more money in his pockets while growing a larger share of the pie for his company, he is apt to call it like it is, and will align with the spirit of the process, if not the letter.

It is important to note, however, that qualitative data collection is prone to seller bias. Sellers will often attribute wins at some level to their team's business prowess and to all the people who supported them on the road to victory. However, losses are often attributed to factors such as pricing, product deficiencies, partner weaknesses, and the like. It is estimated that for wins, 75% of the time sellers will cite their selling or account management skills as among the primary reasons. By comparison, they will cite themselves as a contributing factor in the loss only 25% of the time.[3]

When asked whom they trusted for competitive insights, sellers ranked their peers well above other sources such as partners, product managers, and even their own competitive intelligence departments.

Even so, this does not mean that important outcome insights are absent. We merely need to learn how to manage these biases. In later chapters, we will discuss why we must recognize, and even accommodate, these biases as they offer opportunities to uncover additional learning and insight. We'll also explore ways to discreetly neutralize seller bias while accurately revealing why deals are actually won or lost over time.

An interesting question to ask of sellers is whom *they* trust for information that helps them win deals. In an informal survey of over 200 salespersons, when asked whom they trusted for competitive insights, sellers ranked their peers well above other sources such as partners, product managers, and even their own competitive intelligence departments. The proliferation of information-sharing technologies and social networks also promotes a certain level of transparency and honesty. The expectation of peer review suggests the bias-neutralizing effect of providing information that is as accurate as possible, knowing that the primary consumers are those in their own role.

LISTEN TO THE CUSTOMER, TOO

Of course, many would argue that it is what the customer says that matters most, and ultimately it is! However, customers also have their biases and are not always forthcoming as to why you won or lost. Still, a seller may prefer to directly engage the customer if she sees an opportunity to mend strained relationships or build on executive-level relationships. Many customers and prospects who are in a position to provide feedback, especially in loss situations, simply avoid the exercise for fear of confrontation or having to explain their decision. Others may be under self-imposed nondisclosure as part of the request for proposal (RFP) conditions and process in an effort to continue receiving high-quality bids from the most reputable suppliers. The point is that there are many factors that can lead to biased customer feedback.

Conducting in-depth and direct postdeal customer debriefs is often facilitated by third-party consultants who specialize in this field. It is believed that a neutral party will entice the customer to reveal more than would be expected if directly approached by the sales team. These customer interviews usually go into great depth and detail and produce very insightful reports and analysis. Although consultants are positioned as neutral third parties, this does not guarantee unbiased feedback. The trained consultant can often detect bias and further probe in certain areas to cross-check other feedback for consistency.

DRIVING SCALE AND ACCURACY

The methods for conducting win/loss reviews advocated here apply to the spectrum of sales cycles of varying complexity and length—opportunities with short sales cycle time and simple buying decisions, or opportunities with longer cycles and more complex decision criteria. If we are to factor in simplicity, cost, timeliness, scalability and broad utility, getting post-opportunity feedback directly from the customer is not always a viable solution for gaining the insights within these constraints.

If your company manages a thousand opportunities over the course of a fiscal year, how many of these would you consider worth the effort to hire a third party to go and interview: ten (1%), or a hundred of them (10%)? As the numbers of interviews go up, so do the costs. At some point the costs of collecting, analyzing, and reporting this information become greater than the value delivered. And while the information and insights are likely to have great depth, the insights from a limited sample may not be consumable and available across a broad set of stakeholders.

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While offering greater depth and breadth of information, rarely will customer interviews offer the scale to derive statistically relevant results that can inform sales strategy and timely course correction. There may also be a lengthy gap between the time when the deal is won or lost and when the interview takes place and the information is analyzed and reported.

The audiences for the final reports generated by the customer interviews are often the senior leaders of companies who have the advanced skills and business acumen to understand them, and who are adept in interpreting complex analytics reports. The orientation and final recommendations from the reports may focus on only one group, for example, marketing managers or product managers. In some cases, the analysis is at such a depth that it may be difficult to interpret the insights in such a way that makes them actionable. Your author has experienced the spectrum of win/loss reviews and can attest to the variability in depth, quality, and intended audience.[4]

A NEW APPROACH

The information garnered from the seller-generated win/loss review process should complement, not replace, market and competitive intelligence reports, sales analytics, and direct customer interviews. However, it is important to differentiate between customer-engaged opportunity outcome reviews and those originated by the sales teams. For many who do not understand the approach, there is likely to be immediate suspicion raised at many levels. This reaction is natural as most customer feedback paradigms employed today (e.g., interviews, satisfaction surveys, focus groups, etc.) are still rooted in how business was historically done. The disruptive and transformative nature of information technology requires a new approach with the capabilities to reflect how business is being done *today*.

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The approach to win/loss reviews advocated here runs counter to conventional wisdom in the following fundamental ways:

Seller Generated versus Customer Debrief

Win/loss reviews depend primarily on the opportunity owner (individual or team) capturing and reporting relevant information on opportunity outcomes. As visualized in Figure 1.1, individual

FIGURE 1.1 Scale versus depth: Sellers generate high volumes of micro-intelligence. Customer interviews provide more depth but with lower volumes of micro-intelligence.

sellers or sales teams capture win/loss review information immediately after their own opportunity outcome is known. This contrasts with the lengthy but more detailed customer telephone interview that may be facilitated by a third party. For some, this will be difficult to accept, but our experience has repeatedly demonstrated that sellers actually do give the most accurate assessment of the forces affecting deal outcomes. Throughout the sales cycle, the seller is exposed to the buyer more than anyone else, and this information is often captured through the sales stages in the customer relationship management (CRM) system. As sellers' livelihoods depend on the customers they manage, it is in their interest to know everything about their customers and any environmental variables that can affect their performance with those customers.

A strategic or global account manager may have only one account to manage, and perhaps 90% of their time is spent actively managing that account and related activities. It is likely that they will have a great deal of knowledge about their customer; their decision-making criteria, competitors, and the orientation of key decision makers. Even if only 10% of their time is directed toward a particular customer, that is likely ten times more time than anyone else not directly associated with that account. As the seller orientation toward conducting win/loss reviews grows, what is expected from them will continue to improve, as will their outcome performance assessment.

Sales versus Marketing Orientation

The primary stakeholders being served by the win/loss reviews are the sales teams. Most often the point through which a customer engages with a company is through the front-line sellers. At this intersection, it makes sense that the seller is trained not only to deliver the value messages created by the product and marketing teams, but also to serve as the primary and ongoing conduit for customer feedback.

Through the several interactions that a seller has with his customer, facts, perceptions, and opinions are continually being exchanged between buyer and seller. Not only does this afford a more complete inventory of how the customer is reacting as you guide her through the buying cycle, but it also allows the seller to assess changes over time and to understand the sales dynamic. The seller is usually the one who best knows the *customer's customer* and can more accurately assess whether the solutions he is selling will help the customer meet *her* customer's demands. Understanding the customers that your customer serves adds a level of insight to what your customer's strategies are.

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Many consultants in the field of product marketing and competitive intelligence will focus on the marketing department as the primary customer for the insights gathered from win/loss reviews. This has its merits as there is often a stronger orientation toward product performance and differentiation. It may also depend greatly on whether sales, marketing, or engineering owns product development in their portfolio. Product development is more often finding its way under the office of the chief executive officer. By placing the seller at the center of the "internal customer" list, the process design stays more aligned to the objective of increasing win rates, at higher value per opportunity, and at higher margins (lower cost of sale). This does not mean, however, that marketing and product development teams and other stakeholders will not benefit. On the contrary, they have more to gain as they will now have stronger line-of-sight feedback from their customer base.

Process Enabled versus Consultant Dependent

Advances in process science and technological innovations are placing more relevant information into the hands of those who need it, when they need it. Traditionally, a marketer needing performance trend information around a given set of products when certain environmental conditions exists might wait for months for information that is aggregated, formatted, and delivered; only then would the marketer be able to analyze and draw conclusions. That same person today need not wait for months, or even days, as information is immediately available and consumable. Advances in analytic and data visualization techniques found in widely available and specialized software packages are now within reach of the everyday knowledge worker.

To draw a simple analogy, many reading this book will remember when camera film needed to be developed by taking it to a local drugstore or a photo processing lab, or by mailing order. Sometime later, the prints were received along with the negatives nicely packaged in an envelope. Perhaps two prints were ordered, or larger-sized prints with glossy or matte finishes. Technology and process today have made this paradigm nearly obsolete for the average consumer. Digital cameras and smart devices such as Apple's iPod and Microsoft's Windows Phone 7 have consumerized technologies to the point where one can take as many pictures as desired, discard the unwanted ones, color correct, and send through email or directly post to a favorite social networking site. The traditional intermediary value is now built in. Today, many of those same intermediaries have shifted their focus to provide products and services that may still be out of reach for most do-it-yourself consumers. Consumers greatly benefit by hiring the expertise of others who provide posters, photo books, personalized coffee mugs, and a whole array of unique and personalized gifts.

In business, technology enables the surfacing and collection of actionable insights through robust and relevant reporting and business intelligence (BI) processes. The right business logic can effectively link the information with those stakeholders who seek it whenever necessary. Consulting experts provide the advanced expertise by helping interpret the win/loss review data and triangulate the insights with other feedback mechanisms such as direct customer surveys and competitive intelligence reports.

Continuous Insights versus Periodic Reports

At the speed with which market forces change, it is critical that actionable insights be captured and shared as close to real-time as possible. Relying only on periodic summaries that surface your strengths and weaknesses may lead to strategies or tactics that are outdated or fail to address emerging threats or opportunities. The state of technology today allows automated capabilities such as performance trending and forecasting, early alerts against performance specifications, and other key performance indicators that are capable of being monitored on an ongoing basis. Figure 1.2 conceptualizes and compares the relative time between insights and results.

When relying only on scorecards, one is looking at only a part of the picture, and typically at lagging indicators. By design, *scorecards* are primarily used for performance *management*, comparing results against targets, perhaps on a quarterly or annual basis. *Dashboards*, however, are a performance *monitoring* tool designed

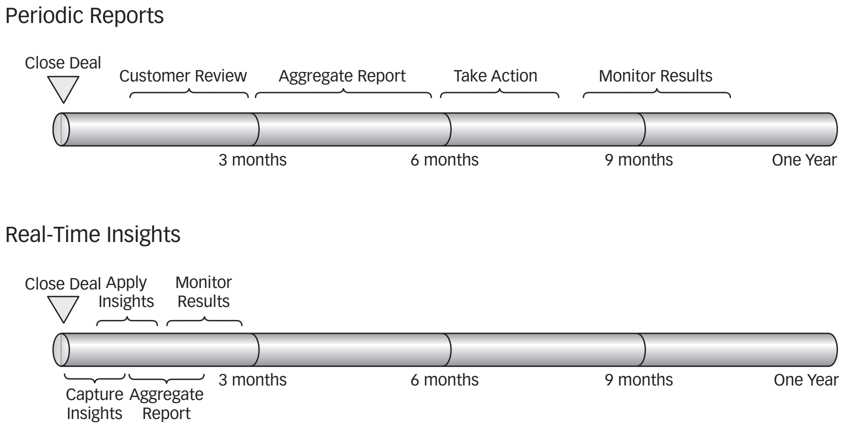

FIGURE 1.2 Time between Insights and Action

to look at a series of metrics that are in motion and moving relative to one another.

Using a metaphor that most adults are familiar with, every automobile has a dashboard, typically containing a speedometer, tachometer, fuel gauge, temperature gauge, oil pressure gauge, and charging system gauge. Each of these has some warning indicator, perhaps a sound or a light that signals that the systems they are monitoring are operating outside of safe operational limits. Failure to inspect a warning light, for example, might leave the motorist stranded on a highway. Typically, however, the responsible motorist takes immediate action to correct the condition causing the warning. Today, of course, automobiles can self-diagnose and even report warnings to their mechanic before the motorist knows that there is a problem. There may not even be a problem but a service light may remind the motorist to service the vehicle with proactive maintenance at regularly scheduled intervals.

Applying this concept to win/loss reviews is straightforward. The information received from customers through sales continuously feeds into the framework for capturing, analyzing, and reporting insights. Trends and other key performance indicators (KPIs) are continuously monitored for warning signals that permit corrective action on a timely basis.

Statistical Relevance versus Anecdotal Evidence

The ability to capture large volumes of relevant data makes it possible to scientifically test hypotheses about the dynamics driving your business. Establishing causal relationships between, for example, the win rates of a specific partner and those of a specific competitor might help a company by adjusting the partner strategies in a particular region. Or perhaps the testing revealed that in the western region, price/value was selected as a primary factor for winning, and that there were significant and sustained successes over a competitor that is stronger in other regions. With price being equal across all regions, knowledge of how the western region was delivering its value proposition might be portable to other regions. At the same time, statistics can also be instrumental in rejecting hypotheses that were previously based only on anecdotal evidence.

The ability to scale to a much wider set of opportunities, defined by predetermined business rules, allows for statistically relevant measurements, finer granularity, data stratification, and more accurate conclusions. A system that can harness large volumes of data that allow for hypothesis tests for causal correlations between factors and outcomes, or the interplay between the factors themselves, will provide the confidence needed to reach sound conclusions. Anecdotal insights revealed from direct customer interviews are more relevant to that specific customer and for a specific situation. Typically, too few customer reviews are conducted to achieve a sample size from which to derive sound, data-driven conclusions.

SUMMARY

- Knowing why a company wins or loses business is critical for driving business performance beyond organic growth.
- Several factors contribute to opportunity outcomes, many within our control, and understanding the correlations of these factors leads to actions that reduce risks.
- Relying too heavily on personal relationships does not scale and leaves the company vulnerable to strategic risks.
- Pricing is a common suspect for losing, but adjusting prices downward also downward-adjusts perceived value. Pricing strategies alone do not necessarily equate to winning more business.
- There are multiple approaches for conducting win/loss reviews, but the most commonly overlooked method is that which originates from the front-line sellers.
- Sellers today have deeper expertise in the area they represent, are more accustomed to consultative sales techniques, and have the clearest view to the customer's decision criteria.
- Biases in evaluating post-deal outcomes are present in all win/loss methodologies. Seller biases should be accommodated, but can later be neutralized.
- Sellers will typically trust information that is generated by their front-line peers over any other intelligence source.
- Customer interviews have their benefits and can be a part of the win/loss review information gathering process. These are typically facilitated by third-party consultants specializing in this area.
- Having a scalable process for win/loss reviews ensures that information is truly representative of the population, and not merely of a select few outcomes.
- The five key differentiators of field-generated win/loss reviews are that they originate from the seller, are oriented primarily from the sales point of view, are process enabled, provide continuous data and monitoring, and yield high volumes of data that permit hypothesis testing by statistical analysis.

NOTES

1. J. Surowiecki, *The Wisdom of Crowds* (New York: Anchor Books, 2005). The phenomenon of crowdsourcing brilliantly described in Surowiecki's book can be applied to win/loss reviews, as it places the emphasis on the individual for the micro-insights while aggregating these insights into macro views.
2. D. A. Mamet, *Glengarry Glen Ross*. This 1982 play (later made into an iconic film) portrays the sales agents and their manager resorting to illegal and unethical sales practices.
3. Richard M. Schroder, *From a Good Sales Call to a Great Sales Call* (New York: McGraw Hill, 2011).
4. Perhaps it is a characteristic quality of this relatively nascent area of business intelligence that it creates confusion around what is actually meant by win/loss reviews. This is compounded by some variations in terminology. *Win/loss reviews* and *win/loss analysis* are often used interchangeably to describe the general process of conducting post-opportunity outcome collection and analysis. A quick Internet search on the topic shows many areas where this discipline applies. In addition to considering the application for post-opportunity outcomes, it can be found in understanding website purchase behaviors, sports events (e.g., baseball and horseracing), and gaming (e.g. casino table games).